

**2013 HOUSE FINANCE AND TAXATION**

**HB 1222**

# 2013 HOUSE STANDING COMMITTEE MINUTES

## House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1222  
January 22, 2013  
Job #17508

Conference Committee

Committee Clerk Signature

*Mary Bruker*

### Explanation or reason for introduction of bill/resolution:

A Bill relating to a sales and use tax exemption for clothing.

### Minutes:

*Attached testimony #1.*

**Chairman Belter:** Opened hearing on HB 1220.

**Representative Glassheim:** Introduced bill. See attached testimony #1. HB 1222 takes the sales tax off of clothing and replaces the money lost by cities, counties, and localities from the general fund for a total of about \$45 million. This bill is primarily a tax reduction bill. If you compare the savings by income category with the governors proposed income tax reduction from sales tax on clothing you can see that 289,000 filers out of 336,000 or 86% of the filers tend to get more tax relief from taking the sales tax off clothing then from the income tax relief that is proposed by the governor. I think we should exempt clothing from taxation for the same reason we exempt food now. It's a necessary item that everyone needs and uses. Clearly it's not as essential as food but in a time when we are looking at ways to reduce the tax burden on people it's probably next in line to look at. You certainly can't go without warm clothing and shoes in North Dakota weather any more than you can go without food to eat. We already exempt groceries that would have brought in about \$75 million a biennium; we exempt prescription drugs, eyeglasses and hearing aids also as needed items. The next common necessity that everybody has is clothing and since we are in a position to lower taxes I think this would be a good one to take off. There's also an economic advantage for North Dakota retail in taking the tax off clothing. Clothing stores in North Dakota are competing with online retailers who don't pay any tax on clothing. I have no data on this but a 6 ½% on line price advantage has to mean something to buyers. Online sales now account for 5.6% of all retail sales and they've been growing at 10% a year in the past few years as opposed to brick and mortar retail at 2% in the past few years. In addition, if you're buying an expensive dress or suit or something a 6 ½% tax advantage certainly helps pay for a trip to Minneapolis to shop there. Also with the Canadian dollar being strong Grand Forks, Minot, Fargo, and Bismarck could see some additional Canadian draw for a 6 ½% decrease in the cost of clothing. Though you can't calculate it is logical to assume that the state would not lose all the clothing sales tax money it exempts. People would spend the money saved on sales tax for clothing on other taxable items. Canadian shoppers might come for clothing but spend on other items.

Even without being to calculate added revenue it stands to reason that increased economic activity would follow from a reduction in sales tax on clothing.

**Representative Marie Strinden:** I'm sure we've all heard in the news the Minnesota is considering adding sales tax back on clothing. Could you illustrate how that would help especially Fargo and Grand Forks?

**Representative Glassheim:** I would certainly welcome them adding sales tax. Not only would it make us equal to them but it would give us a competitive advantage. I would anticipate an additional clothing purchases in Grand Forks, Fargo, and Minot. In terms of Minnesota I would anticipate additional people would be coming here for that 4-7% or whatever Minnesota puts on.

**Representative Klein:** Don't some states have a holiday for a week or two week time for clothing? Have you thought about that?

**Representative Glassheim:** I wanted to propose that last session but as I thought about it and talked to people I was convinced that you're just shifting. If people know there's a holiday they won't buy the week before and they will buy that week so you're just shifting the amount of revenues and the costs. It's a nice thing to do for back to school but it would probably equal out. It would be a benefit to people and it's something we could consider. I don't think retailers even like that because they have to change their reporting and calculations and things like that.

**Representative Drovdal:** In my town we don't have a men's clothing store so I have to shop in Williston or another bigger town. I didn't get to vote on your sales tax and now you're saying that if we exempt this the state is going to reimburse those subdivisions who put a tax on without our votes. What's fair to me about that?

**Representative Glassheim:** The larger issue about what's fair about a tax wherever you go? It's 10% in New York and you didn't vote for it. Any place you go they have their own local methodology and you're always welcome not to shop there if you don't like the tax. That tax is because it's more expensive to run their governments; their streets, sewers, water, and things.

**Representative Drovdal:** It appeared to me that whenever they put these taxes on they always promote it for economic developments to bring new businesses in so they take business away from my little community not for property tax relief. Your answer really was that for me to suck it up and pay it.

**Representative Glassheim:** I couldn't put it better myself. You can look at things in a narrow way or you can look at it more broadly. Money that goes into economic development creates jobs that perhaps children from your small town will benefit from. Some of the economic benefits then come back to the state in taxes, income, sales, and other taxes and that's shared and we don't ask where they're coming from or where they're going.

**Representative Trotter:** I like this bill in that it cuts taxes for everybody. In the bill on page 3 lines 4-7 if it's for lower income people it leaves in the tax on knitting needles, patterns, pins, scissors, and so forth that supposedly lower income people make their own clothes and it takes it out of there. That's a very small matter in this situation but it's just something that stuck out.

**Representative Glassheim:** My understanding is that all these things are in the code. You really can't change them. Low income people would benefit greatly because of the clothing benefit.

**Representative Klein:** I see on page 3 that you've already eliminated fur clothing. Did you copy this from somewhere or is this part of your environmental background?

**Representative Glassheim:** Because of global warming we don't need fur clothes. It's just copied from somewhere.

**Representative Marie Strinden:** How would it affect the bill if we would amend it so that it would only take away state taxes and we didn't have to worry about the fairness Representative Drovdal was talking about?

**Representative Glassheim:** That would bring 123 city entities here to attack you. It would be the state then taking away revenue. Local entities already bonded in terms of sales tax revenue so it would be very unfair to the local districts to do away with that \$9 million. The state would be passing a law to remove money from entities that already have a 1 or 2% tax of their own. It has to piggyback; you can't just charge the local amount on sales tax on clothing.

**Representative Marie Strinden:** So is there no state sales tax on clothing, is it only local?

**Representative Glassheim:** No it is both local and state tax. This is asking to remove the state exemption on clothing sales tax and also to reimburse the cities and counties that have a sales tax for their losses if the state removes the tax on clothing.

**Representative Marie Strinden:** Could we take out the state sales tax on clothing but not reimburse communities and let them keep taxing?

**Representative Glassheim:** We can and in the 2009 version of this it was done. The citizens were upset because if you use sales revenue to back bonds they would then lose it if we didn't reimburse it. It would cause a major shake-up so this is why the money was put in there. I'm not even sure you could do this because of the national sales tax.

**Chairman Belter:** Any other testimony in support of 1222?

**Mike Rud, North Dakota Retail Association:** On behalf of our 400 members there is definitely interest in this bill and always has been. I would ask for your support. It could mean a lot to the state. The information I received yesterday that if Minnesota puts a tax on clothing it would be about a \$300 million hit so I think it would open some doors for some opportunity across North Dakota.

**Vice Chairman Headland:** Whenever I'm in Fargo with my wife shopping every store is filled with people shopping. If Minnesota puts a tax on their clothing I don't see why that would change. I think it would push more people from Minnesota over to North Dakota because they are already coming.

**Mike Ruud, North Dakota Retail Association:** You make a great point. I think we're in a great state and the economy is booming but I still think it's an opportunity to see some more expansion in our eastern borders and bring some of those people who in the past have gone to Minneapolis for their Christmas shopping and keep them in state because they feel like they can save money by going that direction.

**Vice Chairman Headland:** In Representative Glassheim's handout he indicated that a family income of \$50,000 - 100,000 the savings he is projecting is less than \$100 per family and on the lower income range it's less than \$50. Do you think people would really recognize the tax relief this would provide them or are we better suited to provide broad tax relief in other ways to everyone?

**Mike Ruud, North Dakota Retail Association:** I would leave that up to your discretion. I think anything you can do that's a tangible decrease is a great thing.

**Representative Drovdal:** I understand where you're coming from. I don't understand why there would be a \$300 million hit.

**Mike Ruud, North Dakota Retail Association:** The \$300 million would come from Minnesota and that would be what it would cost them if they put the sales tax on clothing.

**Representative Drovdal:** You're saying the \$300,000 million hit is to Minnesota not to us?

**Mike Ruud, North Dakota Retail Association:** That is correct.

**Representative Froseth:** It seems that it would be awfully confusing for sales clerks determine which is taxed and which isn't. On page 1 it provides with a list of items then on page 2 it includes a list that isn't provided. It seems to me that it is going to be confusing to the average store clerk to determine what is taxed and what isn't.

**Mike Ruud, North Dakota Retail Association:** I think you make a great point. I had this discussion with the attorney general this past fall and he agrees this bill is a mish mash. When that bill was drafted many years ago whoever wanted to get something in there came and put it in. I can't speak to how the bill was written I can just tell you that with our point of sales equipment that we have our big stores would benefit from this and I think they could figure it out pretty easily what is taxed and what isn't.

**Chairman Belter:** Further testimony in support to 1222? Any opposition to 1222?

**Connie Sprynczynatyk, North Dakota League of Cities:** I hesitate to offer even the mildest opposition. In the past we have looked at this and the league has opposed sales tax exemptions. If you look in the tax code lately you'll know that we have many pages of

exemptions. A while back in an interim study when sales tax wasn't common the interim committee looked at what would the effect of sales tax rate be if we removed all the exemptions. The answer was we could drop the state rate to 3% and collect the same amount of revenue. This adds yet another exemption. Our local taxation is tied to the state list and it can't be taxed at the local level. There would be a concern of the legislative appropriation process in the future so I think the locals have been content to ask the voters what they will approve then apply that effective rate. If collections go up then fine and if they go down then deal with it. The three most common uses when we've surveyed cities about their use of local sales tax is economic development, property tax reduction, and infrastructure.

**Vice Chairman Headland:** You mentioned sales tax in cities is being used for property tax reduction. Can you give an example of a city that has lowered property taxes and replaced it with a sales tax or are we just to assume that sales tax is added and it helps keep property taxes from rising?

**Connie Sprynczynatyk:** The latter is sometimes the case. The home rule charter in Bismarck is specified to a 25 mill property tax reduction. I can't tell you how many other cities do it that way.

**Representative Marie Strinden:** If this were to go into effect then localities wouldn't be able to raise sales tax anymore?

**Connie Sprynczynatyk:** If a state exempts an item it removes that item from taxable sales at the local level. We are tied to the state's schedule.

**Chairman Belter:** Any other testimony in 1222? Myles, would you quickly walk the committee through and explain the list of items taxed and not taxed.

**Myles Vosberg, Director of Tax Administration Division of the tax commissioner's office:** The definition you see in this bill has been adopted by the streamline sales tax organization. There's a general definition of clothing and subgroups of items or clothing like the clothing accessories. The fur clothing and protective equipment are subdivisions of clothing. Under the streamline agreement any of those subdivisions can be taxed differently as far as being exempt or taxable than general clothing. For example, a state can exempt clothing and still tax for clothing or clothing accessories or you can tax clothing and exempt any of the sub categories such as fur clothing or accessories and so on. When this definition was put together there was discussion with all the states that were participating or had experience with what is difficult to determine and whether it is clothing or not clothing and everyone's definition was a little bit different. They tried to come up with a definition that is intended to be descriptive enough to cover those areas that might be questionable as to whether they would fit in to the clothing definition or not. In this bill clothing in general would be exempt in tax but clothing would not include for purposes of exemption clothing accessories, fur clothing, protective clothing, or sport/recreational equipment. In other words those sub categories would all remain taxable. If you choose you could change those.

**Representative Froseth:** A lot of the clothing is now sporting clothing and every day wear. So how are you supposed to know if it's taxed or not?

**Myles Vosberg:** The beginning definition on the bottom of page 1 line 14 it means human wearing apparel suitable for general use. If you have a snowmobile jacket and people wear them every day it would be considered clothing because it is also for general use. If you look at the definition of the sporting or recreational equipment it's more things that aren't worn on a regular basis such as goggles, ballet shoes, life preservers, roller skates, and those types of things you don't wear for everyday use.

**Representative Owens:** One of the supporting arguments is that if we do this we may see more Canadian dollars but is it not true that while they pay sales tax at the point of sale they can then fill out a form and get a refund on all sales tax?

**Myles Vosberg:** That is correct. Not only on clothing but on anything a Canadian resident purchases they are eligible to apply for a refund of both the state and the local tax.

**Representative Owens:** It was also argued that you don't pay sales tax for online clothing but as you stated these definitions that have streamlined sales tax which is an agreement for companies that have voluntarily become part of that to do that very thing and pay sales tax, is that right?

**Myles Vosberg:** I think what's key here is who is responsible for collecting tax. Only businesses that have a physical presence in North Dakota are required to collect our tax. If I order a suit online from a company that doesn't have a store or presence here they are not going to charge me tax. I have an obligation to report that purchase and remit the tax to the tax department but most people don't do that so we lose the revenue there.

**Representative Owens:** It was mentioned that \$45 million for the cost of this would include the reimbursements to the cities and counties, is that correct?

**Myles Vosberg:** The revenue loss is \$39 million and another appropriation of \$9.5 million to be paid out to the locals.

**Chairman Belter:** This covers the .4 of 1% too?

**Myles Vosberg:** That is correct. If you look at the fiscal note there is \$3.12 million that would normally go to the state aid distribution fund that is a portion of the \$39 million.

**Chairman Belter:** Any other questions?

**Myles Vosberg:** I have a few administrative concerns on this bill too. On page 1 line 11 on the bill it indicates the tax commissioner shall make an annual payment to the locals. The tax commissioner doesn't write the checks that would be the treasurer's office so I think that language needs to be amended. There needs to be a calculation of a share that goes back to the locals that the tax commissioner's office be required to make that calculation and certify that to the state treasurer's office then the state treasurer would actually make the payments. Related to that the bill doesn't indicate when the payment should be made it just

says annually and it doesn't say what information the proration should be calculated on; the previous calendar year or the previous fiscal year or something to that affect. Say the payment would be in June then perhaps it should be based on the previous calendar year revenue that's been generated by the states and locals or something to that affect.

**Chairman Belter:** When this bill goes into effect the first payment would be based on previous years estimate?

**Myles Vosberg:** On page 4 of the bill where the appropriation is for \$9.5 million it says there's an allocation in two annual equal installments but it doesn't say when that should be made. Nor does it say what the calculation should be based on. There should be some clarification on this in the bill. The other comment I have is on the first page of the bill where it talks about the tax commissioner shall make annual payments that would become a permanent portion of the law but the appropriation is only for a two year period so there's a disconnect there if the appropriation isn't made in the following biennium. We'd be happy to help with some amendments if you'd like.

**Chairman Belter:** Maybe you and Representative Glassheim could work on those. Any other questions of the tax department?

**Jeb Oehlke, State Treasurer's Office:** I just wanted to echo the recommendations of Mr. Vosberg on the bill.

**Chairman Belter:** No further testimony so hearing was closed on HB 1222.



# 2013 HOUSE STANDING COMMITTEE MINUTES

## House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1222  
January 30, 2013  
Job 18025

Conference Committee

*Kristi Helmler*

### Explanation or reason for introduction of bill/resolution:

A Bill relating to a sales and use tax exemption for clothing; to provide an appropriation; and to provide an effective date.

### Minutes:

*Amendment*

**Chairman Belter:** Opens HB 1222

**Myles Vosberg:** Explains the amendment

**Chairman Belter:** That number that the Tax Commissioner calculates would be based on records that the individual retailer sends in.

**Myles Vosberg:** That would be based straight tax collections reported by the cities, previous calendar year.

**Chairman Belter:** The payments that are made to the cities and counties would actually be based on the previous years?

**Myles Vosberg:** Total collections, not really tied to the clothing sales because there was no source of information for that. Straight allocation based on total sales tax that each county and city collects.

**Chairman Belter:** That's kind of guess.

**Myles Vosberg:** Absolutely, there isn't any way of knowing how much clothing is being sold by each community from our records.

**Chairman Belter:** There are a lot of small towns that no longer have clothing stores, would they get money back?

**Myles Vosberg:** They are going to get something out of this bill. A small town may have small amounts of clothing, like gloves, hats, t-shirts.

Representative Owens: Out of all the exemptions we have for sales and use tax on the books right now, how many of them do we reimburse the cities and counties for?

Myles Vosberg: This would be the first.

Representative Hatlestad: All the taxable sales that my city and county did during the year, I would get reimbursed for them under this?

Myles Vosberg: This is supposed to represent the best method we could come up with is the tax on clothing sales that is fore gone by the local entities, because when we exempt clothing for state purposes it would also exempt it for cities and counties.

Representative Kelsh: It looks like the appropriation is made for one biennium, is that correct? The exemption continues beyond one biennium, is that correct?

Myles Vosberg: The amendment deals with that by creating this new fund and continuing appropriation that withholds the money from the general fund.

Representative Drovdal: The bill is brought to us as a stimulant for business by exempting clothes from sales tax, this amendment says it will make the bill so that we will exempt clothing sales tax to save the tax payers and then we are going to reimburse them for money we collected out of the general fund?

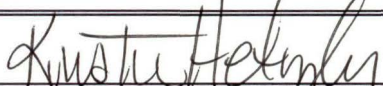
Myles Vosberg: That is exactly correct.

# 2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

HB 1222  
February 6, 2013  
Job 18432

Conference Committee



## Explanation or reason for introduction of bill/resolution:

A Bill relating to sales and use tax exemption for clothing; to provide an appropriation; and to provide an effective date.

## Minutes:



**Chairman Belter:** Opens HB 1222

**Representative Klein:** Made a motion to move the amendment.

**Representative Zaiser:** Seconded.

## Discussion:

**Vice Chairman Headland:** The 4.85 million dollars referenced in the amendment and is just guess and an estimate. I oppose the amendment.

**Representative Owens:** During the testimony I asked the tax department, how many of all of our sales tax exemptions do we reimburse the cities and counties for. I also oppose.

Audio went out temporarily.

**Rep Klein:** Motion to adopt (Glasheim) Amendment.

**Rep Zaiser:** Second.

Vote:

**Yes:** 10

**No:** 4

**Absent:** 0

**Rep Zaiser:** Motions a Do Pass as Amended.

**Rep Kelsh:** Seconds.

**Yes:** 2

**No:** 10

**Absent:** 0

**Motion Failed.**

**Rep Drovdal:** Motions Do Not Pass

**Rep Klein:** Second.

**Yes:** 12

**No:** 2

**Absent:** 0

**Carried by:** Rep Klein.

**FISCAL NOTE**  
**Requested by Legislative Council**  
**02/07/2013**

Amendment to: HB 1222

- 1 A. **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.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(35,880,000)	\$6,580,000		
Expenditures			\$9,700,000			
Appropriations						

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

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

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

Engrossed HB 1222 provides a sales tax exemption for clothing.

- 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.*

Section 1 of Engrossed HB 1222 defines clothing exempted from sales tax. The bill also creates the home rule charter sales tax reimbursement fund.

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.*

If enacted, Engrossed HB 1222 is expected to reduce state general fund and state aid distribution fund revenues by an estimated \$39 million in the 2013-15 biennium. Cities and counties that impose local sales taxes would also be required to exempt clothing. This is expected to reduce local sales tax collections by an estimated \$9.7 million in the 2013-15 biennium.

- 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.*

Section 1 of Engrossed HB 1222 creates the home rule charter sales tax reimbursement fund that will receive \$9.7 million from the state general fund each biennium to be allocated among cities and counties as reimbursement for the loss in local sales tax revenue from the clothing exemption. This will increase state general fund expenditures by \$9.7 million, and increase revenue to the home rule charter sales tax reimbursement fund by \$9.7 million. (The "other funds" revenue in 1A also includes a drop in SADF revenues of \$3.120 million for the 2013-15 biennium)

- 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.*

Section 2 contains an appropriation of \$9.5 million from the state general fund to the tax commissioner to facilitate payments to cities and counties for lost sales tax revenue due to the exemption for clothing.

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 02/08/2013

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/15/2013**

Bill/Resolution No.: HB 1222

- 1 A. **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.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			\$(35,880,000)	\$(3,120,000)		
<b>Expenditures</b>						
<b>Appropriations</b>			\$9,500,000			

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

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
<b>Counties</b>			
<b>Cities</b>		\$(200,000)	
<b>School Districts</b>			
<b>Townships</b>			

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

HB 1222 provides a sales tax exemption for clothing.

- 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.*

Section 1 of HB 1222 defines clothing exempted from sales tax and provides the method by which the tax commissioner will allocate an amount appropriated by this bill among cities and counties that impose local sales 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.*

If enacted, HB 1222 is expected to reduce state general fund and state aid distribution fund revenues by an estimated \$39 million in the 2013-15 biennium. Cities and counties that impose local sales taxes would also be required to exempt clothing. This is expected to reduce local sales tax collections by an estimated \$9.7 million in the 2013-15 biennium. Section 2 of HB 1222 appropriates \$9.5 million from the state general fund to be allocated among cities and counties; therefore, the net effect is a small reduction in local revenue, estimated to be \$200,000 for the 2013-15 biennium.

- 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.*

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.*

Section 2 contains an appropriation of \$9.5 million from the state general fund to the tax commissioner to facilitate payments to cities and counties for lost sales tax revenue due to the exemption for clothing.

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 01/19/2013



February 6, 2013

VK  
2/7/13

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1222

Page 1, line 2, replace "an" with "a continuing"

Page 1, remove lines 9 through 13

Page 4, after line 28, insert:

"7. Notwithstanding any other provision of law, the state treasurer shall deposit in the home rule charter sales tax reimbursement fund, which is hereby created, a portion of the sales and use taxes collected under this chapter and chapter 57-40.2, equal to four million eight hundred fifty thousand dollars. The deposit to the fund must be made no later than July thirty-first of each year for the purpose of offsetting the reduction in city or county revenue lost from the exemption in this section. The revenues deposited in the home rule charter sales tax reimbursement fund are provided as a standing and continuing appropriation for distribution by the state treasurer no later than August thirty-first each year, in the amounts as certified by the tax commissioner, to the home rule cities and counties that impose a sales, use, or gross receipts tax. No later than June thirtieth of each year, the tax commissioner shall certify to the state treasurer the annual allocation of funds to the cities and counties prorated in proportion to the respective shares of each city and county in respect to total annual statewide city and county home rule sales, use, or gross receipts tax collections in the previous calendar year."

Page 4, remove lines 29 through 31

Page 5, remove lines 1 and 2

Renumber accordingly

Date: 2-6-13  
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1022**

House Finance and Taxation Committee

Check here for Conference Committee

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

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment *Glasheim*  
 Rerefer to Appropriations  Reconsider

Motion Made By Rep. Klein Seconded By Rep. Zaiser

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Rep. Scot Kelsh	<input checked="" type="checkbox"/>	
Vice Chairman Craig Headland		<input checked="" type="checkbox"/>	Rep. Steve Zaiser	<input checked="" type="checkbox"/>	
Rep. Matthew Klein	<input checked="" type="checkbox"/>		Rep. Jessica Haak	<input checked="" type="checkbox"/>	
Rep. David Drovdal		<input checked="" type="checkbox"/>	Rep. Marie Strinden	<input checked="" type="checkbox"/>	
Rep. Glen Froseth	<input checked="" type="checkbox"/>				
Rep. Mark Owens		<input checked="" type="checkbox"/>			
Rep. Patrick Hatlestad	<input checked="" type="checkbox"/>				
Rep. Wayne Trottier	<input checked="" type="checkbox"/>				
Rep. Jason Dockter	<input checked="" type="checkbox"/>				
Rep. Jim Schmidt	<input checked="" type="checkbox"/>				

Total (Yes) 10 No 4

Absent -

Floor Assignment Rep

If the vote is on an amendment, briefly indicate intent:  
~~Voice Vote~~  
Motion Carried

Date: 2-6-13  
 Roll Call Vote #: 2

**2013 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1222**

House Finance and Taxation Committee

Check here for Conference Committee

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

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Rep. Zaiser Seconded By Rep. Kelsh

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter		✓	Rep. Scot Kelsh	✓	
Vice Chairman Craig Headland		✓	Rep. Steve Zaiser	✓	
Rep. Matthew Klein		✓	Rep. Jessica Haak		✓
Rep. David Drovdal		✓	Rep. Marie Strinden		✓
Rep. Glen Froseth		✓			
Rep. Mark Owens		✓			
Rep. Patrick Hatlestad		✓			
Rep. Wayne Trottier		✓			
Rep. Jason Dockter		✓			
Rep. Jim Schmidt		✓			

Total (Yes) 2 No 12

Absent -

Floor Assignment -

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

*Motion ~~down~~  
Failed*

Date: 2-6-13  
Roll Call Vote #: 3

2013 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1222

House Finance and Taxation Committee

Check here for Conference Committee

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

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Rep. Droudal Seconded By Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter	✓		Rep. Scot Kelsh		✓
Vice Chairman Craig Headland	✓		Rep. Steve Zaiser		✓
Rep. Matthew Klein	✓		Rep. Jessica Haak	✓	
Rep. David Droudal	✓		Rep. Marie Strinden	✓	
Rep. Glen Froseth	✓				
Rep. Mark Owens	✓				
Rep. Patrick Hatlestad	✓				
Rep. Wayne Trottier	✓				
Rep. Jason Dockter	✓				
Rep. Jim Schmidt	✓				

Total (Yes) 12 No 2

Absent 0

Floor Assignment Rep. Klein

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

**REPORT OF STANDING COMMITTEE**

**HB 1222: Finance and Taxation Committee (Rep. Belter, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1222 was placed on the Sixth order on the calendar.

Page 1, line 2, replace "an" with "a continuing"

Page 1, remove lines 9 through 13

Page 4, after line 28, insert:

"7. Notwithstanding any other provision of law, the state treasurer shall deposit in the home rule charter sales tax reimbursement fund, which is hereby created, a portion of the sales and use taxes collected under this chapter and chapter 57-40.2, equal to four million eight hundred fifty thousand dollars. The deposit to the fund must be made no later than July thirty-first of each year for the purpose of offsetting the reduction in city or county revenue lost from the exemption in this section. The revenues deposited in the home rule charter sales tax reimbursement fund are provided as a standing and continuing appropriation for distribution by the state treasurer no later than August thirty-first each year, in the amounts as certified by the tax commissioner, to the home rule cities and counties that impose a sales, use, or gross receipts tax. No later than June thirtieth of each year, the tax commissioner shall certify to the state treasurer the annual allocation of funds to the cities and counties prorated in proportion to the respective shares of each city and county in respect to total annual statewide city and county home rule sales, use, or gross receipts tax collections in the previous calendar year."

Page 4, remove lines 29 through 31

Page 5, remove lines 1 and 2

Renumber accordingly

**2013 TESTIMONY**

**HB 1222**

	Gov's income tax relief	EG Estimate clothing purchased per year	Savings @ 6 1/2 % SALES TAX OFF CLOTHING	Purchase w/ Gov's Income Tax Relief (Clothing per year)
0-25K	\$12/year - 181,000	\$500	\$32/year	\$185
25-50K	\$40/year - 80,000	\$1000	\$65/year	\$625
50-100K	\$72/year - 78,000	\$1500	\$97/year	\$1100

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1222

Page 1, line 2, replace "an" with "a continuing"

Page 1, remove lines 9 through 13

Page 4, after line 28, insert:

"7. Notwithstanding any other provision of law, the state treasurer shall deposit in the home rule charter sales tax reimbursement fund, which is hereby created, a portion of the sales and use taxes collected under this chapter and chapter 57-40.2, equal to \$4,850,000. The deposit to the fund must be made no later than July 31 of each year for the purpose of offsetting the reduction in city or county revenue lost from the exemption in this section. The revenues deposited in the home rule charter sales tax reimbursement fund are provided as a standing and continuing appropriation for distribution by the state treasurer no later than August 31 each year, in the amounts as certified by the tax commissioner, to the home rule cities and counties that impose a sales, use, or gross receipts tax. No later than June 30 of each year, the tax commissioner shall certify to the state treasurer the annual allocation of funds to the cities and counties prorated in proportion to the respective share of each city and county in respect to total annual statewide city and county home rule sales, use, or gross receipts tax collections in the previous calendar year."

Page 4, remove lines 29 through 31

Page 5, remove lines 1 and 2

Page 5, line 3, replace "3" with "2"

Renumber accordingly