

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

Amendment to: HB 1319

- 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						
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 1319 provides a sales tax exemption for admissions to athletic, musical, and dramatic events put on by institutions of higher education.

- 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.*

Admissions to these types of events are currently not subject to sales tax. This bill puts in statute current practice. If the bill is enacted, there will be no additional fiscal impact.

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:** 01/18/2015

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**01/13/2015**

Bill/Resolution No.: HB 1319

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**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 01/18/2015

**2015 HOUSE FINANCE AND TAXATION**

**HB 1319**

# 2015 HOUSE STANDING COMMITTEE MINUTES

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

HB 1319  
1/20/2015  
22203

- ☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature

*Mary Brucher*

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

A Bill relating to a sales tax exemption for purchases of tickets or admissions to athletic, musical, or dramatic events of institutions of higher education.

### Minutes:

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**Chairman Headland:** Opened hearing.

**Representative Beadle:** Introduced bill. This bill codifies current practices within our state statute. Currently, the state of North Dakota does not collect sales tax off of ticket collections for activities within higher education institutions; athletic, drama, etc. There was some ambiguity in code whether or not the institutions were doing it correctly so this bill seeks clarification within the code; substantive changes lines 21 through 23 on page one and continuing on page two. It puts in existing practice within code. This is just cleaning up existing statute making sure they are doing things correctly.

**Chairman Headland:** Testimony in support of 1319?

**Alice Brekke, Vice President for Finance and Operations at the University of North Dakota:** In mid-2012 we became aware of the lack of clarity in interpretation of existing statute regarding the taxability of tickets for athletic events. The question related to language that refers to activities held in a publicly owned facility. The clarification provided in this bill language would eliminate questions and the potential for inconsistencies. It would codify existing practice. The wording indicates that tickets to admission to athletic, musical, dramatic or scholastic events held, sponsored or controlled by the institution of higher education in which primary performers or participants consist of students are not taxable. This is the clarification we are seeking to have put into statute. We are asking your assistance in supporting this.

**Chairman Headland:** Further support for 1319? Is there any opposition? Are there any questions of the tax department?

**Representative Strinden:** Are there any other instances where we don't tax events for charitable organizations?

**Myles Vosberg, Tax Commissioners Office:** This is the section that deals with charitable entities so if the net proceeds are used for educational, charitable or religious purpose will be exempt. The only exception to that in the law right now is the \$10,000 for an event that's held in a publicly owned facility. There was a bill yesterday to increase that amount.

**Representative Froseth:** Are educational materials such as textbooks subject to sales tax? Are the big concerts that are held in the big universities subject to sales tax?

**Myles Vosberg:** Yes they are. In the new language it provides an exemption. One of the requirements is that the primary performers or participants are university students. There is a separate and specific exemption in the law for textbooks purchased by students.

**Chairman Headland:** Is this standard among all universities even the nonprofits?

**Myles Vosberg:** This would clarify. It has been in practice for all universities including the nonprofits.

**Representative Strinden:** I would like to make a motion for a Do Pass.

**Representative Hatlestad:** Seconded.

**Roll Call Vote:** 14 yes    0 no    0 absent

**Representative Steiner will carry HB 1319.**

Date: 1-20-19  
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1319

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. Strinden Seconded By Rep. Hatlestad

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) 14 No 0

Absent 0

Floor Assignment Rep. Steiner

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



**REPORT OF STANDING COMMITTEE**

**HB 1319: Finance and Taxation Committee (Rep. Headland, Chairman)** recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1319 was placed on the Eleventh order on the calendar.

**2015 SENATE FINANCE AND TAXATION**

**HB 1319**

# 2015 SENATE STANDING COMMITTEE MINUTES

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

HB1319  
3/10/2015  
Job #24541

☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature

*Alice Grove*

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

Relating to the sales tax exemption for purchases of tickets or admissions to athletic, musical or dramatic events of institutions of higher education; and to provide an effective date.

### Minutes:

Attachment #1

**Chairman Cook** opened the hearing on HB1319.

**Rep. Thomas Beadle, Dist. 27** appears and presents the bill. **(Attachment #1)**

**Chairman Cook** -- What if we wanted to clear up the ambiguity by making it clear that they are taxable?

**Rep. Beadle** -- You could certainly do that. That would be in the purview of your decision as a committee but then we would kill that bill in conference.

**Alice Brekke, Vice President for Finance and Operations at UND** -- I'm here to provide testimony in support of HB1319. In mid-2012 we became aware of a lack of clarity in the interpretation of the existing statute, as Rep. Beadle described. It relates to activities that are held in a publicly owned facility. The clarification provided in this bill, by inserting the wording indicated that tickets or admissions to athletic, musical, dramatic or scholastic events held sponsored or controlled by the institution of higher education in which the primary performers or participants consist of students are not taxable, would assist in addressing questions and potential inconsistencies. After the House version of the bill was passed, I became aware of additional questions around athletic playoff events or conference tournaments where the institution, the venue, the league, the conference and/or the NCAA all have a role. The common denominator, however, is that students are the primary participants. Based on the language in the existing bill, it appears that tickets receipts from these events, going forward, would not be taxable and certainly if that is the legislative intent it would be helpful if the record reflected that point. (meter3:28-4:32)

**Sen. Laffen** -- Alice came all the way from Grand Forks we are not going to let her go without a question. Do we need an amendment to clarify something in the bill?

**Alice Brekke** -- I think that's a question for the tax department. I did visit with Myles Vosberg about this and the question of whether it could be reflected in legislative intent or whether there was some wording and I'm not sure how the wording would need to be modified so I would defer to the tax department on that.

**Sen. Triplett** -- You mentioned that the University became aware of the question in 2012. What happened in 2012 that brought this up as an issue?

**Alice Brekke** -- It is my understanding that at that point in time, some staff on the campus had posed some questions and were getting some inconsistent responses from the tax department.

**Sen. Triplett** -- Nothing bad has happened yet, is that correct?

**Alice Brekke** -- We understood there were questions and we just thought it was really important to get it all squared away.

**Sen. Dotzenrod** -- I am a little confused by the \$10,000. That's existing law. It looks like we have a law that has been telling us that if you go \$10,000, the event and the tickets for that event are taxable. If it's under \$10,000 it can be a nontaxable event. So we are adding this new language on the bottom of page 1 to say that's not taxable.

**Alice Brekke** -- For us, the question arose under section b(1) with the \$10,000, if the activities are held in a publicly owned facility. So if the event is on our own campus, it apparently had not been problematic but as other venues are being used, whether you are talking the Alerus Center in Grand Forks, The Ralph Engelstad Arena, those facilities, that's where there was some confusion. Quite honestly, I think there has been a mixed bag of there have been taxes remitted, there have not been taxes remitted. There is a lot of confusion at this point.

**Sen. Dotzenrod** -- The venues that are on the campus of UND or the Alerus Center or the Fargo Dome, they are all publically owned. Is that correct?

**Alice Brekke** -- They are publically owned.

**Sen. Dotzenrod** -- I think I understand but it looks like we have this \$10,000 limit and you can still be exempt over \$10,000 if you meet some other criteria.

**Alice Brekke** -- Which is the wording that is being added.

No further testimony.

**Myles Vosberg, Tax Commissioners Office**

I think if you kill the bill the possible confusion is back again. The language that Sen. Dotzenrod is referring to with the \$10,000 really never was intended for college events. That language for education, religious or charitable activities is more nonprofit organizations, Boys Scout, Girl Scout, hockey club. I think that is what created some of the

confusion here so by adding the subsection c here it makes it very clear in our minds that all of the college events, where the students are the primary participants, are exempt.

**Sen. Cook** -- And the question that Alice Brekke raised about a conference hosting a tournament or being the owner of the tournament, you feel that this bill is fine for that question also?

**Myles Vosberg** -- Yes, I feel it is because it talks about the events held, sponsored or controlled by the institutions. I have no objection to adding something specific: the tournaments, if you'd be more comfortable with that. When we talked about this and I talked with Alice, in my mind it's covered.

**Sen. Bekkedahl** -- USA Hockey brings international events to Ralph Engelstad Arena when they bid for them sometimes. (meter 11:02-11:39) They may not be students of higher ed. This exemption would not apply to that type of tournament then?

**Myles Vosberg** -- I don't believe so. That's not a college sponsored event. That would be subject to tax. The tournaments that we are talking about would be the sanctioned college conference type.

**Sen. Bekkedahl** -- The only reason that I bring that up is because I know that we've had some tournaments but we are not getting them as much as we'd like to get them in North Dakota. I don't know if this is part of that consideration. I would ask Sen. Laffen because he's been involved in these as well.

**Sen. Laffen** -- We would love to have more of them. There's a lot of competition for them. Those are taxed. Ralph Engelstad is a private organization on private land.

**Sen. Triplett** -- I'm not sure the words here actually do respond to Ms. Brekke's concerns. It refers to events held, sponsored or controlled by the institution of higher education. You might argue that held, if they happen on campus, qualifies, but certainly the sponsored or controlled in the scenario that she described where she said the sponsor would be the NCAA or some other group, I'm thinking that word held is maybe a little weak to get the message into law, for sure.

**Myles Vosberg** -- We can certainly draft an amendment to make it clear.

**Sen. Cook** -- It came because it was ambiguous, let's make sure that it's not as we go forward.

**Sen. Cook** closed the hearing on HB1319.

# 2015 SENATE STANDING COMMITTEE MINUTES

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

HB1319  
3/17/2015  
Job #24947

- ☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature

*Alice Grove*

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

Committee work.

### Minutes:

**Chairman Cook** opened the committee work on HB1319.

**Sen. Cook** -- My understanding here is it just puts into code what is common practice. It will change nothing.

**Sen. Unruh** -- I move a do pas on HB1319.

**Sen. Oehlke** -- Seconded.

**Sen. Triplett** -- Was this the bill where Myles Vosberg said he was comfortable with it in terms of how it listed the functioning of the educational institutions but after the hearing was over, I chatted with Dee and Myles together and Dee argued pretty vehemently with him and she said "I always win over Myles". She didn't think that was really adequate because the three words that are used on the last line, line 23 of page 1, held, sponsored or controlled by the institution of higher education; and it's pretty clear that some of these post events are sponsored by someone else and controlled by someone else. The NCAA, for example. All we are left with then is the word, held, to involve our institutions of higher education. And if they happen, as happens in Grand Forks at the University of North Dakota, sometimes the events are held off campus, say at the Alerus Center, which is owned by the city of Grand Forks. There really isn't a word in here that involves the University of North Dakota. Alice Brekke engaged in that conversation and she said that she would go back and discuss with the athletic folks and that maybe a word liked, hosted, might capture it better. She was going to get with Myles about a better word. Maybe we should check with Myles and see whether he has heard back from her.

**Sen. Unruh** -- I would like to take my motion off the table.

**Sen. Cook** -- I suppose Sen. Oehlke would like to take his second off.

Senate Finance and Taxation Committee

HB1319

March 17, 2015

Page 2

**Sen. Cook** -- We will hold on to that.

Committee work closed.

# 2015 SENATE STANDING COMMITTEE MINUTES

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

HB1319  
3/17/2015  
Job #25002

☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature
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## Explanation or reason for introduction of bill/resolution:

Committee work

Minutes:

**Chairman Cook** opened the committee work on HB1319.

**Chairman Cook** -- Do you have amendments for this one, too, Dee?

**Dee Wald** -- I guess we didn't understand that we were tasked to prepare an amendment.

**Chairman Cook** -- I was lead to believe that you think it needs to be amended to do what it wants to do.

**Dee Wald** -- It does need to be amended to do what Alice Brekke said she wanted it to do.

**Sen. Triplett** -- I was the one that reported that this morning. My understanding at the end of the conversation, off the record, between Ms. Wald, Myles Vosberg and Alice Brekke, was Alice was going to go back and talk to her athletic people at UND and then she was going to contact Myles Vosberg to say what extra word or words they might like in there. I don't know if we are tasking the department to do that, maybe just report back to us and then we could draft the amendment, if there is something that needs to be changed.

**Chairman Cook** -- It sounds like it is in Alice Brekke's court.

**Sen. Triplett** -- It's in Alice Brekke's court to report to Myles Vosberg.

**Chairman Cook** -- Then let's just let this bill sit here where it's at.

Committee work closed.



# 2015 SENATE STANDING COMMITTEE MINUTES

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

HB1319  
3/23/2015  
Job #25239

☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature

*Alice Grove*

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

Committee work

**Minutes:**

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**Chairman Cook** opened the committee work on HB1319.

**Sen. Cook** -- Put your amendments in here. We will come back this afternoon and take care of this one real quick.

# 2015 SENATE STANDING COMMITTEE MINUTES

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

HB1319  
3/23/2015  
Job #25277

☐ 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 HB1319.

**Sen. Cook** -- Did I hand out amendments on this one? I did. **(Attachment #1)**

**Sen. Triplett** -- I will move amendment 15.0677.01000 to HB1319.

**Sen. Laffen** -- Seconded

**Sen. Cook** -- We have a motion and a second for the amendments 01000. Discussion?

**Sen. Triplett** -- Thanks to everybody for waiting until this came in.

**Sen. Cook** -- Solves the one problem that is there yet. All in favor of the amendments signify by saying aye. Carried.

**Sen. Cook** -- We have before us HB1319, as amended.

**Sen. Unruh** -- I will move a do pass, as amended.

**Sen. Bekkedahl** -- Seconded.

Roll call vote on do pass on HB1319, as amended. 7-0-0.

**Carrier: Sen. Bekkedahl.**

March 23, 2015

ND  
3/23/15

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1319

Page 1, line 23, after the second underscored comma insert "hosted."

Renumber accordingly

Date: 3-23-15Roll Call Vote #: 1

## 2015 SENATE STANDING COMMITTEE

## ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1319Senate Finance and Taxation

Committee

☐ SubcommitteeAmendment LC# or Description: 15.0677.0.001

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 Laffenvoice vote all aye. 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: 3.23.15Roll Call Vote #: 2

**2015 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. HB1319**

Senate Finance and Taxation Committee☐ SubcommitteeAmendment LC# or Description: 15.0677.01001 Title .02000

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. Unruh 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) 7 No 0Absent 0Floor Assignment Sen. Bekkedahl

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

**REPORT OF STANDING COMMITTEE**

**HB 1319: Finance and Taxation Committee (Sen. Cook, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1319 was placed on the Sixth order on the calendar.

Page 1, line 23, after the second underscored comma insert "hosted."

Renumber accordingly

**2015 TESTIMONY**

**HB 1319**

**HB 1319**

Senate Finance and Taxation Committee

9:45 am | March 10, 2015

Chairman Cook and members of the Senate Finance and Tax Committee, for the record I am Representative Thomas Beadle, District 27 in Fargo.

HB 1319 seeks to codify existing practice and clear up ambiguity in the law. Current belief by the Tax Commissioner and administrators in the state, is that tickets that are sold for events performed by collegiate students in North Dakota can be sold without having to assess a sales tax on these tickets. This change will help clear up confusion that can sometimes exist at the ticket offices and when tickets are sold through outside venders.

As indicated by the fiscal note, this is the way they currently operate, and so this simply codifies this current practice.

With that, I urge a Do Pass recommendation and will stand for any questions that the committee may have.



1.  
3.23.15

15.0677.01000

Prepared for the  
Senate Finance and Taxation  
March 18, 2015

PROPOSED AMENDMENT TO HOUSE BILL NO. 1319

Page 1, line 23, after the second underscored comma, insert "hosted,"

Renumber accordingly