

2009 SENATE FINANCE AND TAXATION

SB 2215

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2215

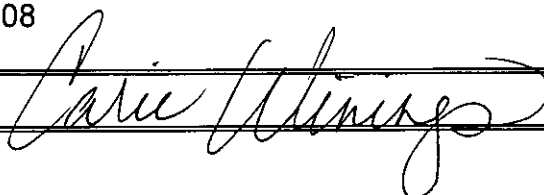
Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 01/21/2009

Recorder Job Number: 7408

Committee Clerk Signature



Minutes:

**Chairman Cook:** Opens hearing on SB 2215.

**Keith Lauer, Director of the Gaming Division with the Attorney General's Office:** See attachment #1 for testimony in support.

**Senator Anderson:** The state licenses the games of chance, and that is what we call the "licensed" organization?

**Keith Lauer:** Correct

**Senator Anderson:** When I am a non-profit and it is going for charitable causes, that is not licensed, and that is not affected at all?

**Keith Lauer:** Correct

**Chairman Cook:** Are you thinking like an Eagle's Club when you say charitable organization?

**Senator Anderson:** On a licensed one you mean?

**Keith Lauer:** We have about 350 organizations that operate gaming on an ongoing basis, although some of those only operate for a couple of days.

**Senator Dotzenrod:** Looking at the top of page 4, you have added 4 words "on a licensed organization", am I understanding that by putting those 4 words in there, what we are

essentially doing is leaving out and dropping from consideration for taxes this group of people or organizations you have in your testimony?

**Keith Lauer:** That is correct. We are only trying to get rid of the 300 out of about 2,000 groups that have a local permit and turn in taxes for bingo.

**Senator Dotzenrod:** These groups, are they the ones that are responsible for the 10.5 million that was collected in gaming and excise taxes?

**Keith Lauer:** Yes, with the exception of the \$6,638 from the local taxes.

(Gives figures on local newsletter for pull tabs, gaming, and bingo taxes to come to the 10.5)

**Chairman Cook:** The ones dropping out of this tax policy were not supposed to be there anyways, correct?

**Keith Lauer:** Correct, I thought the language really only meant licensed organizations anyways, but there needed to be clarification.

**Senator Hogue:** If we pass 2215 and kill 2190 we are accomplishing what the Attorney General wants.

**Keith Lauer:** 2190 only covered about 1/3 of the people we are trying to eliminate, and 2215 covers them all.

**Senator Anderson:** Motioned for a DO PASS.

**Vice Chairman Miller:** Seconded the motion.

**A Roll Call Vote was taken. Yea: 7, Nay: 0, Absent: 0**

**Senator Dotzenrod will carry the bill.**

**FISCAL NOTE**  
**Requested by Legislative Council**  
01/15/2009

Bill/Resolution No.: SB 2215

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	(\$13,366)	\$0	(\$13,366)	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill requires only licensed gaming organizations to pay excise taxes and file tax returns with the Office of Attorney General, which exempts local permit holders from paying the tax. This bill defines gaming net income, which is referred to in statute but not previously defined.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

This bill will reduce by \$13,366 the excise tax revenue deposited in the general fund, which averages \$22 per local permit holder. The cost to collect this minimal tax from individual permit holders does not warrant the time and effort to collect the taxes.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

This bill will reduce by \$13,366 the excise tax revenue deposited in the general fund.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

N/A

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

N/A

<b>Name:</b>	Kathy Roll	<b>Agency:</b>	Office of Attorney General
<b>Phone Number:</b>	328-3622	<b>Date Prepared:</b>	01/20/2009

Date: 01/21/09

Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. : 2215

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken ☒ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Senator Anderson Seconded By Senator Miller

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman	<input checked="" type="checkbox"/>		Sen. Arden Anderson	<input checked="" type="checkbox"/>	
Sen. Joe Miller - Vice Chairman	<input checked="" type="checkbox"/>		Sen. Jim Dotzenrod	<input checked="" type="checkbox"/>	
Sen. David Hogue	<input checked="" type="checkbox"/>		Sen. Constance Triplett	<input checked="" type="checkbox"/>	
Sen. Dave Oehlke	<input checked="" type="checkbox"/>				

Total: Yes 7 No 0

Absent 0

Floor Assignment Senator Dotzenrod

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
January 21, 2009 12:51 p.m.

**Module No: SR-12-0648**  
**Carrier: Dotzenrod**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2215: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2215 was placed on the Eleventh order on the calendar.**

2009 HOUSE FINANCE AND TAXATION

SB 2215

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2215

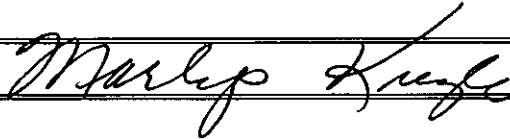
House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 3, 2009

Recorder Job Number: #10027

Committee Clerk Signature



Minutes:

**Chairman Belter:** Opened the hearing for SB 2215

**Keith Lauer:** The Director of the Gaming Division of the Attorney General's Office.

Testimony attachment #1

**Chairman Belter:** When you talk about any of these small organizations do they have a regularly scheduled Bingo organization operation?

**Keith Lauer:** There are two ways you can do charitable gaming in the state of North Dakota.

1. There are two types of permits, local permit and charitable local permit. Any Local Permits are approved only by the cities and counties where the activities are going to be conducted and the prizes cannot exceed \$12,000.00 and the primary prize cannot exceed \$2,500.00. These are for bingo and raffles at Churches, schools and others.
2. If you above these prize levels you must go to the state license. That is your charitable prize such as pull tabs ect. These are what are in the participating bars around the state. These are not available to local permit holders.

**Rep Wrangham:** Made a motion to Do Pass.

**Rep Drovdal:** 2<sup>nd</sup> the motion.

**Do Pass on 2215 with 12 yes 0 no and 1 absent.**



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House Finance and Taxation Committee

Bill/Resolution No. SB 2215

Hearing Date: March 3, 2009

**Rep Scott Kelsh:** Carried the bill to the floor.

Date: March 3, 2009

Roll Call Vote #: 1

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 2215**

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken ☒ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Wrangham Seconded By Drovdal

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	/		Representative Froelich	/	
Vice Chairman David Drovdal	/		Representative Kelsh	/	
Representative Brandenburg	/		Representative Pinkerton	/	
Representative Froseth	/		Representative Schmidt	/	
Representative Grande	/		Representative Winrich	/	
Representative Headland	/				
Representative Weiler	/				
Representative Wrangham	/				

Total (Yes) 12 No 0

Absent 1 (Froelich)

Floor Assignment Scott Kelsh

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
March 3, 2009 1:06 p.m.

**Module No: HR-38-3927**  
**Carrier: S. Kelsh**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2215: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO PASS (12 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2215 was placed on the Fourteenth order on the calendar.**

2009 TESTIMONY

SB 2215

**TESTIMONY ON SENATE BILL NO. 2215**

By Keith Lauer, Gaming Division, Office of Attorney General

Senate Finance and Taxation Committee  
January 21, 2009

My name is Keith Lauer. I am Director of the Gaming Division of the Attorney General's Office. I am testifying on behalf of the Attorney General's Office in support of Senate Bill No. 2215, and will describe the provisions of this bill.

- Section 1 of the bill is general housekeeping to section 53-06.1-01 of the North Dakota Century Code entitled "Definitions" of the North Dakota Games of Chance law.

This change is necessary to add a definition of "Net income" which is referenced three times in subsection 1 of section 53-06.1-03 (Permits, site authorization, and licenses) but is never defined in the chapter.

The first reference indicates that an organization shall disclose on the application for a local permit or charity local permit the intended use of the "net income" from the gaming activity.

The second reference indicates that an organization that has a local permit may use the "net income" from the gaming activity for any purpose that does not violate the games of chance laws or administrative rules.

The third reference is that an organization that receives a charity local permit shall disburse the "net income" to an eligible use as defined in the games of chance law and shall file a report prescribed by the attorney general with both the local governing body that issued the permit and the attorney general.

- Section 2 of the bill amends and clarifies that excise taxes on pull tabs and bingo cards applies to licensed organizations only. This language is identical to

subsection 1 of section 53-06.1-12 (Gaming and excise taxes – Exception – Deposits and allocations) which imposes a 5 - 20% gaming tax on adjusted gross proceeds earned by licensed organizations each quarter.

During fiscal year ended June 30, 2008, approximately 300 organizations or groups of people obtained local permits and charity local permits to conduct bingo in which our division collected \$6,682.91 in bingo excise taxes. This averaged about \$22 per permit issued and because the organizations and groups of people were unfamiliar with the new bingo excise tax (3% of gross sales of bingo cards) it required our office to issue collection letters and answer numerous telephone calls related to the collect of this new tax.

Based on the limited amount of revenue collected from these small organizations including school PTO's, volunteer fire departments, senior citizen groups, booster clubs, and church groups, our division believes that this is not an efficient use of our time. Staff time could be better spent assuring proper tax collection from larger licensed organizations that operate charitable games of chance on a daily basis in bars and bingo halls around the state. During the most recent fiscal year, nearly \$10.5 million was collected from gaming and excise taxes making the collection of bingo excise tax from local permit holders an insignificant tax collection effort.

- Section 3 of the bill amends and clarifies that only licensed organizations are subject to the assessment of interest, penalty, assessment of estimated tax, and may be set up on an installment plan for the collection of delinquent tax, interest, and penalty.

Our office would appreciate a do pass vote on Senate Bill No. 2215. I would be happy to answer any questions.

TESTIMONY ON SENATE BILL NO. 2215

*attachment #1*

By Keith Lauer, Gaming Division, Office of Attorney General

House Finance and Taxation Committee  
March 3, 2009

My name is Keith Lauer. I am Director of the Gaming Division of the Attorney General's Office. I am testifying on behalf of the Attorney General's Office in support of Senate Bill No. 2215, and will describe the provisions of this bill.

- Section 1 of the bill is general housekeeping to section 53-06.1-01 of the North Dakota Century Code entitled "Definitions" of the North Dakota Games of Chance law.

This change is necessary to add a definition of "Net income" which is referenced three times in the chapter but is not defined.

- Section 2 of the bill amends and clarifies that excise taxes on pull tabs and bingo cards applies to licensed organizations only. This language is the same as subsection 1 of section 53-06.1-12 (Gaming and excise taxes – Exception – Deposits and allocations) which imposes a 5 - 20% gaming tax on adjusted gross proceeds earned by licensed organizations each quarter.

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- Section 3 of the bill amends and clarifies that only licensed organizations are subject to the assessment of interest, penalty, assessment of estimated tax, and may be set up on an installment plan for the collection of delinquent tax, interest, and penalty.

Our office would appreciate a do pass vote on Senate Bill No. 2215. I would be happy to answer any questions.