

**FISCAL NOTE**  
**Requested by Legislative Council**  
**02/16/2015**

Amendment to: HB 1254

- 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.*

|                | 2013-2015 Biennium |             | 2015-2017 Biennium |             | 2017-2019 Biennium |             |
|----------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
|                | General Fund       | Other Funds | General Fund       | Other Funds | General Fund       | Other Funds |
| Revenues       |                    |             | \$(1,235,000)      |             |                    |             |
| Expenditures   |                    |             |                    |             |                    |             |
| Appropriations |                    |             |                    |             |                    |             |

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

|                  | 2013-2015 Biennium | 2015-2017 Biennium | 2017-2019 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 1254 creates an individual income tax deduction for tuition and expenses relating to a child's education at a nonpublic school.

- 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.*

If enacted, engrossed HB 1254 would create an individual income tax deduction of up to \$5000 per qualifying child per tax year, for expenses associated with the child's education in a nonpublic school. The deduction is available for married joint filers with taxable income less than \$120,000, or single individuals with taxable income less than \$60,000.

If enacted, engrossed HB 1254 is expected to reduce state general fund revenues by an estimated \$1.235 million in the 2015-17 biennium.

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.*
- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 02/17/2015

**FISCAL NOTE**  
**Requested by Legislative Council**  
**02/16/2015**

Amendment to: HB 1254

- 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.*

|                | 2013-2015 Biennium |             | 2015-2017 Biennium |             | 2017-2019 Biennium |             |
|----------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
|                | General Fund       | Other Funds | General Fund       | Other Funds | General Fund       | Other Funds |
| Revenues       |                    |             | \$(1,235,000)      |             |                    |             |
| Expenditures   |                    |             |                    |             |                    |             |
| Appropriations |                    |             |                    |             |                    |             |

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

|                  | 2013-2015 Biennium | 2015-2017 Biennium | 2017-2019 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 1254 creates an individual income tax deduction for tuition and expenses relating to a child's education at a nonpublic school.

- 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.*

If enacted, engrossed HB 1254 would create an individual income tax deduction of up to \$5000 per qualifying child per tax year, for expenses associated with the child's education in a nonpublic school. The deduction is available for married joint filers with taxable income less than \$120,000, or single individuals with taxable income less than \$60,000.

If enacted, engrossed HB 1254 is expected to reduce state general fund revenues by an estimated \$1.235 million in the 2015-17 biennium.

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.*
- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 02/17/2015

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/13/2015**

Bill/Resolution No.: HB 1254

- 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.*

|                | 2013-2015 Biennium |             | 2015-2017 Biennium |             | 2017-2019 Biennium |             |
|----------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
|                | General Fund       | Other Funds | General Fund       | Other Funds | General Fund       | Other Funds |
| Revenues       |                    |             | \$(12,500,000)     |             |                    |             |
| Expenditures   |                    |             |                    |             |                    |             |
| Appropriations |                    |             |                    |             |                    |             |

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

|                  | 2013-2015 Biennium | 2015-2017 Biennium | 2017-2019 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).*

HB 1254 creates an individual income tax credit for tuition and expenses relating to a child's education at a nonpublic school.

- 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.*

If enacted, HB 1254 would create an individual income tax credit of up to \$2500 per qualifying child per tax year, for expenses associated with the child's education in a nonpublic school. The tax credit is limited to each taxpayer's net tax liability. Collectively, the tax credits are limited to \$10 million per tax year.

Currently there are approximately 6800 children in North Dakota attending nonpublic schools. With an average net tax liability per tax return of \$926 per year, the children currently attending nonpublic schools could utilize tax credits totaling \$6.25 million per year, or \$12.5 million per biennium. If the existence of the credit results in more children attending nonpublic schools, the maximum credit of \$10 million per year (\$20 million per biennium) could be reached.

If enacted, HB 1254 is expected to reduce state general fund revenues by an estimated \$12.5 million in the 2015-17 biennium.

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.*

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 01/23/2015

**2015 HOUSE FINANCE AND TAXATION**

**HB 1254**

# 2015 HOUSE STANDING COMMITTEE MINUTES

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

HB 1254  
1/26/2015  
Job #22494

- ☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature

*Kenneth M. Tordeur*

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

A Bill relating to a parent's choice individual income tax credit for qualified educational expenses.

### Minutes:

Attachment #1, 2, 3

**Chairman Headland:** Opened hearing.

**Representative Dosch:** Introduced bill. Distributed testimony. See attachment #1.  
(ended at 14:30)

**Chairman Headland:** A lot of the argument you made in support of this bill assumes that, with growth in numbers, it would be cheaper to the taxpayer to educate these new students in the private system. Is there any evidence you can provide that suggests there are children waiting to get in to private schools? And that economics of the family don't allow them to today? Give us evidence that suggests this is not going to be a tax credit to people who are already educating their students in the private system.

**Representative Dosch:** As a parent that did have three kids that I did send through school, you could have one child and at the cost, I think it's around \$5000 now to educate a child in a non-public system. You know you have one child and that's \$5000, and you kind of grit your teeth a little bit and you can do it. And then the second one comes along, and all of a sudden, you're looking at a \$10,000 bill. For a parent out there, you take a look and say, do I want to pay \$10,000 to a private school, or do I want to send my kid to a free public school? That becomes a pretty tough decision. Some people just say, you know what? My first kid I was able to send, but now that I have my second or my third, who can afford an extra \$10,000 or \$15,000? It takes an enormous sacrifice on behalf of the parent. Some of the very wealthy can, but most of your low and middle-income simply can't.

**Chairman Headland:** Is it your intent that the homeschooling children are included in this bill?

**Representative Dosch:** When we were looking at this bill we were looking at the tuition end of it but then we realized that, yes there were in fact some homeschoolers out there, and they're saying, can't you do anything for us? They don't pay tuition so they wouldn't

have gotten onto the bill. So that's why we did add the book provision in there, so at least if they're spending a couple hundred dollars to get new books to teach their kids at home or whatever, they would have at least a little bit of break.

**Chairman Headland:** Would they be entitled to \$2,500 credit per student?

**Representative Dosch:** No. That is a maximum. They would have to have receipts to document that, yes, we have expended this. And, if they have no tuition, then their only allowed to refund what they have submitted.

**Representative Haak:** Why was the \$2,500 amount used?

**Representative Dosch:** We would have loved to say, you know what, State, if you're spending \$9000, almost \$10,000 to educate a kid, what's the difference if you give a \$10,000 credit over here? But we knew that would never fly. Our non-public schools, they're not asking for 100 percent financing. There's three states out there that provide 90 percent of whatever the state cost to educate a child is, they allow them 90 percent credit to those as well. We knew that would be a struggle. They're not looking to finance everything. We understand that, and we said, if we could at least get a little bit of help, it could mean the difference, and the next bill is kind of a companion bill to this. This will provide a basic \$2500 help on that. The next bill is a corporate income tax credit. Those contributions will be strictly to the low and middle-income people, and hopefully between this and that bill, there will be enough to get to where, at least a large portion of that is because a lot of the schools, non-public, they do raise other funds to help offset the cost of their tuition, so you know we thought at least a little bit would be really appreciated by the non-public system.

**Representative Froseth:** Bishop Ryan in Minot is adding onto their building because they're overcrowded. They need more space. Do you know if there is room for additional students in private schools in case this bill passes, there might be a lot more students that would take advantage of it. Resulting, we might be creating a problem where they are overcrowded and forced to build on expensive additions too.

**Representative Dosch:** I can't speak for Minot Ryan but I know in Bismarck, Light of Christ Catholic School System, they have room in all of their categories. The non-publics can only accept so many students for what they have capacity for. I know in Bismarck here, there's open capacity, and it becomes really frustrating as a property owner when you say, you know, and you hear the public system say, it looks like, after spending \$80-million, after building three new schools, I think we're going to have to do some more. Yet on the other side, we have capacity. And we say, why are we not using this capacity? Why are we going to force tax increases on real estate to go up even further in Bismarck? And for the state, the more money, more kids that you can get to offer that choice to them, it's all savings to the state.

(21:50)

**Vice Chairman Owens:** Qualifying child by blood or marriage, but if you're adopted, it doesn't matter?

**Representative Dosch:** I do believe the child must be related to the taxpayer by blood or marriage. I would assume that it includes adopted kids. I can't imagine, they are part of that family unit.

**Chairman Headland:** We will find the answer, and we'll make sure that it does.

**Chairman Headland:** We will take testimony in support of HB 1254.

**Representative Larsen:** I am in strong support of this bill.

**Representative Meier:** This bill is about parent choice. This bill will give the opportunity to parents, by allowing a small tax credit, which in turn allows the best that's for the child. As a parent, I know each child is unique and different. HB 1254 will allow our hard-working young families a small break to choose what's best for their child. I ask your support.

**Morgan Forness, The State Association of Nonpublic Schools:** Provided testimony in support. See attachment #2.

(27:10)

**Sam Desir, student of Shiloh Christian School:** Provided testimony in support. See attachment #3.

**Morgan Forness, The State Association of Nonpublic Schools:** Completed the reading of his written testimony. (Attachment #2)

**Chairman Headland:** Do you have people on a waiting list to get into your school?

**Morgan Forness:** We do. We have about 60 students in our pre-school program, and we are looking at adding on a pre-school wing at the tune of \$1.2-million. We have maxed out our elementary school, but we are on the cusp of breaking ground for a huge addition that will include a performing arts center, as well as additional classroom spaces. We desire to provide for those students that want to come to Shiloh. We do have room for growth in both the middle school and high school at this time.

**Chairman Headland:** In this state we have a certain percentage, anywhere upwards of 30% of the people who live in this state that do not have taxable liability to the state. So my questions is, how is it going to help them?

**Morgan Forness:** I'm not an expert in this. However the other bill that Rep. Dosch referred to would benefit them significantly with needs-based financial aid.

**Representative Froseth:** Why wouldn't it be better to issue a per student tuition payment rather than an income tax exemption like in Sam's family's case there, I assume his mother probably doesn't pay much income tax. You wouldn't get much of a credit. But they have two children in school. It would benefit her much more if she got a tuition payment for each child in school.

**Morgan Forness:** I would agree with you. I think that's been tried in the past, and it's been hugely debated and not supported by the public schools. I would definitely support something like that.

**Representative Klein:** I've always wondered why North Dakota didn't have charter schools. I believe Michigan and Wisconsin have great success with that. Has your organization ever thought about that?

**Morgan Forness:** Certainly we've thought about that. It's something we understand is very prominent in many states, especially the east coast and west coast schools. I would probably answer very simplistically that there is very little support for those types of things with the public school sector, and we would meet huge resistance for those types of things.

**Representative Haak:** Do private schools have the ability to turn away students if they so desire? Do private schools pay property taxes? Do you know what percentage of students have parents that are living near or below the poverty line that attend private schools?

**Morgan Forness:** Private schools have a mission, and they have to be honest about the capacity of their resources. There are people who say, well, you aren't able to take students on feeding tubes. No, we can't. We are not a carbon copy of public schools. We are not funded to take students in those kinds of crisis situations. But we certainly can take students at a wide array of needs, both on the gifted side as well as the needs side. But it would be foolish of us to tell parents that we can meet every single need when we're not funded to do so. Our parents pay property taxes, but we are non-public, we are 501C3, and we do not. But we pay a lot of other things like specials and things like that, trust me. About 10 percent of our students who qualify for free and reduced lunches, and that's probably the benchmark that I would use there. I don't know if the definition of poverty is different. I would have to look that up.

**Representative Hatlestad:** Can you tell me the approximate cost of private school?

**Morgan Forness:** The average cost at Shiloh is \$7,200 to educate our students. And we charge tuition that is under that, and we raise the additional revenue through fund-raising efforts. We have about \$400,000 in our budget that is distributed to families as financial aid to assist with that tuition.

**Representative Hatlestad:** What's your tuition cost then?

**Morgan Forness:** It ranges from \$6100 to \$7200 for the high school. The high school is a little bit higher with all the extra-curriculars that you have. I could get those numbers for the other private schools. We are in the mid-range at Shiloh of private schools. There are some that are in the \$5000 range, and there are private schools that charge tuition up in the \$8000 range. But that's the average.

(38:35)

**Christopher Dodson, Executive Director of the N.D. Catholic Conference:** This is also a matter of fairness and justice. Every parent has a right to choose the educational setting

for their children. And every child has a right to be educated, with support from the community. But those should not be mutually exclusive. Unfortunately our current system says you can choose one, but not the other. And if you're lower income, you really don't have a choice. So those rights should not depend on how much you make, and that will especially come up in the bill later today. Now I understand that this not new. It's tested and it's successful. It's used in many other states. I think there's only a handful of states that don't have something like this. It's constitutional since the late 1980s, the US Supreme Court has said this system works. It empowers parents by recognizing their right to choose, and respecting it, it empowers them. But, also, when parents get to choose and invest in their child's education by becoming part of the system, and having their choices respected, it's better outcomes for the children and for the family because parents are truly involved because their right to choose was respected. We do support this legislation and we urge a Do Pass.

**Chairman Headland:** Further testimony in support? Is there any testimony in opposition?

**Matt Peyerl, Tax Department:** I want to add a couple comments on the fiscal note, if you are able to see that. At the tax department there are a few tax credits that have statewide caps, and we've learned a few things in having to administer those credits with statewide caps. Most of those programs have a fairly limited universe. So, when we have a program like this, potentially with upwards of 7000 potential applicants for administering a cap, there are some administrative concerns. And I visited with Rep. Dosch about that. In the fiscal note, you can see that the tax credit is kind of self-limiting in that it has the limit of the tax liability on the return. There isn't a carryover provision. Most other tax credits have carryover provisions, so the full credit ultimately has it at full value, but in this tax credit, it's limited to the tax on the return for the year at issue, and you can see that it was approximately \$900 and 6800 children, so the credit came out to \$6.x per year, so the statewide cap never kicks in with running those numbers. And you can kind of play with numbers and see the potential for the cap to be hit if enrollment skyrockets or if the tax liability estimate that's being used is not correct. But state tax rates could go up or down, and that would affect some of the data in the fiscal note, too. I just wanted to point that out if there was options for dealing with the fiscal impact while striking the statewide cap portion of it. It wouldn't affect the fiscal note in this case.

**Chairman Headland** closed the hearing on HB 1254.

# 2015 HOUSE STANDING COMMITTEE MINUTES

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

HB 1254  
1/28/2015  
Job #22752

- ☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature

*Kenneth M. Torburn*

**Explanation or reason for introduction of bill/resolution:** Amendments to HB 1254, a Bill relating to a parent's choice individual income tax credit for qualified educational expenses.

**Minutes:**

Attachment #1

**Chairman Headland:** Opened hearing on proposed amendments to HB 1254.

**Vice Chairman Owens:** Distributed proposed amendments 15.0589.01001. See attachment #1. Explained amendments.

**Representative Dockter:** Do we need a new fiscal note?

**Vice Chairman Owens:** If it's the committee's desire to accept this amendment, then I would advise we request a new fiscal note.

**Chairman Headland:** Why would we go from ten to twenty?

**Vice Chairman Owens:** I didn't mention that so, it was just assumed that since taking the credit from \$2500 to a deduction of \$5000, they just assumed- I really think that's immaterial. I don't even think that line needs to be in there, at this point, because it is a deduction. A credit, being what it is, you want to limit it. But a deduction is a deduction just off of total taxable income.

**Chairman Headland:** We wouldn't even need subsection five anyway would we? But you want to have new language that limits the aggregate deduction, will you not?

**Vice Chairman Owens:** I don't believe we have an aggregate limit on deductions right now. The only time we have an aggregate limit is for credits.

**Representative Schneider:** Can you fill me in on where this change came from, who it came from and why we're doing it?

**Vice Chairman Owens:** It's me trying to keep the bill from dying. As a credit, this thing cost a lot. And it does appear to be segregated. It was the way it was written. I just think it has a much better survival rate, personally, as a deduction. So, this is just me.

**Representative Schneider:** Does it really double then, the fiscal note?

**Vice Chairman Owens:** No. It's actually going to reduce the fiscal note, but because we're going from a credit to a deduction, I doubled what they could deduct because it shrinks the amount of benefit they get. So I doubled it.

**Chairman Headland:** This is a fairly significant change. Have you discussed the change with the bill sponsor?

**Vice Chairman Owens:** No I did not. I did discuss it with him during the interim, and right at the end of last session, and it was a deduction I told him to try for, and not a credit. So I haven't mentioned it to him since this.

**Representative Froseth:** On line 12 changing it from a \$2,500 credit you're changing it to \$5000 deduction per child. So if you had four kids in private school, you'd have a \$20,000 deduction?

**Vice Chairman Owens:** Of taxable income. Which would result in about a \$4000 benefit if you're in a 20 percent tax bracket.

**Representative Froseth:** Actually it could work out as more of a deduction in income taxes than this way.

**Vice Chairman Owens:** If you have that many kids in private school. Well, not really, because this is \$2,500 per qualifying child. The other way is only \$1000. So, no, it could never work out that way.

**Representative Dockter:** A credit is always dollar for dollar, and whatever your tax bracket is for deductions. So for 20 percent is 20-cents on the dollar instead of 100 percent on the dollar, and that's why the fiscal note would be reduced, because we would base it on each person's individual tax bracket vs. the dollar for dollar. And that's why he doubled it from 2500 to 5000.

**Chairman Headland:** I don't know that I'm going to support Representative Owens' amendment. To me, the question is a policy question as to whether it is right for us to expand a tax credit to families that make the choice of sending their children to private schools. I don't know in my mind if I care how that is done, but I guess that's my feeling.

**Vice Chairman Owens:** I understand. It is a philosophical issue. From the standpoint of whether they're benefitting public schools while getting any benefit out of it. It just depends on each individual's view. But from the standpoint of where we're at now, I'll just make a Do Pass motion on the amendment .

**Chairman Headland:** We have a Do Pass motion on amendment 01001.

**Representative Trottier:** Seconded.

**Representative Trottier:** Yesterday I was not so sure, but today when I just got the email about our carryover into our general fund, It's up to \$4-billion. I think we can afford this.

**Representative Steiner:** I think this is a fantastic direction to go. I think it makes both systems stronger. I think it makes the private school system stronger. It's just a long time in coming. If you look at what they do out on the east coast with charter schools. That's kind of basically going back to getting parents more involved in the school system, and parents are paying their property taxes, and they are helping out by basically fund raising and putting up other buildings because they feel so strongly about that level of education. I can appreciate the chairman's view that do we really move in this direction, but I think we should. I think this is a fantastic bill, and I'm going to support all the bills that go this direction.

**Representative Klein:** I've always wondered why North Dakota doesn't have charter schools. The response back from the children that go there and the success has been phenomenal compared to the normal schools. I think this is a good idea.

**Chairman Headland:** I can't argue that it's a good idea but I think the argument should be about whether we do this for children, and if we're going to do it for children, then should we do it for all children, or should we do it for the more-affluent children who are going to private schools today? I don't think this bill, the way it's drafted, is going to help the less-privileged children who

come from families with lesser incomes, families that don't have any tax liability. It doesn't help them. So there is another reason why I'm not going to support it. But we're talking about the amendment right, and if there is no other discussion on the amendment, we'll take a vote.

**Chairman Headland:** The motion carries.

**Chairman Headland:** I am going to hold this bill now that I have new information that suggests that we have a \$4-billion general fund surplus.

# 2015 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee

Fort Totten Room, State Capitol

HB 1254

2/9/2015

23490

☐ Subcommittee

☐ Conference Committee

Committee Clerk Signature

*Mary Brucker*

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

A bill relating to a parent's choice individual income tax credit for qualified educational expenses.

### Minutes:

Attachments 1, 2

**Chairman Headland:** We've put on the amendments 01001 so it has been changed from a credit to a deduction. Distributed amendments dated February 3, 2015. See attachment #1.

**Dan Rouse, Legal counsel for Office of State Tax Commissioner:** These amendments are intended to give us a little bit more of a sense of the true scope of the intent of the bill. On page 1 line 18

**Chairman Headland:** Do they fit with the amended version?

**Dan Rouse:** They don't fit but that's a function that legislative council will harmonize if there are inconsistencies between the two. I don't know if legislative council has seen these amendments yet. We may want to ensure that they've seen these.

**Chairman Headland:** May be we should pull off the amendment.

**Vice Chairman Owens:** **MADE A MOTION TO RECONSIDER OUR ACTIONS IN AMENDING 1254.**

**Representative Strinden:** **SECONDED.**

**Representative Schneider:** Can we have some discussion on this? Are we removing the January 27, 2015 which would change this back to a tax credit?

**Chairman Headland:** That would be correct. In order to get the tax department amendments to fit on there I think we need to pull it off then we can have the discussion again whether we want it redrafted as a deduction.

**Vice Chairman Owens:** As far as the credit to deduction it will return it to a credit. The sponsor of this bill has provided yet another amendment that leaves it as a credit, changes it to a credit and changes the parameters of the credit. See attached amendment dated February 2, 2015 from Representative Dosch #2.

**VOICE VOTE: MOTION CARRIED TO RECONSIDER THE AMENDMENT DATED JANUARY 27, 2015.**

**Chairman Headland:** We now have the un-amended version of the bill before us. The first thing we should do is put on the tax department's amendment.

**Representative Dockter: MADE A MOTION TO ADOPT AMENDMENTS DATED FEBRUARY 3, 2015.**

**Vice Chairman Owens: SECONDED.**

**VOICE VOTE: MOTION CARRIED TO ADOPT AMENDMENTS DATED FEBRUARY 3, 2015.**

**Vice Chairman Owens:** This is still a credit. It's back to \$2500 per qualifying child per taxable year. This amendment from the sponsor dated February 2, 2015 changes it from \$2500 per qualifying child to per family.

**Chairman Headland:** So instead of it being on a per child basis it would be a total of \$2500 per family.

**Vice Chairman Owens:** Per family per year and that would be the maximum. It is still a credit and it's still \$2500 but it's per family now.

**Chairman Headland:** That would definitely change the fiscal note.

**Vice Chairman Owens:** It would change the fiscal note; it would not reduce it as much as the deduction would have though.

**Representative Schneider:** If we went back to the deduction on this it would apply to all children in the family so it would be fairer to families with more than one child?

**Chairman Headland:** I would assume that the two amendments would not jive together. If we still intend on changing it back to a deduction we should dismiss this Dosch amendment and move forward with the other amendment. It would need to be re-drafted I believe.

**Vice Chairman Owens:** That would be minor changes but it could be re-drafted. I was just informed that after providing this to me the sponsor said he would settle for \$1250 tax credit. I'll leave it to the committee to decide what to do.

**Chairman Headland:** I will probably vote against the Dosch amendment; I liked it better as a deduction.

**Representative Klein:** I would like to see this thing in one piece; we've got four or five amendments and I'm not sure where this whole thing sets.

**Chairman Headland:** We need to decide if we want to move forward and amend it down from its current level of \$2500 per child to \$2500 per family or if we want to move in the direction of changing it to a deduction.

**Vice Chairman Owens:** I will take the bill with the amendment we just put on and come back with a clean bill and then we can decide from there.

**Representative Strinden:** Is it possible to get a fiscal note this quickly?

**Vice Chairman Owens:** I meant that as well.

**Chairman Headland:** Yes I think we should.

**Vice Chairman Owens:** I will do this as well.

**Chairman Headland:** This is something we will have to move on fairly quickly.

# 2015 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee

Fort Totten Room, State Capitol

HB 1254

2/10/2015

23615

☐ Subcommittee

☐ Conference Committee

Committee Clerk Signature

*Mary Brucher*

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

A bill relating to a parent's choice individual income tax credit for qualified educational expenses.

### Minutes:

Attachment #1, 2

**Chairman Headland:** We removed the initial amendment changing it to a deduction and we put on the tax department's amendments.

**Vice Chairman Owens:** Distributed memorandum regarding the fiscal impact from Kathy Strombeck, Office of Tax Commissioner and explained. See attachment #1. I think the deduction works so much better.

**Representative Haak:** I agree with Vice Chairman Owens on the tax deduction. I've talked to other people on this bill and they said they would be in support of a tax deduction if we would amend it that way.

**Representative Dockter:** I think we should go with Vice Chairman Owens' amendment for the tax deduction and kick this bill out.

**Chairman Headland:** We're going to have to vote on it blind without a fiscal note. I've been struggling with this bill for a while. We're going to create a new tax credit here for individuals that make the choice to send their kids to a private school whether it's a credit or a deduction. We expanded the other corporate credit which allows for pass throughs which I believe will pick up a lot of these families. I don't support changing it.

**Vice Chairman Owens:** I've talked to the sponsor several times and tried to convince him that the deduction is the best way to go but he is set on a credit.

**Representative Trottier:** If you were to give \$2500 could that pull some people over from public school to private schools? How much would that save North Dakota?

**Chairman Headland:** That's something we have discussed and it's in the information that the prime sponsor gave us and he thinks it will save the state money. In reality it could

possibly do that if enough would move from public schools to private but we have a constitutional mandate to provide for a public education. If we were to pass this as a credit we're incentivizing people to take their kids from public to private.

**Representative Toman:** Vice Chairman Owens, you stated that tax liability averages \$900 so the \$1200 credit with the restrictions of income of \$120,000 essentially cuts the fiscal note in half.

**Vice Chairman Owens:** No, it's not in half. The original was \$9.8 million so \$120,000 limit on \$1200 per family is \$6.7 million so it's only reduced it not quite a third.

**Representative Dockter:** Could we make this into a study and see the impact?

**Chairman Headland:** What is there to study?

**Representative Dockter:** To see the impact of the number of students and how much money the state actually saves.

**Chairman Headland:** It's all speculation because nobody can say how many people would move from public school to private school.

**Representative Steiner:** I think if we offer something like this we will find out if they go to the private system we wouldn't have to build as many schools and would save the state money. Public meant we provide education to everyone so I'm not sure that public doesn't include private back in the day.

**Chairman Headland:** We have to do something with this bill.

**Representative Klein:** MADE A MOTION FOR A DO PASS AS AMENDED.

**Representative Steiner:** SECONDED.

**Vice Chairman Owens:** To be clear, what is the bill right now?

**Chairman Headland:** It's a credit.

**Vice Chairman Owens:** The bill is a \$2500 credit per family with no limits.

**Chairman Headland:** We didn't put the amendment on; it's the original bill with the tax department amendments of February 3, 2015.

**Vice Chairman Owens:** So it's the original bill at \$2500 credit per student.

**Chairman Headland:** We haven't put that amendment on.

**Representative Klein:** WITHDREW MOTION FOR A DO PASS AS AMENDED.

**Representative Steiner:** WITHDREW SECOND.

**Chairman Headland:** Let's discuss the other amendment .01002. That changes it from a per child to a per family. See attached amendment 15.0589.01002. Attachment #2.

**Representative Toman:** MADE A MOTION TO ADOPT THE AMENDMENT .01002.

**Representative Steiner:** SECONDED.

**VOICE VOTE:** MOTION CARRIED TO ADOPT AMENDMENT 15.0589.01002 DATED FEBRUARY 2, 2015.

**Chairman Headland:** We have amended bill 1254 before us.

**Representative Haak:** I would move an amendment that would change it from a tax credit to a tax deduction and limit it to the limited income of \$120,000 per family. I don't have it with me but that's what I would like.

**Vice Chairman Owens:** You are changing the \$2500 per family to \$2500 deduction per family for all earners under \$120,000 for joint and \$60,000 single?

**Representative Haak:** Yes.

**Chairman Headland:** Can the tax department help us with this?

**Representative Dockter:** I think we have the wording so we could pass on it instead of waiting for it in writing.

**Chairman Headland:** We will come back to this.

# 2015 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee

Fort Totten Room, State Capitol

HB 1254  
2/11/2015  
23658

- ☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature

*Mary Buckner*

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

A bill relating to a parent's choice individual income tax credit for qualified educational expenses.

### Minutes:

Attachment 1, 2

**Representative Haak:** Distributed proposed amendments dated February 10, 2015 and fiscal impact from Kathy Strombeck. See attachments #1 and 2. This amendment will change it from a tax credit to a tax deduction of \$2500 per family with one or more children in the nonpublic schools. It's only available to families with a taxable income of less than \$120,000 and for single filers it's \$60,000. The fiscal impact is reduced to \$364,000 a biennium.

**Representative Klein:** Did we place the amendments 01002 on there already?

**Chairman Headland:** Yes. This would fit onto that amended version of the bill.

**Representative Haak:** **MADE A MOTION TO ADOPT THE AMENDMENT OF FEBRUARY 10, 2015.**

**Representative Toman:** **SECONDED.**

**Chairman Headland:** I'm going to resist the amendment because if we were going to provide a mechanism where families would move children from the public to the private system whereby saving the public system some money this is not going to happen anymore with this amendment. It won't have nearly the impact that the credit would have had. Also, we don't currently have a program for this now and I'm not sure this accomplishes what the bill sponsor was trying to accomplish.

**Representative Kading:** A \$2500 deduction and three percent is the highest effective rate in North Dakota; that's only \$75 a year in savings.

**Chairman Headland:** I agree. The bill sponsor was against the amendment because it takes away from his argument that his credit would have saved the state money.

**Representative Hatlestad:** I think it helps the nonpublic schools in getting their foot in the door even though it may not amount to much money.

**Chairman Headland:** You may be right.

**Representative Steiner:** How much was it?

**Chairman Headland:** The fiscal note ends up being just about \$364,000 so it amounts to just about \$75 off your tax bill.

**VOICE VOTE IN QUESTION: ROLL CALL VOTE: 9 YES 4 NO 1 ABSENT  
MOTION CARRIES TO ADOPT THE FEBRUARY 10, 2015 AMENDMENTS.**

**Representative Steiner: MADE A MOTION FOR A DO PASS AS AMENDED.**

**Representative Strinden: SECONDED.**

**Representative Trottier:** Are we back to the original fiscal note or was that adjusted?

**Chairman Headland:** It will reflect this sheet that was passed out from Kathy Strombeck now. We really minimized the fiscal impact.

**ROLL CALL VOTE FOR DO PASS AS AMENDED: 10 YES 3 NO 1 ABSENT  
MOTION CARRIES.**

**Representative Strinden will carry this bill.**

# 2015 HOUSE STANDING COMMITTEE MINUTES

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

HB 1254  
2/16/2015  
23905

☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature



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

A bill relating to a parent's choice individual income tax credit for qualified educational expenses.

### Minutes:

Attachment #1

**Chairman Headland:** This was brought back. I'd like to have a motion to reconsider.

**Representative Toman:** **MADE A MOTION TO RECONSIDER OUR ACTIONS WHEREBY WE PASSED 1254.**

**Representative Froseth:** **SECONDED.**

**VOICE VOTE: MOTION CARRIED.**

**Representative Strinden:** **MADE A MOTION TO STRIP THE AMENDMENTS.**

**Vice Chairman Owens:** **SECONDED.**

**VOICE VOTE: MOTION CARRIED.**

**Chairman Headland:** We have the original bill before us. Distributed proposed amendments from Representative Dosch 15.0589.01007. See attachment #1. This is going to change it to a deduction but it's going to increase the deduction from \$2500 to \$5000 per child. It will still be capped at \$60,000 of income or \$120,000 married and filing jointly.

**Vice Chairman Owens:** There was one thing we corrected on the previous bill that is again changed in this but not included. Where it says subparagraph two, the last sentence, we had changed it to "by blood, marriage, or adoption."

**Chairman Headland:** Can we first adopt this amendment then further amend?

**Vice Chairman Owens:** We can. I just didn't want to leave that out.

**Representative Haak:** MADE A MOTION TO ADOPT THE DOSCH AMENDMENT 15.0589.01007.

**Representative Steiner:** SECONDED.

**VOICE VOTE:** MOTION CARRIED.

**Vice Chairman Owens:** I would like to further amend subparagraph two under section one and delete the "or" after "blood" and put a comma. Also put a comma after "marriage" and insert "former marriage, adoption, or other legal guardianship."

**Chairman Headland:** We're just adding a new line on completely; after "marriage" we'll get rid of the period and put a comma then inserting "former marriage, adoption, or other legal guardianship."

**Vice Chairman Owens:** MADE A MOTION TO ADOPT THIS AMENDMENT.

**Representative Steiner:** SECONDED.

**VOICE VOTE:** MOTION CARRIED.

**Representative Froseth:** What does this do to the fiscal note? Does this double it?

**Chairman Headland:** No, I believe when it was passed to a deduction it dropped it to \$364,000 so this will probably double it.

**Representative Haak:** It would (inaudible as microphone wasn't on)

**Representative Strinden:** Will we have a new fiscal note for this?

**Chairman Headland:** Yes we will.

**Representative Toman:** We had adopted these tax amendments but then we changed it to a debit. Do we need those other school or date definitions?

**Chairman Headland:** I talked to John Walstad and he said to pull the amendments and put this amendment on and run with it.

**Vice Chairman Owens:** MADE A MOTION FOR A DO PASS AS AMENDED.

**Representative Steiner:** SECONDED.

**ROLL CALL VOTE:** 12 YES 1 NO 1 ABSENT  
**MOTION CARRIES FOR A DO PASS AS AMENDED**

**Representative Strinden will carry this bill.**

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1254

- Page 1, line 2, replace "7" with "2"
- Page 1, line 3, replace "credit" with "deduction"
- Page 1, line 8, replace "credit" with "deduction"
- Page 1, line 9, replace "credit" with "deduction"
- Page 1, line 12, replace "credit" with "deduction"
- Page 1, line 12, replace "two" with "five"
- Page 1, line 12, remove "five hundred"
- Page 1, line 13, after the first "a" insert "single individual or"
- Page 1, line 14, replace "credit" with "deduction"
- Page 1, line 14, replace "one" with "two"
- Page 1, line 14, replace "two" with "five"
- Page 1, line 15, remove "fifty"
- Page 1, line 19, after "school" insert "or in home education"
- Page 1, line 20, after "school" insert "or home education"
- Page 1, line 22, replace the first "or" with an underscored comma
- Page 1, line 22, after "marriage" insert ", or adoption"
- Page 2, line 1, remove "The credit allowed under this section may not exceed a taxpayer's liability as"
- Page 2, remove line 2
- Page 2, line 3, remove "5."
- Page 2, line 3, replace "credits" with "deductions"
- Page 2, line 4, replace "ten" with "twenty"
- Page 2, line 4, replace "Credits" with "Deductions"
- Page 2, line 6, replace "credit" with "deduction"
- Page 2, line 6, replace "credit" with "deduction"
- Page 2, line 8, replace "7" with "2"
- Page 2, line 10, replace "Parent's" with "Reduced by the amount of the parent's"
- Page 2, line 10, replace "credit" with "deduction"
- Renumber accordingly

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1254

Page 1, line 18, after "child's" insert "kindergarten through grade twelve"

Page 1, line 19, after "school" insert "or home school"

Page 1, line 20, after "school" insert "or home school"

Page 1, line 21, replace "end" with "beginning"

Page 1, line 21, replace "taxable" with "school"

Page 1, line 22, replace "or marriage" with ", marriage, former marriage, adoption, or  
other legal guardianship"

Page 2, remove lines 3 through 5

Page 2, line 6, replace "6." with "5."

Renumber accordingly

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1254

Page 1, line 10, replace "each" with "the taxpayer's family, consisting of at least one"

Page 1, line 13, replace "qualifying child" with "family"

Page 1, line 13, replace ". In the case of" with "and for"

Page 1, line 15, replace "qualifying child" with "family"

Page 1, line 18, replace "qualifying child" with "family"

Page 1, line 18, remove "the child's"

Page 1, line 18, after "education" insert "of the family's qualifying children"

Renumber accordingly

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1254

Page 1, line 1, remove "and a new subdivision to"

Page 1, line 2, remove "subsection 7 of section 57-38-30.3"

Page 1, line 3, remove "choice individual income tax credit for qualified educational expenses"

Page 1, line 8, replace "**credit**" with "**deduction**"

Page 1 line 9, replace "credit against the tax imposed" "deduction"

Page 1, line 10, replace "each" with "the taxpayer's family, consisting of at least one"

Page 1, line 12, replace "credit" with "deduction"

Page 1, line 13, replace "qualifying child" with "family"

Page 1, line 13, remove "In the case of a married individual filing a"

Page 1, remove line 14

Page 1, line 15, remove "fifty dollars per qualifying child per taxable year"

Page 1, line 17, replace "for" with "by"

Page 1, line 18, replace "qualifying child" with "family"

Page 1, line 18, remove "the child's"

Page 1, line 18, after "child's" insert "kindergarten through grade twelve"

Page 1, line 18, after "education" insert "of the family's qualifying children"

Page 1, line 19, after "school" insert "or in home education"

Page 1, line 20, after "school" insert "or home education"

Page 1, line 21, replace "end" with "beginning"

Page 1, line 21, after "taxable" insert "school"

Page 1, line 22, replace "or" with an underscored comma

Page 1, line 22, after "marriage" insert ", former marriage, adoption, or other legal guardianship"

Page 2, line 1, remove "The credit allowed under this section may not exceed a taxpayer's liability as"

Page 1, line 2, replace "determined under this chapter for the taxable year" with "If federal taxable income exceeds one hundred twenty thousand dollars, or sixty thousand dollars if the taxpayer's filing status is single or head of household, this deduction is not available"

Page 2, remove lines 3 through 11

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1254

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to a parent's choice individual income tax deduction for qualified educational expenses; and to provide an effective date.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1.** A new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Reduced by the amount up to a maximum of five thousand dollars, or two thousand five hundred dollars in the case of married individuals filing separately, of qualified educational expenses paid by the taxpayer for each qualifying child during the taxable year. This adjustment does not apply to individuals with taxable income exceeding sixty thousand dollars during the taxable year or to married individuals filing jointly with taxable income exceeding one hundred twenty thousand dollars during the taxable year. The adjustment under this subdivision shall be claimed in the form and manner prescribed by the tax commissioner. For purposes of this subdivision:

- (1) "Qualified educational expenses" means the amount expended for each qualifying child for books and tuition relating to the child's education at a nonpublic school.
- (2) "Qualifying child" means a child who was a nonpublic school student under the age of eighteen at the end of the taxable year. A qualifying child must be related to the taxpayer by blood or marriage.

**SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after December 31, 2014."

Renumber accordingly

slc  
2/16/15

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1254

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to a parent's choice individual income tax deduction for qualified educational expenses; and to provide an effective date.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1.** A new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Reduced by the amount up to a maximum of five thousand dollars, or two thousand five hundred dollars in the case of married individuals filing separately, of qualified educational expenses paid by the taxpayer for each qualifying child during the taxable year. This adjustment does not apply to individuals with taxable income exceeding sixty thousand dollars during the taxable year or to married individuals filing jointly with taxable income exceeding one hundred twenty thousand dollars during the taxable year. The adjustment under this subdivision shall be claimed in the form and manner prescribed by the tax commissioner. For purposes of this subdivision:

- (1) "Qualified educational expenses" means the amount expended for each qualifying child for books and tuition relating to the child's education at a nonpublic school.
- (2) "Qualifying child" means a child who was a nonpublic school student under the age of eighteen at the end of the taxable year. A qualifying child must be related to the taxpayer by blood, marriage, former marriage, adoption, or other legal guardianship.

**SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after December 31, 2014."

Renumber accordingly

Date: 1-28-15  
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1254

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 15.0589.01001

Recommendation: ☒ Adopt Amendment  
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☐ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar  
Other Actions: ☐ Reconsider ☐ \_\_\_\_\_

Motion Made By Rep. Owens Seconded By Rep. Trottier

| Representatives     | Yes | No | Representatives | Yes | No |
|---------------------|-----|----|-----------------|-----|----|
| CHAIRMAN HEADLAND   |     |    | REP HAAK        |     |    |
| VICE CHAIRMAN OWENS |     |    | REP STRINDEN    |     |    |
| REP DOCKTER         |     |    | REP MITSKOG     |     |    |
| REP TOMAN           |     |    | REP SCHNEIDER   |     |    |
| REP FROSETH         |     |    |                 |     |    |
| REP STEINER         |     |    |                 |     |    |
| REP HATLESTAD       |     |    |                 |     |    |
| REP KLEIN           |     |    |                 |     |    |
| REP KADING          |     |    |                 |     |    |
| REP TROTTIER        |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Voice vote = Motion carries.

Date: 2-9-15  
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1254

House Finance and Taxation Committee

☐ Subcommittee

15.0589.01001

Amendment LC# or Description: \_\_\_\_\_

Recommendation: ☐ Adopt Amendment  
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☐ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar  
Other Actions: ☒ Reconsider ☐

Motion Made By Rep. Owens Seconded By Rep. Strinden

| Representatives     | Yes | No | Representatives | Yes | No |
|---------------------|-----|----|-----------------|-----|----|
| CHAIRMAN HEADLAND   |     |    | REP HAAK        |     |    |
| VICE CHAIRMAN OWENS |     |    | REP STRINDEN    |     |    |
| REP DOCKTER         |     |    | REP MITSKOG     |     |    |
| REP TOMAN           |     |    | REP SCHNEIDER   |     |    |
| REP FROSETH         |     |    |                 |     |    |
| REP STEINER         |     |    |                 |     |    |
| REP HATLESTAD       |     |    |                 |     |    |
| REP KLEIN           |     |    |                 |     |    |
| REP KADING          |     |    |                 |     |    |
| REP TROTTIER        |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Voice vote = Motion carried.

Date: 2-9-15  
Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1254

House Finance and Taxation Committee

☐ Subcommittee

House Finance + Tax Comm.

Amendment LC# or Description: attachment #1 from

Recommendation: ☒ Adopt Amendment

2-9-15

☐ Do Pass

☐ Do Not Pass

☐ Without Committee Recommendation

☐ As Amended

☐ Rerefer to Appropriations

☐ Place on Consent Calendar

Other Actions:

☐ Reconsider

☐

Motion Made By Rep. Dockter Seconded By Rep. Owens

| Representatives     | Yes | No | Representatives | Yes | No |
|---------------------|-----|----|-----------------|-----|----|
| CHAIRMAN HEADLAND   |     |    | REP HAAK        |     |    |
| VICE CHAIRMAN OWENS |     |    | REP STRINDEN    |     |    |
| REP DOCKTER         |     |    | REP MITSKOG     |     |    |
| REP TOMAN           |     |    | REP SCHNEIDER   |     |    |
| REP FROSETH         |     |    |                 |     |    |
| REP STEINER         |     |    |                 |     |    |
| REP HATLESTAD       |     |    |                 |     |    |
| REP KLEIN           |     |    |                 |     |    |
| REP KADING          |     |    |                 |     |    |
| REP TROTTIER        |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Voice vote = Motion carried

Date: 2-10-15  
Roll Call Vote #: 7

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1254

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 15.0589.01002 changes

Recommendation: ☒ Adopt Amendment  
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☐ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar  
Other Actions: ☐ Reconsider ☐ \_\_\_\_\_

Motion Made By Rep. Toman Seconded By Rep. Steiner

| Representatives     | Yes | No | Representatives | Yes | No |
|---------------------|-----|----|-----------------|-----|----|
| CHAIRMAN HEADLAND   |     |    | REP HAAK        |     |    |
| VICE CHAIRMAN OWENS |     |    | REP STRINDEN    |     |    |
| REP DOCKTER         |     |    | REP MITSKOG     |     |    |
| REP TOMAN           |     |    | REP SCHNEIDER   |     |    |
| REP FROSETH         |     |    |                 |     |    |
| REP STEINER         |     |    |                 |     |    |
| REP HATLESTAD       |     |    |                 |     |    |
| REP KLEIN           |     |    |                 |     |    |
| REP KADING          |     |    |                 |     |    |
| REP TROTTIER        |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Voice vote = Motion carried.

Date: 2-11-15  
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1254

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: House finance + Tax Comm.  
attachment #1 2-11-15

Recommendation: ☒ Adopt Amendment  
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☐ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ \_\_\_\_\_

Motion Made By Rep. Haak Seconded By Rep. Toman

| Representatives     | Yes | No | Representatives | Yes | No |
|---------------------|-----|----|-----------------|-----|----|
| CHAIRMAN HEADLAND   |     | ✓  | REP HAAK        | ✓   |    |
| VICE CHAIRMAN OWENS | AB  |    | REP STRINDEN    | ✓   |    |
| REP DOCKTER         |     | ✓  | REP MITSKOG     | ✓   |    |
| REP TOMAN           | ✓   |    | REP SCHNEIDER   | ✓   |    |
| REP FROSETH         |     | ✓  |                 |     |    |
| REP STEINER         | ✓   |    |                 |     |    |
| REP HATLESTAD       | ✓   |    |                 |     |    |
| REP KLEIN           | ✓   |    |                 |     |    |
| REP KADING          | ✓   |    |                 |     |    |
| REP TROTTIER        |     | ✓  |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |

Total (Yes) 9 No 4

Absent 1

Floor Assignment \_\_\_\_\_

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

MOTION CARRIES.

\* Roll call vote done because voice vote was too close to make a determination.

Date: 2-11-15  
Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1254

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation: ☐ Adopt Amendment  
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☒ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar  
Other Actions: ☐ Reconsider ☐ \_\_\_\_\_

Motion Made By Rep. Steiner Seconded By Rep. Strinden

| Representatives     | Yes | No | Representatives | Yes | No |
|---------------------|-----|----|-----------------|-----|----|
| CHAIRMAN HEADLAND   |     | ✓  | REP HAAK        | ✓   |    |
| VICE CHAIRMAN OWENS | AB  | ✓  | REP STRINDEN    | ✓   |    |
| REP DOCKTER         | ✓   | ✓  | REP MITSKOG     | ✓   |    |
| REP TOMAN           | ✓   | ✓  | REP SCHNEIDER   | ✓   |    |
| REP FROSETH         |     | ✓  |                 |     |    |
| REP STEINER         | ✓   |    |                 |     |    |
| REP HATLESTAD       | ✓   |    |                 |     |    |
| REP KLEIN           | ✓   |    |                 |     |    |
| REP KADING          | ✓   |    |                 |     |    |
| REP TROTTIER        | ✓   |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |

Total (Yes) 10 No 3

Absent 1

Floor Assignment Rep. Strinden

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

Date: 2-16-15  
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1254

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation: ☐ Adopt Amendment  
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☐ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar

Other Actions: ☒ Reconsider Do Pass ☐ \_\_\_\_\_

Motion Made By Rep. Toman Seconded By Rep. Froseth

| Representatives     | Yes | No | Representatives | Yes | No |
|---------------------|-----|----|-----------------|-----|----|
| CHAIRMAN HEADLAND   |     |    | REP HAAK        |     |    |
| VICE CHAIRMAN OWENS |     |    | REP STRINDEN    |     |    |
| REP DOCKTER         |     |    | REP MITSKOG     |     |    |
| REP TOMAN           |     |    | REP SCHNEIDER   |     |    |
| REP FROSETH         |     |    |                 |     |    |
| REP STEINER         |     |    |                 |     |    |
| REP HATLESTAD       |     |    |                 |     |    |
| REP KLEIN           |     |    |                 |     |    |
| REP KADING          |     |    |                 |     |    |
| REP TROTTIER        |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Voice vote = Motion carried.

Date: 2-16-15  
Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1254

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation: ☐ Adopt Amendment  
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☐ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar

Other Actions: ☒ Reconsider

*Strip amendments  
dated Feb. 10, 2015*

Motion Made By Rep. Strinden Seconded By Rep. Owens

| Representatives     | Yes | No | Representatives | Yes | No |
|---------------------|-----|----|-----------------|-----|----|
| CHAIRMAN HEADLAND   |     |    | REP HAAK        |     |    |
| VICE CHAIRMAN OWENS |     |    | REP STRINDEN    |     |    |
| REP DOCKTER         |     |    | REP MITSKOG     |     |    |
| REP TOMAN           |     |    | REP SCHNEIDER   |     |    |
| REP FROSETH         |     |    |                 |     |    |
| REP STEINER         |     |    |                 |     |    |
| REP HATLESTAD       |     |    |                 |     |    |
| REP KLEIN           |     |    |                 |     |    |
| REP KADING          |     |    |                 |     |    |
| REP TROTTIER        |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

*Voice vote - Motion carries.*

Date: 2-16-15  
Roll Call Vote #: 3

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1254

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 15.0589.01007

Recommendation: ☒ Adopt Amendment  
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☐ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar  
Other Actions: ☐ Reconsider ☐ \_\_\_\_\_

Motion Made By Rep. Haak Seconded By Rep. Steiner

| Representatives     | Yes | No | Representatives | Yes | No |
|---------------------|-----|----|-----------------|-----|----|
| CHAIRMAN HEADLAND   |     |    | REP HAAK        |     |    |
| VICE CHAIRMAN OWENS |     |    | REP STRINDEN    |     |    |
| REP DOCKTER         |     |    | REP MITSKOG     |     |    |
| REP TOMAN           |     |    | REP SCHNEIDER   |     |    |
| REP FROSETH         |     |    |                 |     |    |
| REP STEINER         |     |    |                 |     |    |
| REP HATLESTAD       |     |    |                 |     |    |
| REP KLEIN           |     |    |                 |     |    |
| REP KADING          |     |    |                 |     |    |
| REP TROTTIER        |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Voice vote = Motion carried

Date: 2-16-15  
Roll Call Vote #: 4

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1254

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: further amend = after marriage insert

Recommendation: ☒ Adopt Amendment

☐ Do Pass

☐ Do Not Pass

☐ Without Committee Recommendation

☐ As Amended

☐ Rerefer to Appropriations

☐ Place on Consent Calendar

Other Actions:

☐ Reconsider

☐

Motion Made By Rep. Owens Seconded By Rep. Steiner

| Representatives     | Yes | No | Representatives | Yes | No |
|---------------------|-----|----|-----------------|-----|----|
| CHAIRMAN HEADLAND   |     |    | REP HAAK        |     |    |
| VICE CHAIRMAN OWENS |     |    | REP STRINDEN    |     |    |
| REP DOCKTER         |     |    | REP MITSKOG     |     |    |
| REP TOMAN           |     |    | REP SCHNEIDER   |     |    |
| REP FROSETH         |     |    |                 |     |    |
| REP STEINER         |     |    |                 |     |    |
| REP HATLESTAD       |     |    |                 |     |    |
| REP KLEIN           |     |    |                 |     |    |
| REP KADING          |     |    |                 |     |    |
| REP TROTTIER        |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Voice vote = Motion carried.

Date: 2-16-15  
Roll Call Vote #: 5

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1254

House Finance and Taxation

Committee

☐ Subcommittee

Amendment LC# or Description: 15.0589.01007 + Rep. Owens's verbal amendment  
after marriage insert a comma + insert "former marriage,  
adoption, or other legal guardianship."

Recommendation: ☐ Adopt Amendment  
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☒ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐

Motion Made By Rep. Owens Seconded By Rep. Steiner

| Representatives     | Yes | No | Representatives | Yes | No |
|---------------------|-----|----|-----------------|-----|----|
| CHAIRMAN HEADLAND   | ✓   |    | REP HAAK        | ✓   |    |
| VICE CHAIRMAN OWENS | ✓   |    | REP STRINDEN    | ✓   |    |
| REP DOCKTER         | ✓   |    | REP MITSKOG     | ✓   |    |
| REP TOMAN           | ✓   |    | REP SCHNEIDER   | ✓   |    |
| REP FROSETH         | ✓   |    |                 |     |    |
| REP STEINER         | ✓   |    |                 |     |    |
| REP HATLESTAD       |     | ✓  |                 |     |    |
| REP KLEIN           | ✓   |    |                 |     |    |
| REP KADING          | ✓   |    |                 |     |    |
| REP TROTTIER        | ✓   |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |
|                     |     |    |                 |     |    |

Total (Yes) 12 No 1

Absent 1

Floor Assignment Rep. Strinden

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

**REPORT OF STANDING COMMITTEE**

**HB 1254: Finance and Taxation Committee (Rep. Headland, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). HB 1254 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to a parent's choice individual income tax deduction for qualified educational expenses; and to provide an effective date.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1.** A new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Reduced by the amount up to a maximum of five thousand dollars, or two thousand five hundred dollars in the case of married individuals filing separately, of qualified educational expenses paid by the taxpayer for each qualifying child during the taxable year. This adjustment does not apply to individuals with taxable income exceeding sixty thousand dollars during the taxable year or to married individuals filing jointly with taxable income exceeding one hundred twenty thousand dollars during the taxable year. The adjustment under this subdivision shall be claimed in the form and manner prescribed by the tax commissioner. For purposes of this subdivision:

- (1) "Qualified educational expenses" means the amount expended for each qualifying child for books and tuition relating to the child's education at a nonpublic school.
- (2) "Qualifying child" means a child who was a nonpublic school student under the age of eighteen at the end of the taxable year. A qualifying child must be related to the taxpayer by blood, marriage, former marriage, adoption, or other legal guardianship.

**SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after December 31, 2014."

Renumber accordingly

**2015 SENATE FINANCE AND TAXATION**

**HB 1254**

# 2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Lewis and Clark Room, State Capitol

HB1254  
3/9/2015  
Job #24480

☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature

*Alice Grove*

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

Relating to a parent's choice individual income tax deduction for qualified educational expenses; and to provide an effective date.

## Minutes:

Attachments #1, #2, #3

**Chairman Cook** opened the hearing on HB1254.

**Rep. Mark Dosch, Dist. 32**, presents the bill. **(Attachment #1)** HB1254 seeks to establish a Parent Choice Education Tax Deduction for individuals who pay out of pocket educational expenses. Urge support of the bill.

**Sen. Oehlke** -- On line 21, the words by blood, what does that mean?

**Rep. Dosch** -- It means for adopted kids. In the original version the question came up so it was amended on the House side to include that.

**Sen. Oehlke** -- Does it mean if I'm a grandparent and I want to give money; if I'm related to my grandchild by blood, does that allow me to do that even though I am not direct support for that child?

**Rep. Dosch** -- Yes, it does.

**Sen Oehlke** -- But it could be a distant uncle, cousin, by blood. Why don't we put grandparent in there? Do you want to limit this anywhere? We're all brothers.

**Rep. Dosch** -- Our original purpose was the immediate family and grandparents and then it came up, what about adopted kids. That's where the blood thing came in.

**Sen Oehlke** -- We've got a bill in transportation too and it deals with who can be responsible for the vehicle that you're driving. There are some limitations in there.

**Sen. Bekkedahl** -- What was the fiscal note when it was originally a tax credit?

**Rep. Dosch** -- I do and I believe it was right around \$6.7 million per biennium. (meter 8:28-10:36)

**Sen. Bekkedahl** -- Was it changed from a tax deduction to a tax credit solely because of the fiscal note or were there other discussions involved in that?

**Rep. Dosch** -- As it hit the House side was shortly after we had the new \$4 billion budget reduction come through. It was we can't have any more tax credits out there and let's make it a deduction. Quite honestly, although it enjoyed bipartisan support in the committee, I don't think they really truly understood the difference so we went from a \$2,500 tax credit to a \$125 equivalent. Although that will help and it's a step in the right direction, we as a state really need to be much more aggressive in getting people to go nonpublic to help assure that there is going to be money left to fund the public system. If we are expecting the state to pick up 80% and fund another \$278 million next session, I don't know where that new money is going to come from. (meter 11:56-13:08)

**Sen. Laffen** -- My wife taught in a private school for 30 years and I sent all my kids there so I'm very much on the side of private schools, but I'm not convinced that a tax credit is going to make any difference to anybody sending their children to a private school. My experience is that they send them to a private school for other reasons than money. Do you think that will be an incentive to shift the numbers?

**Rep. Dosch** -- There are those that can afford to do so. Many parents do not have that choice -- money is the issue. In the bill here, and because of the bipartisan support, the original bill didn't have any income limitations on it, this does. We are trying to focus on those that don't have a choice and the income limitations on here hopefully will address some of those people. If they can get some help in this bill, I believe it's going to make a difference.

**Sen. Triplett** -- In terms of the basic facts where you suggested that we won't be able to afford this because we are going to have 13,000 more students in a couple of years, isn't it the case that generally the people coming in to North Dakota are coming because of the jobs that we have available? If they come, they are coming for jobs. They are not coming here to be homeless people on our streets. Don't you expect that it will balance out?

**Rep. Dosch** -- A lot of times it becomes quality of life. What kind of school system do we have? We have a great public school system in North Dakota. The reality is that when we changed the formula last session, when we took on 80% of the funding responsibility, I don't think we really figured out the cost to continue. I don't think we looked at the number of new students coming into the system. (meter 17:35-18:24)

**Sen. Triplett** -- If everything is as bad as you're projecting it to be, then my best guess is that those 13,000 new students won't arrive here because there won't be jobs for them. My point is, the economics of the public schools system relative to North Dakota's tax picture will take care of itself as time passes. I don't buy that as part of your argument. I think it would be better if you just stuck to the notion that you want us to support private schools for your own reasons. I would not suggest, ever, and I would argue against the idea that we should do it because we, the state, are getting ourselves in such a bind that we can't

support public education. Of course we can. We always have. We always will. We will find a way to support public education.

**Sen. Bekkedahl** -- A follow up on my fiscal note question, did your original bill have the income limitations in it or was that added?

**Rep. Dosch** -- Not when the \$6.5 million came out. I don't think the bill was amended yet with the income limitations.

**Morgan Forness, State Association of Nonpublic Schools, (Attachment #2)**  
In support of HB1254.

**Chairman Cook** -- Sen. Laffen said he didn't think the tax credit or deduction would motivate that many people to make the decision to take their kids to private school. Do you agree with that?

**Morgan Forness** -- As amended, I think it would not have the incentive that could have more bang for the buck. I've been in private education since the early 90's and each and every year there is discussion about this and it always goes back to: you should try a voucher; you should try a tax cut. You should try something else. It seems that it's impossible to get recognition and support for the resources that these private schools are offering. I feel for our teachers. Enrollment is a major source of our revenue and it's how we pay our teachers and provide quality. Anything that can be done to help that enrollment would be appreciated.

**Chairman Cook** - I would love to see private schools be much more successful but we had some testimony earlier in Finance and Tax regarding the taxes paid by families: 164,000 is the number of tax filers in North Dakota that had a tax liability of less than \$100. And of those 164,000, their average tax liability was \$22. I would guess that a lot of those filers are parents of kids going to private schools. You talked about them in your testimony. They are making tremendous sacrifices. What we are missing here is whether it is a nonrefundable credit or even a deduction, it's going to have minimal impact on a lot of your parents.

**Morgan Forness** -- I appreciate your comments. I would say, globally, private schools desire to be valued with what they provide for the state of North Dakota, really tens of millions of dollars in savings to the taxpayer but it is very difficult to compete. For example, a starting teacher at Shiloh Christian makes \$26,000 and when you look at what a starting teacher at Bismarck High makes, it's not even close. It's \$14,000 - \$15,000 less. We do our best with the resources we have.

**Sen. Dotzenrod** -- The previous bill we had in here dealt with students that were going to private school, whether they were higher ed or secondary, is this just for secondary schools?

**Morgan Forness** -- I'd have to defer that to Rep. Dosch, but I believe it is only for the nonpublic k-12 schools.

**Sen. Dotzenrod** -- Part of the argument here is that it helps take the burden off of the public school system, if I follow that argument, should we be providing the same benefit to homeschoolers?

**Morgan Forness** -- I believe that homeschoolers do have access to public school resources that private schools do not have access to just because they are a part of that district, they have access to curriculum resources.

**Sen. Dotzenrod** -- You said we have 45 nonpublic schools in the state. Can I assume that most of those are affiliated with a religious organization or a church? Are there some private schools that have no religious affiliation?

**Morgan Forness** -- Are you are saying: are they all parochial schools? No, they are not. There's nonpublic Native American schools. There's nonpublic early childhood schools that are part of this. I believe that you could say that a majority of our students are part of the parochial nonpublic system. Probably close to 30 of the 45 would be associated with a religious affiliation.

**Rod Backmann** -- I'm here representing himself. It really is a sacrifice on these parents. We paid the tuition for our granddaughter when our son moved to Bismarck and it was \$700/month. Sen. Laffen, I agree a \$125 benefit is not going to impact a parent's decision but when it was a \$2,500 credit it could. (meter31:20-32:32)

**Sen Triplett** -- Responding to your last statement, if that were to happen, if we were to decide that we don't want to be in the business of providing as much public education because it is just so expensive so let's do whatever we can to encourage parents kids to send their kids away and then pay a quarter of the cost. It's really a false dichotomy that you're putting forward to us because the cost of educating has to be paid for and it's an obligation on the part of the state. It's not an obligation on the part of any particular church or any other group. They do it by choice. The state has a constitutional obligation to provide public education. If you are using these kinds of arguments that say let us do that because we'll take these expensive kids off your hands, you are really just sitting us up later to come back and say now pay for it all because it's you constitutional obligation.

**Rod Backman** -- I'm not sure how to respond to that, other than to give my own philosophical response and that is constitutionally we have set up a public system but I don't believe there is any prohibition constitutionally for you to appropriate and say we are going to give this \$10,000 or \$8,000 to every parent in the state and they decide where they want to educate their children, either in the public system or in the private system. I think that would be good for everybody. Competition is good. In education we feel this need to have government run monopolies providing this; we don't do it in most other areas of this country that is based on free enterprise and competition.

**Christopher Dodson, North Dakota Catholic Conference** -- In support of this bill. The only thing I would like to add is that ultimately it's not about saving the state money and ultimately it's not about propping up nonpublic schools. Ultimately it is about the education of our children and we should all agree that the best education for our children is one in which the parents are invested in that education and they can decide what is the best

educational setting for that particular child. That ability to choose shouldn't be denied to them because of income.

**Dr. Aimee Copas, Executive Director, North Dakota Council of Educational Leaders --**

I come here to discuss HB1254 and I hope that at the end of the day we don't need to discuss about opposition but discuss how this bill could be a different kind of opportunity for our whole state. **(Attachment #3)** Without amendment, urge a do not pass,

**Stuart Savelkoul, Assistant Executive Director of North Dakota United --**

Our opposition to this type of legislation was probably expected along many of the same lines that were alluded to in Dr. Copas' testimony in that the public dollars that are going to education really are supposed to go to public education and when one considers the shared percentage of private schools in North Dakota that are religious in nature, we have some real concerns about the constitutional intent of separation of church and state. One of the chief concerns that I have is that the bill does not appear to be very solvent as Sen. Laffen alluded to and has been admitted by the bill sponsor and other testimony. (meter 43:00-43:46)

**Sen Triplett --** Have you had a chance to look at the proposed amendment presented by Ms. Copas and do you have an opinion on that?

**Stuart Savelkoul --** I haven't looked at the amendment. I'm familiar with its content, based upon Dr. Copas' comments, and I would have to say that even with that amendment I don't think it would make us support the bill. (meter 44:20-44:38)

No further testimony.

**Donnita Wald, General Counsel, Office of State Tax Commissioner --**

I want to address a question that Sen. Oehlke had regarding the great, great uncle paying. We don't define by blood in the tax code, however, in one of the other sections of the century code relating to public welfare, it is defined as including a parent, grandparent, step-parent, brother, sister, step-brother or sister, half-brother or sister, child, but does not include aunts and uncles. And I was having a discussion with Rep. Dosch, he does not mean to include aunts and uncles to qualify. Our administration of this credit would be to follow that definition in 50-32-01.

**Vice Chairman Laffen** closed the hearing on HB1254.

# 2015 SENATE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Lewis and Clark Room, State Capitol

HB1254  
3/16/2015  
Job #24900

☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature

*Alice Grove*

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

Committee work.

### Minutes:

Attachments #1,

**Chairman Cook** opened the committee work on HB1254.

Sen. Oehlke presented Amendment 15.0589.03001. **(Attachment #1)**

**Sen. Cook** -- Anybody got any other amendments for this one?

**Sen. Bekkedahl** -- Was this the one where we had testimony that somebody wanted to add public as well as private?

**Sen. Cook** -- Yes.

**Sen. Bekkedahl** -- And I believe the bill sponsor, Rep. Dosch, did contact the committee and say he was amenable to that provision.

**Sen. Unruh** -- They came with some suggested amendments to do that. I have NDCEL scratched on the top of my page.

**Sen. Laffen** -- I'm looking at those amendments. If you were going to public school, why would you have cost for tuition, fees or books? Where would they occur?

**Sen. Cook** -- Sports fees. Activity fees.

**Sen. Unruh** -- Would sports fees apply? I would think qualified educational expenses would be a pretty narrow definition of what would actually qualify.

**Sen. Laffen** -- And it says, books, tuition and fees. So it is limited to those three.

**Sen. Cook** -- Somebody asked the question. Annetta Thomas?

Sen. Unruh -- I can do that.

**Sen. Cook** -- If that would include athletic fees? I'm sure it includes musical fees. Band fees. Instrument rental.

**Sen. Unruh** -- What about hockey gear?

**Sen. Cook** -- You bet.

**Sen. Bekkedahl** -- There are limits to what you can deduct. The total is limited.

**Sen. Cook** -- Anybody got anything other than those 2 amendments. Tomorrow we kick them out.

Committee work closed.

# 2015 SENATE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Lewis and Clark Room, State Capitol

HB1254  
3/17/2015  
Job #25003

☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature

*Alice Grove*

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

Committee work

### Minutes:

Attachment #1

**Chairman Cook** opened the committee work on HB1254.

**Sen. Unruh** -- HB1254 is the individual income tax deduction for private schools. The amendment had added that public schools would also be included in that and it included fees. This are proposed amendments that the NDCEL had brought. We have not acted on them. The discussion on those amendments, including public schools and the income tax deduction lead us to a conversation questioning what was included for public school fees that would qualify for the deduction and that is what I passed out here (**Attachment #1**). There is a list of the student fees for public schools that would qualify for that deduction and it is pretty all inclusive.

**Sen. Cook** -- Is there anybody here that really wants to amend that amendment onto this bill?

**Sen. Laffen** -- I'm just wondering if we are over-thinking this in that public school education is paid for by the state of North Dakota. Do we really need to provide an income tax deduction for the miscellaneous fees that you might have to pay to go to free school? It seems like a lot of rigamarole for what it is worth.

**Sen. Cook** -- I think the amendment is what gets classified as a wart more than lipstick.

**Sen. Triplett** -- If we are ready to proceed, I would move a do not pass on the HB1254.

**Sen. Dotzenrod** -- Seconded.

**Sen. Cook** -- I'm not sure if I'm ready to do that yet. I'd like to deal with 1462 and then 1254. We've got amendments coming for HB1462. Do you want to hold off on your amendment?

**Sen. Triplett** -- I'll withdraw the motion.

**Sen. Cook** -- Let's sit this aside and go to 1462.

# 2015 SENATE STANDING COMMITTEE MINUTES

**Finance and Taxation Committee**  
Lewis and Clark Room, State Capitol

HB1254  
3/17/2015  
Job #25007

☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature

*Alice Grove*

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

Committee work

## Minutes:

Attachment #1

**Chairman Cook** opened the committee work on HB1254.

**Sen Triplett** -- I would move the Oehlke amendments .03001. **(Attachment #1)**

**Sen. Bekkedahl** -- Seconded.

**Sen. Bekkedahl** -- I seem to remember the bill sponsor talking about grandparents and other relatives. When you got the amendments, Sen. Oehlke, did you discuss that with the bill sponsor at all?

**Sen. Oehlke** -- No.

**Sen. Cook** -- If it passes, he will in conference committee.

**All in favor say aye. Carried.**

**Sen. Cook** -- Any other amendments to 1254? Cole, can we get an engrossed bill here too?

**Cole Derks** -- A Christmas tree version?

**Sen. Cook** -- That would really be nice. I don't know if you can do that or if council can?

**Cole Derks** -- It's cumbersome, but it can be done.

**Sen. Cook** -- Do the best you can. We will take care of that tomorrow.

Committee work closed.

# 2015 SENATE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Lewis and Clark Room, State Capitol

HB1254  
3/18/2015  
Job #25070

- ☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature

*Alice Grove*

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

Committee work.

### Minutes:

Attachment #1

Vice Chairman Laffen opened the committee work on HB1254.

This is one where we have an amendment which I don't believe we have acted on. We got the Christmas tree version of that amendment. (Attachment #1) I would entertain a motion on the bill.

Sen. Triplett -- Move a do not pass, as amended.

Sen. Oehlke -- Seconded

Roll Call vote on HB1254. 3-3-1

Committee work closed.

# 2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Lewis and Clark Room, State Capitol

HB1254  
3/18/2015  
Job #25078

☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature

*Alice G. Mow*

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

Committee work.

## Minutes:

**Chairman Cook** opened the committee work on HB1254.

**Sen. Laffen** -- I would move a do pass on HB1254, as amended

**Sen. Bekkedahl** -- Seconded

**Sen. Triplett** -- The notion of providing tax benefits to nonpublic schools takes resources away from our public schools and I'm noting that not because I think the members of this committee don't understand it because apparently some of the people who are in support of this don't understand it. I did read all of the emails that we got from people in favor of this and a good number of them said this doesn't take anything away from anyone else and we all on this committee know that it does. To the extent that we allow people to direct their own tax obligation towards some particular purpose it obviously reduces the available taxes for every other purpose. This does take money away from the rest of the budget, generally, and to the argument that we should give them this amount and a whole lot more because they are taking a burden away from the public schools, I think that is just completely wrong-headed when the state, as a state, has a constitutional obligation to provide a full public education to all of the students of the state of North Dakota, even the ones who cost a heck of a lot more than others. The state of North Dakota doesn't get to pick and choose its students. (meter 1:53-4:02)

**Sen. Cook** -- Sen. Triplett, first off, I hope that you didn't read every email, especially the 90% of them that said the same thing. Does this bill prohibit tax deductions for a parent that pays tuition and buys books for a school run by the Islamic church? I don't believe it does.

**Sen. Triplett** -- Probably it doesn't but my point was that I don't think those people have thought about it that way.

**Sen. Cook** -- The only other comment I would make is that the bill before us is really, in my mind, next to harmless. The only thing it is, is an taxable income deduction. There's a reason why it was watered down to this.

Roll call vote will be kept open until all committee members are present.  
Roll call vote total 4-3-0

**Carrier: Sen. Unruh**

March 10, 2015

TV  
3/18/15

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1254

Page 1, line 20, remove "A qualifying child must be"

Page 1, replace lines 21 and 22 with:

- (3) "Taxpayer" means the parent or legal guardian of a qualifying child."

Renumber accordingly

Date: 3.17.15

Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. HB1254

Senate Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 15.0589.03001

Recommendation: ☒ Adopt Amendment  
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☐ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ \_\_\_\_\_

Motion Made By Sen. Triplett Seconded By Sen. Bekkedahl  
voice vote aye all. Carried

| Senators                    | Yes | No | Senators                | Yes | No |
|-----------------------------|-----|----|-------------------------|-----|----|
| Chairman Dwight Cook        |     |    | Senator Jim Dotzenrod   |     |    |
|                             |     |    |                         |     |    |
| Vice Chairman Lonnie Laffen |     |    | Senator Connie Triplett |     |    |
|                             |     |    |                         |     |    |
| Senator Brad Bekkedahl      |     |    |                         |     |    |
|                             |     |    |                         |     |    |
| Senator Dave Oehlke         |     |    |                         |     |    |
|                             |     |    |                         |     |    |
| Senator Jessica Unruh       |     |    |                         |     |    |
|                             |     |    |                         |     |    |
|                             |     |    |                         |     |    |
|                             |     |    |                         |     |    |
|                             |     |    |                         |     |    |

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Date: 3.18.15Roll Call Vote #: 1

**2015 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1254**

Senate Finance and Taxation Committee☐ Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation: ☐ Adopt Amendment  
☐ Do Pass ☒ Do Not Pass ☐ Without Committee Recommendation  
☒ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ \_\_\_\_\_Motion Made By Sen. Triplett Seconded By Sen. Oehlke

| Senators                    | Yes       | No       | Senators                | Yes      | No |
|-----------------------------|-----------|----------|-------------------------|----------|----|
| Chairman Dwight Cook        | <u>AB</u> |          | Senator Jim Dotzenrod   | <u>✓</u> |    |
| Vice Chairman Lonnie Laffen |           | <u>✓</u> | Senator Connie Triplett | <u>✓</u> |    |
| Senator Brad Bekkedahl      |           | <u>✓</u> |                         |          |    |
| Senator Dave Oehlke         | <u>✓</u>  |          |                         |          |    |
| Senator Jessica Unruh       |           | <u>✓</u> |                         |          |    |
|                             |           |          |                         |          |    |
|                             |           |          |                         |          |    |
|                             |           |          |                         |          |    |
|                             |           |          |                         |          |    |
|                             |           |          |                         |          |    |

Total (Yes) 3 No 3Absent 1

Floor Assignment \_\_\_\_\_

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

Date: 3-18-15Roll Call Vote #: 1

**2015 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO HB 1254**

Senate Finance and Taxation Committee☐ SubcommitteeAmendment LC# or Description: 15.0589.03001 Title.04000

Recommendation: ☐ Adopt Amendment  
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☒ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ \_\_\_\_\_Motion Made By Sen. Laffen Seconded By Sen Bekkedahl

| Senators                    | Yes | No | Senators                | Yes | No |
|-----------------------------|-----|----|-------------------------|-----|----|
| Chairman Dwight Cook        | ✓   |    | Senator Jim Dotzenrod   |     | ✓  |
| Vice Chairman Lonnie Laffen | ✓   |    | Senator Connie Triplett |     | ✓  |
| Senator Brad Bekkedahl      | ✓   |    |                         |     |    |
| Senator Dave Oehlke         |     | ✓  |                         |     |    |
| Senator Jessica Unruh       | ✓   |    |                         |     |    |
|                             |     |    |                         |     |    |
|                             |     |    |                         |     |    |
|                             |     |    |                         |     |    |
|                             |     |    |                         |     |    |
|                             |     |    |                         |     |    |

Total (Yes) 4 No 3Absent 0Floor Assignment Sen. Unruh

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

**REPORT OF STANDING COMMITTEE**

**HB 1254, as engrossed: Finance and Taxation Committee (Sen. Cook, Chairman)**  
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends  
**DO PASS** (4 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1254  
was placed on the Sixth order on the calendar.

Page 1, line 20, remove "A qualifying child must be"

Page 1, replace lines 21 and 22 with:

- (3) "Taxpayer" means the parent or legal guardian of a qualifying  
child."

Renumber accordingly

**2015 TESTIMONY**

**HB 1254**

# HB 1254

---

## House Finance & Tax Craig Headland, Chairman

Mr. Chairman, members of the Finance & Tax Committee, for the record my name is Mark Dosch, Representative from District 32 Bismarck. Allow me to explain the bill before you.

First, let me begin by saying that I understand that there are some are concerns about individual tax credits. But I am here today to let you know, that *not all Tax Credits are created equal*.

### PARENTS CHOICE INCOME TAX CREDIT

The bill before you I believe will:

1. Offer Parents Choice on the education of their child,
2. Improve test scores,
3. Help prevent the increase in property tax,
4. Help assure future funding of Public education,
5. Allow people to decide how to spend their own money rather than the government,
6. All at no cost to the State.

Let me explain.

If education today is truly "**about the kids**", then the ability of parents to "Choose" the best education delivery method is critical in determine the best outcome for that child. Unfortunately today in ND that Choice is not available to all. Worse yet, in most cases Choice is determined by economics. Today, low to middle income families really have no choice... a sad reality. Fortunately today you have the ability to help change that. Allowing this tax credit will open the doors of choice to many families. It's time to remove this state's economic barriers to education. This bill will do that, and so much more.

**Let's talk test scores.** We continue to be frustrated with the fact that although we now spend over 2 Billion on k-12 in this state, an amount that has more than doubled in the last ten years, yet today nearly 25% of all kids graduating from high school need remedial classes before they can even enter in to our universities. Study after study done on this subject clearly points out that in School Districts test scores are higher when that district or State for that matter **have BOTH a strong Public School system AND a strong Non-public system**. Students produce higher test scores. Call it a little friendly competition or whatever... but it works, it's a proven fact, and this bill will help do that.

**Help prevent increase in property tax:** It is said, that property tax is a local issue that is true, however actions taken by the legislature does have an effect as well. ND is experience growth. This next biennium alone, it is anticipated that there will be 13,000 new students entering into our k-12 system. Schools are bursting at the seams, and it is anticipated that over 300 million will be spent on new school construction. Unfortunately, that 300 million will be paid back by assessing even higher property taxes

to the local property owner. Angry taxpayers are letting their voices being heard, and will no doubt start holding lawmakers accountable for their actions that directly impact property taxes. Every time a new school is built in this state, local property taxes go up. This bill will help address those issues and help take some of the pressure of the State and local governments. As I said, 13,000 new students will be flooding our system. Implementation of this bill will without question help ease the pressure by providing some incentive, to parents. Choice to send their child to a non-public school, thus helping to ease some of the new surge of students. In Bismarck for example, we are in the process of completing our 3<sup>rd</sup> new school. Over 80 million spent in the last two years increasing capacity, and costing each home owner around \$300 in new property taxes. And already, before the last school is even completed, there is talk of yet another school. This bill would be critical in helping to shift hopefully enough students prevent the building of another school. Think about this... when a School like Shiloh in Bismarck recently expanded; do you know what it cost the local property owner? The answer is ZERO, When Schools like St. Mary's decides to build, and do you know what it cost the local property owners? ZERO. If the Public School system in Bismarck adds on or goes through with building yet another school, do you know what it will cost the local property owners? The answer is 10s of millions of dollars... raising our property taxes even more!

Mr. Chairman and committee members, this is not rocket science, it is merely using common sense in government. Why would we not explore every option, like utilizing the capacity of the non-public schools, by offering a little incentive to them, thus encouraging them to help shift some of the growth burden? Rather than putting 100% of the expense of education on state and local governments, resulting in higher taxes for all? This bill will address this problem.

**HELP ASSURE FUTURE FUNDING OF PUBLIC EDUCATION:** It's interesting to talk to some legislators that say... you know I don't have a non-public school in my district, so I really don't have a dog in this fight. But the reality is nothing could be further from the truth. Last session the State of ND took a very aggressive step when it changed the education funding formula. Basically, it bought down property mill levies for local property owners, and thus the State assumed 80% of the cost of K-12 education... a 2 Billion commitment. Some hailed this as a wonderful change, however it left many of us scratching our heads, as to just how the state is going to maintain that enormous financial commitment. This biennium the cost to the State to just continue its funding level, will result in the having to come up with an additional 100 Million dollars... just to pay for things like increase in teacher pay, health insurance, ongoing maintenance and repairs, etc. 100 million dollars just to "hold even". However what I believe was not even considered, is the cost for all the new students. The 13,000 new students entering the system will cost the state over \$130 million. You add the cost to continue and the new student's means that the state will have to come up with \$230 Million new money this biennium. Many of us believe that this is simply unsustainable. Especially now, with the state bracing for substantial revenue loss, hold on to your hats!

If changes aren't made now, the ability of the state to continue this level of funding will not be possible. No increases in per public payment or perhaps even a reduction in that payment will most certainly be the result. This will affect every district in the state regardless are they having a non-public school or not. This is why Mr. Chairmen and committee members I urge you to look ahead, take action now, like

passing of this bill. Offering this incentive to help take the pressure off the state and local school districts will no doubt help to mitigate the financial hit to the state and education funding. Providing this small incentive to help more some of the students "out of the system" is the common sense thing to do.

**ALLOW PEOPLE TO DECIDE HOW TO SPEND THEIR OWN MONEY RATHER THAT THE GOVERNMENT.**

Who do you believe knows best how to spend your hard earned money, you or the government? I think most would answer a resounding I do! And that Mr. Chairman and members is exactly what this bill does. We are simply saying to parents, we are going to let you keep some of your own money; allow them to spend it on education in a manner they see fit. Allowing Parents to choose for the good of their own child. Wow what a common sense to response, to an ever more controlling government.

**SAVE THE STATE MONEY.** This bill will save the state money. As I have said, the cost to the state is about \$10,000 per student. The cost of this tax credit is \$2,500. A \$7,500 per child savings to the state. It also is a savings to the local property owners. Remember, it cost nothing when a non-profit builds or expands... but it will cost the locals Hundreds of dollars in higher property tax if the public expands. What do you think your constituents would want you to do? it's all about common sense government.

**SO LETS RECAP WHY I BELIEVE YOU SHOULD SUPPORT THIS BILL**

1. If you believe that parents know their child the best, and thus the parent should be allowed to choose what educational environment is best for their child, you should support this bill.
2. If you believe that we should consider every option that has proven to increase students' performance and test scores. You should support the bill.
3. If you believe that the State should consider every possible option to help prevent unneccery expansion and costs, and do whatever they can to help keep property taxes low, you should support the bill.
4. If you believe that it makes sense for the government to offer some incentives to people or business that would results in direct cost savings to the state and local governments, you should support the bill.
5. If you believe that people know better than the government on how to spend their own money, than you should support the bill.

Mr. Chairmen, committee members this concludes my testimony. I hope I have explained why this bill represents a common sense approach to government, and I respectfully ask for your favorable consideration and support. Thank you. I would be happy to answer any questions you may have.

Testimony by Morgan Forness, SANS

Chairman Headland & members of the committee, my name is Morgan Forness and I am here today representing The State Association of Nonpublic Schools to speak in support of **HB 1254**.

SANS membership represents more than 45 private, (nonpublic) schools in North Dakota made up of almost 7,000 students. These students come from families that pay state taxes to support public education, as well as tuition for private school education at the same time. While many think that private schools are attended by only wealthy families, that is far from the truth. Instead, private education is a viable choice that parents of all walks of life make to provide what they feel is best for their children. I can attest from my 25 years in private education, it is a huge sacrifice for many.

**HB 1254** will provide up to \$2,500 of tax credits per student to help parents meet the cost of books and tuition. This bill will go a long way toward assisting families, many of whom struggle with the tuition costs of private education. At Shiloh Christian, where I am an administrator, 45 percent of our families receive some type of financial assistance from the school because their income is just not sufficient to cover these costs. I personally know of families that have had to leave private education simply because they could not fit this cost into their family budgets.

North Dakotans can be proud of its educational system. Both public and private schools have an important role in educating students for success in the ever-changing world of work. We consider it a privilege to work in collaboration with our public school counterparts to meet the needs of North Dakota. The economy is booming and communities are being stretched to meet the infrastructure, housing, business, and educational demands of its communities. We are a legitimate partner in helping communities thrive and meet those needs, often to the benefit of the North Dakota taxpayer.

We work hard to provide a quality education and are dedicated to providing parents with a “choice in education” that is not in conflict with public schools, but rather a partner in meeting the needs of a community and state. Private (not for profit) schools should not be viewed as a competitor to public schools, but rather an additional resource and alternative available to parents to educate the student population of North Dakota.

Finally, contrary to what many believe, private schools are NOT “prep schools” that only cater to the wealthy. As stated, virtually all private schools provide significant financial aid to families in need. This assistance is available to families from all ethnic variations, and socioeconomic positions. All students should have options as the “one size fits all approach” is not always possible.

At this time, I would like to call on Sam Desir, a junior student from Shiloh Christian School, to share a few comments on how this legislation would benefit his family.

**(Sam Desir comments)**

While most nonpublic schools may have a mission that differs somewhat from that of public schools, we are all equally committed to quality academics and high standards—which is a good thing for North Dakota.

**HB 1254** identifies the desire for the state to recognize the role of private education for many North Dakota families and commit to providing support to them.

While parents of students in private schools pay taxes to help fund public education, they reap very few benefits personally. Yet these private schools provide tremendous resources and rich learning environments to many communities, ultimately saving tax payers millions of dollars from additional public school funding.

Again, SANS is supportive **HB 1254**. Sam and I would be happy to answer any questions you may have.

House Finance and Tax Committee – January 26, 2015 – Sam Desir, Shiloh Christian School

Bon Jour. Thank you Chairman and committee,

I'm always grateful for any chance to skip class!

Honestly, I never imagined I would attend a school as nice as Shiloh. You see, I was born in Port au Prince Haiti where there is not free public education

My mom adopted me when I was 2 years old. My mom taught me to speak English and I went to a private Christian school in Haiti with English classes. I was malnourished as a baby and suffered much trauma such as rats chewing off part of my ears and scalp. Some people thought I might never learn like other kids because of the problems in my early development.

We lived in Haiti until 6 years ago.

When we moved to the States, my mom did not know what to do for my education. She was nervous to put me in public school because she thought I would get lost.

Our Christian faith is important to us. I also have some trouble learning as fast as other kids my age.

My mom didn't really know much about Shiloh but went there to ask if they could help us. She came home and cried because she felt like she had found a home for our family. The problem was my mom was worried then and is still worried now how to pay for Shiloh. My mom is very grateful for the financial aid from Shiloh but it is still expensive to attend a private school.

I don't know anything about my birth parents so obviously I don't have a dad who pays child support. My mom feels like she cannot work full time and take care of my brother, my 91-year Grandpa, and me so she works part time. I eat a lot so I think my mom lives in the kitchen! I work part time too to help pay for some of the extra things, like I'm going to go on the Close Up Trip to Washington DC.

At Shiloh I get help from the Resource room, I'm involved with the football program, in choir, and theatre. My mom begs me every year if she can homeschool my little brother Joey and I but we love our friends and teachers at Shiloh too much.

My mother willingly pays property taxes for our house that supports public education. She also pays tuition at my school. It is as if she pays twice for my education. Supporting a tax credit for people like my family would be very much appreciated to lightening the burden of meeting both the educational costs we value as well as the cost of living expenses.

Because I'm Haitian, I'm a minority in Bismarck. However, I think non-traditional families who are not rich are becoming more of a majority in North Dakota and nice people like my mom should have a "choice" in where to send their kids to school without being so worried about the money part. My mom has other things to worry about like getting out of the kitchen once in awhile! Thanks for listening, I have to get back to school so I don't miss lunch!

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1254

- Page 1, line 2, replace "7" with "2"
- Page 1, line 3, replace "credit" with "deduction"
- Page 1, line 8, replace "credit" with "deduction"
- Page 1, line 9, replace "credit" with "deduction"
- Page 1, line 12, replace "credit" with "deduction"
- Page 1, line 12, replace "two" with "five"
- Page 1, line 12, remove "five hundred"
- Page 1, line 13, after the first "a" insert "single individual or"
- Page 1, line 14, replace "credit" with "deduction"
- Page 1, line 14, replace "one" with "two"
- Page 1, line 14, replace "two" with "five"
- Page 1, line 15, remove "fifty"
- Page 1, line 19, after "school" insert "or in home education"
- Page 1, line 20, after "school" insert "or home education"
- Page 1, line 22, replace the first "or" with an underscored comma
- Page 1, line 22, after "marriage" insert ", or adoption"
- Page 2, line 1, remove "The credit allowed under this section may not exceed a taxpayer's liability as"
- Page 2, remove line 2
- Page 2, line 3, remove "5."
- Page 2, line 3, replace "credits" with "deductions"
- Page 2, line 4, replace "ten" with "twenty"
- Page 2, line 4, replace "Credits" with "Deductions"
- Page 2, line 6, replace "credit" with "deduction"
- Page 2, line 6, replace "credit" with "deduction"
- Page 2, line 8, replace "7" with "2"
- Page 2, line 10, replace "Parent's" with "Reduced by the amount of the parent's"
- Page 2, line 10, replace "credit" with "deduction"
- Renumber accordingly

HB 1254  
2-9-15  
#1

Prepared for the  
House Finance and  
Taxation Committee  
February 3, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1254

Page 1, line 18, after "child's" insert "kindergarten through grade twelve"

Page 1, line 19, after "school" insert "or home school"

Page 1, line 20, after "school" insert "or home school"

Page 1, line 21, replace "end" with "beginning"

Page 1, line 21, replace "taxable" with "school"

Page 1, line 22, replace "or marriage" with ", marriage, former marriage, adoption, or other legal guardianship"

Page 2, remove lines 3 through 5

Page 2, line 6, replace "6." with "5."

Renumber accordingly

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1254

Page 1, line 10, replace "each" with "the taxpayer's family, consisting of at least one"

Page 1, line 13, replace "qualifying child" with "family"

Page 1, line 13, replace ". In the case of" with "and for"

Page 1, line 15, replace "qualifying child" with "family"

Page 1, line 18, replace "qualifying child" with "family"

Page 1, line 18, remove "the child's"

Page 1, line 18, after "education" insert "of the family's qualifying children"

Renumber accordingly



HB 1254  
2-10-15  
#1

## Memorandum

TO: Representative Mark Owens  
House Finance and Taxation Committee

FR: Kathryn Strombeck  
Office of Tax Commissioner

RE: Fiscal Impact of possible amendments to HB 1254  
Parents' Choice Educational Individual Income Tax Credit

DT: February 10, 2015

The House Finance and Taxation committee requested information regarding the fiscal impact of four possible amendments to HB 1254. All four amendments change the credit from "per child" to "per family." The current count of private school enrollment is approximately 6,750 students, from 4,000 families. The details that differ among the four possible amendments are as follows:

- **The tax credit is equal to qualifying expenses up to \$2500 per family:** The limiting factor for 20% of the families is the tax credit. For 70% of the families, the tax liability itself is the limiting factor (meaning the tax liability is less than the \$2500 allowable credit). The average tax liability – and the average credit for these families – is \$926. Approximately 10% of the families have less than an average tax liability (estimated to be \$800) and that becomes the limiting factor, and the amount of their tax credit. The total biennial fiscal impact is estimated as **-\$9,826,000**.
- **The tax credit is equal to qualifying expenses up to \$1200 per family:** The same parameters hold as in the above scenario. The 20% of families whose tax liabilities exceed the credit are limited to \$1200 each. All others are limited to their tax liability. The total biennial fiscal impact is estimated as **-\$7,746,000**.
- **The tax credit is \$2500 per family but not available for persons with taxable income above \$120,000:** This excludes an estimated 20% of families. The total biennial fiscal impact is estimated as **-\$7,826,000**.
- **The tax credit is \$1200 per family but not available for persons with taxable income above \$120,000:** This excludes an estimated 20% of families. The total biennial fiscal impact is estimated as **-\$6,786,000**.

Private school enrollment growth has not been factored into the estimate; behavioral changes are difficult to estimate. To the extent enrollment growth occurs because of the tax credit, the fiscal impact would increase above the amounts provided here. There could be some offsetting savings for the state, based on the current school funding formula, if the bill resulted in a decrease in public school enrollment. However, school district costs would likely be unchanged due to the fact that any transfer of students from public to private schools would be spread among various grade levels and school salary and operational costs would be unaffected.

February 2, 2015

HB 1254  
2-10-15  
# 2

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1254

Page 1, line 10, replace "each" with "the taxpayer's family, consisting of at least one"

Page 1, line 13, replace "qualifying child" with "family"

Page 1, line 13, replace ". In the case of" with "and for"

Page 1, line 15, replace "qualifying child" with "family"

Page 1, line 18, replace "qualifying child" with "family"

Page 1, line 18, remove "the child's"

Page 1, line 18, after "education" insert "of the family's qualifying children"

Renumber accordingly

HB 1254  
2-11-15  
# 1 p. 1

Prepared for the House Finance  
and Taxation Committee  
February 10, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1254

Page 1, line 1, remove "and a new subdivision to"

Page 1, line 2, remove "subsection 7 of section 57-38-30.3"

Page 1, line 3, remove "choice individual income tax credit for qualified educational expenses"

Page 1, line 8, replace "**credit**" with "**deduction**"

Page 1 line 9, replace "credit against the tax imposed" "deduction"

Page 1, line 10, replace "each" with "the taxpayer's family, consisting of at least one"

Page 1, line 12, replace "credit" with "deduction"

Page 1, line 13, replace "qualifying child" with "family"

Page 1, line 13, remove "In the case of a married individual filing a"

Page 1, remove line 14

Page 1, line 15, remove "fifty dollars per qualifying child per taxable year"

Page 1, line 17, replace "for" with "by"

Page 1, line 18, replace "qualifying child" with "family"

Page 1, line 18, remove "the child's"

Page 1, line 18, after "child's" insert "kindergarten through grade twelve"

Page 1, line 18, after "education" insert "of the family's qualifying children"

Page 1, line 19, after "school" insert "or in home education"

Page 1, line 20, after "school" insert "or home education"

Page 1, line 21, replace "end" with "beginning"

Page 1, line 21, after "taxable" insert "school"

Page 1, line 22, replace "or" with an underscored comma

Page 1, line 22, after "marriage" insert ", former marriage, adoption, or other legal guardianship"

Page 2, line 1, remove "The credit allowed under this section may not exceed a taxpayer's liability as"

Page 1, line 2, replace "determined under this chapter for the taxable year" with "If federal taxable income exceeds one hundred twenty thousand dollars, or sixty thousand dollars if the taxpayer's filing status is single or head of household, this deduction is not available"

Page 2, remove lines 3 through 11

HB 1254  
2-11-15  
#2

**Strombeck, Kathy L.**

---

**To:** Haak, Jessica E.  
**Cc:** Dendy, Charles L.  
**Subject:** HB 1254 estimated fiscal impact

Good morning Rep. Haak;

If HB 1254 is amended to become a tax deduction of \$2500 per family with one or more children in private schools, and available only to families with taxable income less than \$120,000 (less than \$60,000 for single filers), the fiscal impact is reduced to an estimated -\$364,000 for the 2015-17 biennium.

If the committee adopts this amendment -- or any other -- an official fiscal note will be prepared promptly.

Please let me know if you have any questions or comments.

Kathy

*Kathryn L. Strombeck*  
Director of Research and Communications  
North Dakota Office of State Tax Commissioner  
701.328.3402  
[kstrombeck@nd.gov](mailto:kstrombeck@nd.gov)

February 16, 2015

HB 1254  
2-16-15  
# 1

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1254

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to a parent's choice individual income tax deduction for qualified educational expenses; and to provide an effective date.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1.** A new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Reduced by the amount up to a maximum of five thousand dollars, or two thousand five hundred dollars in the case of married individuals filing separately, of qualified educational expenses paid by the taxpayer for each qualifying child during the taxable year. This adjustment does not apply to individuals with taxable income exceeding sixty thousand dollars during the taxable year or to married individuals filing jointly with taxable income exceeding one hundred twenty thousand dollars during the taxable year. The adjustment under this subdivision shall be claimed in the form and manner prescribed by the tax commissioner. For purposes of this subdivision:

- (1) "Qualified educational expenses" means the amount expended for each qualifying child for books and tuition relating to the child's education at a nonpublic school.
- (2) "Qualifying child" means a child who was a nonpublic school student under the age of eighteen at the end of the taxable year. A qualifying child must be related to the taxpayer by blood or marriage.

**SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after December 31, 2014."

Renumber accordingly

**HB 1254****SENATE FINANCE AND TAX COMMITTEE****DWIGHT COOK, CHAIRMAN March 9<sup>th</sup>, 2015**

Mr. Chairman, members of the Finance and Tax Committee, for the record, my name is Mark Dosch, Representative from District 32 Bismarck.

HB 1254 before you today, seeks to establish a Parent Choice Education Tax Deduction for individuals who pay out of pocket educational expenses.

Originally this bill was a \$2500 tax credit, it ended up as amended before you as a tax deduction, which equates to a tax savings of only about \$125 per child not much; however, parents do appreciate even this.

Every biennium, this group of parents, save the state over 100 million dollars in expense, and Tens of millions of dollars in local property taxes.

Last session this body approved a new funding model for k-12. In short, it resulted in the state now paying for about 80% of the cost of k-12 education. Absorbing a 2 Billion dollar budget is no small matter, a reality that we are now finding out this session. This budget cycle alone, the state is going to have to come up with approx. 230 million of new dollars to cover the cost to continue, as well as to cover the some 13,000 new students coming into the system.

The reality is, we are going to need over 700 million dollars of oil money to cover our property tax relief, which is basically part of the 2 Billion k-12 funding budget. Now I don't have to tell you what would happen if in deed the large trigger is activated, the dramatic effect on education funding, or SIF funding in this state.

So what does this have to do with HB 1254? The reality is this. As the state is project to continue grow in the foreseeable future, so too will the funding demands of k-12 IF you projected the cost to continue, and add for student number increases, Projections show that in just 6 years, the budget of k-12 will increase over 1 billion dollars. During this same time period, state revenues are

#1.2  
HB 1254  
3.9.15

projected to be substantially lower if the trigger goes on, or at best, to flatten out. So how will this discrepancy of lower revenue, yet higher expenses be dealt with?

HB 1254 seeks to provide some incentive to **shift some of this future growth to the private sector.** And why not. The private sector pays for the cost to operate their own schools, pays for their own teachers, and pays for building, expansions and maintaining their own schools, thus keeping local property taxes low, and saving the state 100's of millions of dollars. We should remember, Non-public schools costs the local property owners nothing.

Incentivizing the private sector to grow and take some of the financial burden off state and local tax payers makes for sound economic sense.

But, at the same time, something else great happens with this bill. By providing this deduction, we are affording more parents' Choice as to where they may want to send their kids to school. Now I use the word Choice carefully. For those of limited income, Choice is rather an elusive word. To them, choice means sacrifice. Sacrifice of taking on a second job to help pay for their child's education, sacrifice of going without many things in order to give their children the education they feel is right for their children. Choice must be more than just an elusive word for all parents.

And so, in conclusion Mr. Chairman and members of the committee if you believe: Our government should employ prudent forward looking economic policy, I ask your support

If you, are concerned as I am about how this state is going to meet it's future k-12 funding commitments, this bill will help, I ask your support.

If you believe that we need encourage **the private sector to take on some of the financial burden of supporting and building schools,** than I ask you support.

If you believe in the rights of parents to choose the educational setting that is best for their child, regardless of income, then I ask your support.

**If you believe, property taxes are high enough, and every effort should be made to keep them low, I ask your support.** Thank you.

Testimony by Morgan Forness, SANS

Chairman Cook & members of the Senate Tax and Finance Committee, my name is Morgan Forness and I am here today representing The State Association of Nonpublic Schools to speak in support of **HB 1254**.

SANS membership represents more than 45 private, (nonpublic) schools in North Dakota made up of almost 7,000 students. These students come from families that pay state taxes to support public education, as well as tuition for private school education at the same time. While many think that private schools are attended by only wealthy families, that is far from the truth. Instead, private education is a viable choice that parents of all walks of life make to provide what they feel is best for their children. I can attest from my 25 years in private education, it is a huge sacrifice for many.

**HB 1254** will provide up to \$5,000 in a tax deduction to help parents masking \$60,000 or less in taxable income to help meet the cost of books and tuition. This bill will go a long way toward assisting families, many of whom struggle with the tuition costs of private education. At Shiloh Christian, where I am an administrator, 45 percent of our families receive some type of financial assistance from the school because their income is just not sufficient to cover these costs. I personally know of families that have had to leave private education simply because they could not fit this cost into their family budgets.

North Dakotans can be proud of its educational system. Both public and private schools have an important role in educating students for success in the ever-changing world of work. We consider it a privilege to work in collaboration with our public school counterparts to meet the needs of North Dakota. The economy is booming and communities are being stretched to meet the infrastructure, housing, business, and educational demands of its communities. We are a legitimate partner in helping communities thrive and meet those needs, often to the benefit of the North Dakota taxpayer.

We work hard to provide a quality education and are dedicated to providing parents with a “choice in education” that is not in conflict with public schools, but rather a partner in meeting the needs of a community and state. Private (not for profit) schools should not be viewed as a competitor to public schools, but rather an additional resource and alternative available to parents to educate the student population of North Dakota.

Finally, contrary to what many believe, private schools are NOT “prep schools” that only cater to the wealthy. As stated, virtually all private schools provide significant financial aid to families in need. This assistance is available to families from all ethnic variations, and socioeconomic positions. All students should have options as the “one size fits all approach” is not always possible.

**HB 1254** identifies the desire for the state to recognize the role of private education for many North Dakota families and commit to providing support to them.

While parents of students in private schools pay taxes to help fund public education, they reap very few benefits personally. Yet, these private schools provide tremendous resources and rich learning environments to many communities, ultimately saving tax payers millions of dollars from additional public school funding.

Again, SANS is supportive **HB 1254** and we urge a "Do Pass". Sam and I would be happy to answer any questions you may have.

#2.2  
3.9.15  
HB1254

#3  
3.9.15

## **HB 1254 – Relating to Income Tax Deductions for qualified educational expenses**

### **Senate Finance and Tax**

Thank you for allowing me to be here today to discuss HB 1254. Our state is charged by our constitution to provide a uniform system of public education for our youth. To date, our North Dakota lawmakers have done an excellent job of doing so. As a state, we've thoughtfully approached with support our non-public schools. There is great evidence to support that they do their job in educating students and providing additional educational opportunities to the parents that want their children to have a different opportunity whether it be parochial or otherwise. I am not here in any way to state that I don't like private education. In fact, my husband is a teacher in a non-public school district here in North Dakota. They do a great job. They abide by the same state standards as our public schools and they are great partners in the education arena. We are thankful for the diversity they provide to our state.

However, I'm here to discuss a different concept and that is our states fiscal responsibility to non-public schools. This bill singularly declares that the tax benefits go to the parents of children who choose to **not** use the public education system. While I understand that choosing to go to private school is a fiscal burden on most families – it is still a personal family decision to participate in that process.

Our organization believes that public dollars for education are constitutionally stated to be for public education. Walking across that line is inappropriate. However if the focus of this bill is to truly provide income tax relief, then it should be for all parents. As written, we oppose the bill, however, if the committee would be willing to consider an amendment to the bill, we believe it would be palatable to all stake-holders.

This bill has with it a \$1.235M fiscal note. The note would increase with the suggested amendment. However, without it favoring all parents, we'd recommend Do Not Pass of HB 1254.

Thank you for your time.

Sixty-fourth  
Legislative Assembly  
of North Dakota

## ENGROSSED HOUSE BILL NO. 1254

Introduced by

Representatives Dosch, Belter, Kasper, Klein, B. Koppelman, Larson, Meier, Owens, Porter,  
Steiner, Streyle

Senator Wanzek

- 1 A BILL for an Act to create and enact a new subdivision to subsection 2 of section 57-38-30.3 of  
2 the North Dakota Century Code, relating to an ~~parent's choice~~ individual income tax deduction for  
3 qualified educational expenses; and to provide an effective date.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

- 5 **SECTION 1.** A new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota  
6 Century Code is created and enacted as follows:

- 7 Reduced by the amount up to a maximum of five thousand dollars, or two  
8 thousand five hundred dollars in the case of married individuals filing separately,  
9 of qualified educational expenses paid by the taxpayer for each qualifying child  
10 during the taxable year. This adjustment does not apply to individuals with  
11 taxable income exceeding sixty thousand dollars during the taxable year or to  
12 married individuals filing jointly with taxable income exceeding one hundred  
13 twenty thousand dollars during the taxable year. The adjustment under this  
14 subdivision shall be claimed in the form and manner prescribed by the tax  
15 commissioner. For purposes of this subdivision:
- 16 (1) "Qualified educational expenses" means the amount expended for each  
17 qualifying child for books, ~~and~~ tuition, ~~and fees~~ relating to the child's education  
at a ~~public or~~ nonpublic school.
- 18 (2) "Qualifying child" means a child who was a ~~public or~~ nonpublic school student  
19 under the age of eighteen at the end of the taxable year. A qualifying child must be  
related to the taxpayer by blood, marriage, former marriage, adoption, or  
other legal guardianship.

3.3  
HB 1254  
3.9.15

- 1        **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
- 2        December 31, 2014.

15.0589.03001  
Title.

Prepared by the Legislative Council staff for  
Senator Oehlke

March 10, 2015

1.  
3.16.15

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1254

Page 1, line 20, remove "A qualifying child must be"

Page 1, replace lines 21 and 22 with:

- (3) "Taxpayer" means the parent or legal guardian of a qualifying child."

Renumber accordingly

**15.1-09-36. School board - Authority over student fees.**

1.  
HB 1254  
3.17.15

1. A school board may not charge a fee for textbooks or other items necessary for completion of a specific course required for grade advancement or graduation.
2. A school board may:
  - a. Require that a student pay a security deposit for the return of textbooks, materials, supplies, or equipment.
  - b. Assess a student a use charge if a textbook or other item covered under subsection 1 has received undue wear.
  - c. Require that a student furnish personal or consumable items.
  - d. Require that a student pay an admission fee or other charges for extracurricular or noncurricular activities if the student's attendance is optional.
  - e. Require that a student pay a fee or a premium for any authorized student health and accident benefit plan.
  - f. Require that a student pay a fee for personal athletic equipment and apparel; provided the board shall allow a student to use the student's own equipment and apparel if it meets reasonable health and safety standards established by the board.
  - g. Require that a student pay a fee in any program which generates a product that becomes the personal property of the student.
  - h. Require that a student pay a fee for behind-the-wheel driver's education instruction.
  - i. Require that a student pay a fee for goods, including textbooks, and services provided in connection with any postsecondary level program or any program established outside regular elementary, middle school, or secondary school programs, including career and technical programs, and adult or continuing education programs.
  - j. Require that a student pay a fee for the use of a musical instrument owned or rented by the school district, provided that the total fee payable by the student for a school year does not exceed the annual rental cost to the district or the annual depreciation plus actual maintenance cost for the instrument.
  - k. Require that a student pay any other fees and charges permitted by statute.
3. A board may waive any fee if a student or the student's parent or guardian is unable to pay the fee.
4. A board may not deny or abridge a student's rights or privileges, including the receipt of grades and diplomas, because of the nonpayment of fees. A board, however, may withhold a student's diploma for failure to pay for costs incurred by the student's own negligence or choice, including fines for damaged textbooks and school equipment, library fines, and materials purchased from the school at the option of the student.
5. This section does not preclude the operation of a school store where students may purchase school supplies and materials.
6. If a board charges fees not authorized by law and refuses to discontinue the charges when directed to do so by the superintendent of public instruction, the superintendent shall withhold the state aid payments to which the district is entitled for each student charged an unauthorized fee.

1.  
3.17.15

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1254

Page 1, line 20, remove "A qualifying child must be"

Page 1, replace lines 21 and 22 with:

- (3) "Taxpayer" means the parent or legal guardian of a qualifying child."

Renumber accordingly

Amendment 15.0589.03001 *Incorporated*

FOR VISUAL REFERENCE

A BILL for an Act to create and enact a new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to a parent's choice individual income tax deduction for qualified educational expenses; and to provide an effective date.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1.** A new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Reduced by the amount up to a maximum of five thousand dollars, or two thousand five hundred dollars in the case of married individuals filing separately, of qualified educational expenses paid by the taxpayer for each qualifying child during the taxable year. This adjustment does not apply to individuals with taxable income exceeding sixty thousand dollars during the taxable year or to married individuals filing jointly with taxable income exceeding one hundred twenty thousand dollars during the taxable year. The adjustment under this subdivision shall be claimed in the form and manner prescribed by the tax commissioner. For purposes of this subdivision:

(1) "Qualified educational expenses" means the amount expended for each qualifying child for books and tuition relating to the child's education at a nonpublic school.

(2) "Qualifying child" means a child who was a nonpublic school student under the age of eighteen at the end of the taxable year. ~~A qualifying child must be related to the taxpayer by blood, marriage, former marriage, adoption, or other legal guardianship.~~

(3) "Taxpayer" means the parent or legal guardian of a qualifying child.

**SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after December 31, 2014.