

FISCAL NOTE
Requested by Legislative Council
02/11/2015

Amendment to: HB 1344

- 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			\$(73,600,000)	\$73,600,000		
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 1344 creates a sales tax equity fund to provide additional sales tax revenues to cities and counties.

- 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 1344 is expected to reduce state general fund revenues by an estimated \$73.6 million in the 2015-17 biennium. This revenue will be transferred to the sales tax equity fund. Approximately \$18.4 million of the revenue in the sales tax equity fund will be distributed under the same provisions as the current law distribution of state aid distribution fund revenues. (This is 2.5% of allocable income, as defined in the bill.) Approximately \$18.4 million will go to all cities with annual taxable sales and purchases greater than \$100 million but less than \$1 billion. (This is 33.33% of 7.5% of allocable income, as defined in the bill.) Approximately \$36.8 million will go to all cities with annual taxable sales and purchases greater than \$1 billion. (This is 66.7% of 7.5% of allocable income, as defined in the bill.)

There are expected to be six cities sharing in the \$36.8 million component of the sales tax equity fund (66.7% of 7.5% of allocable income). There are expected to be approximately 8 cities that will share the \$18.4 million component (33.3% of 7.5%) of the fund.

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

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*
- 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: 02/12/2015

FISCAL NOTE
Requested by Legislative Council
01/15/2015

Bill/Resolution No.: HB 1344

- 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			\$(73,600,000)	\$73,600,000		
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 1344 creates a sales tax equity fund to provide additional sales tax revenues to cities and counties.

- 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 1344 is expected to reduce state general fund revenues by an estimated \$73.6 million in the 2015-17 biennium. This revenue will be transferred to the sales tax equity fund. Approximately \$18.4 million of the revenue in the sales tax equity fund will be distributed under the same provisions as the current law distribution of state aid distribution fund revenues. (This is 2.5% of allocable income, as defined in the bill.) Approximately \$18.4 million will go to all cities with annual taxable sales and purchases greater than \$100,000 but less than \$1 billion. (This is 33.33% of 7.5% of allocable income, as defined in the bill.) Approximately \$36.8 million will go to all cities with annual taxable sales and purchases greater than \$1 billion. (This is 66.7% of 7.5% of allocable income, as defined in the bill.)

There are expected to be six cities sharing in the \$36.8 million component of the sales tax equity fund (66.7% of 7.5% of allocable income). There may be as many as 400 cities that could share the \$18.4 million component (33.3% of 7.5%) If the bill is amended to refer to cities with \$100,000,000 in annual taxable sales and purchases (in place of \$100,000) the count drops to approximately 8 cities sharing in the revenue.

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: 01/22/2015

2015 HOUSE FINANCE AND TAXATION

HB 1344

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1344
1/27/2015
22625

☐ Subcommittee
☐ Conference Committee

Amanda Muscha

Explanation or reason for introduction of bill/resolution:

A Bill relating to the creation of a sales tax equity fund and allocation of revenues from that fund to cities and counties.

Minutes:

Attachment #1, 2, 3, 4

Chairman Headland: Opened hearing.

Representative Sukut: Introduced bill and provided testimony. See attachment #1.

Chairman Headland: Could you repeat where that change was?

Representative Sukut: Page 2 line 29.

Chairman Headland: Do you have any information on how those cities with less than 100 million of sales tax revenue are impacted to some of the smaller cities?

Representative Sukut: I do. I can send that to you.

Chairman Headland: Under your sales tax equity fund, all cities would remain whole in their revenues because this is a pretty dramatic shift from sales tax dollars to some cities to other cities and I think we would create some problems in the cities if they are not remaining whole in what they are receiving in state aid distribution today.

Representative Sukut: Every city and every county is included in the first bucket so every city and county will receive additional dollars compared to what they are currently getting. Everybody shares in that increase.

Chairman Headland: Where is the state going to replace the \$73 million?

Representative Sukut: The state is going to receive well over 400 million in additional new revenues through the sales tax and we are simply asking that the state returns by this fiscal 73 million back to the cities and counties and that the state repairs that currently exist in the aid distribution formula. This is huge so it is time to fix it.

Representative Schneider: Where did the ideas come from for this?

Representative Sukut: They were mine to start with.

Chairman Headland: We will take support for HB 1344.

Bill Wocken, City Assessor but appearing on his own behalf today: Distributed testimony in support. See attachment #2.

Chairman Headland: You favor the change going from population to revenue derived from the sales tax collections?

Bill Wocken: A similar bill was before you that offered to change the state aid distribution formula and I didn't favor the state aid distribution formulas change. This is separate and it distributes part of the fund based 1/3 on population the other 2/3 on sales.

Representative Trottier: Will there be any consideration to apply this to lower property tax?

Bill Wocken: I believe that since the revenues come to the city or county government that they would be factored in to the city expenses. There is an expense that goes along with growth and a lot of the growth that is happening is commercial growth. A sizeable portion that is derived here would go towards trying to offset some of those costs for commercial growth. That is why I consider this a reimbursement bill.

Blake Crosby, Executive Director for the North Dakota League of Cities: Provided testimony in support. See attachment #3.

Chairman Headland: I certainly understand why you would be supportive of this as any city in this state would enjoy more revenue that is currently going to the state to go to the cities that they live in. I think we are all under the reality that the 400 million projected increases in sales tax in revenue is going to occur because of what has happened with the oil industry and a lot of the sales tax generated is direct impact to the oil industry. The state has its own obligations to fund and part of our funding is sharing our revenues already and can you give us an idea how we are to continue all the state priorities if we are going to provide the cities and counties with more a share of what we use for revenues for our funding needs?

Blake Crosby: As the sales and taxable revenue may drop given the change in oil prices, the amount of funding in this separate 3% would also drop. How the state might accommodate this, I am going to defer to some comments you heard earlier on the income tax bills. You are the policy makers, which decision is going to be yours. Things are going to change but when you look at the amount of taxable sales and purchases that those 14 cities generate and the population they have, they are centers of commerce. They supply the state with a great amount of money. As Mr.Wocken said this is an economic development bill. It will be up to you to determine how much infrastructure you want to build so that there is diversity in the economy.

Chairman Headland: This change is a permanent change and with the creation of new property wealth, we know there is a lag. All the new property wealth within the city should help those cities with their infrastructure needs. If we make this change does it have to be permanent?

Blake Crosby: I would defer that to the bill sponsor, Representative Sukut.

Representative Sukut: If you wanted to look at sun setting this you could but I would emphasize one more time that this state aid distribution is not functioning appropriately. There are two parts to this issue. One is population the other is the taxable sales and purchases, both need to be addressed. Another bill is attempting to address the population side. If a sunset clause would make you feel better we can look into that.

Representative Froseth: If a sunset was considered I would think that if this bill passes it should at least extend through 2020. What would be your opinion?

Blake Crosby: I know you've heard numerous times the population projections of cities, especially out west, is particularly low. The state data center uses the American community's survey data and it is an extrapolation to a certain point. The accuracy will remain to be seen in the 2020 census. Only then will we know how close the community people that live there have estimated and how close the data center has been. So extending this would be appropriate.

Representative Trottier: Can we be convinced it will all go to infrastructure?

Blake Crosby: I would ask you to have faith in the local officials and they would do what is best for that community. The best government is local government. As an economic development side sewer, water, streets, gutter, they are expensive and would be used too.

Chairman Headland: Further support to HB 1344?

Senator Bekkedahl: Mid-term in my 5th term as a city commissioner, I have been the finance commissioner for 19 years. It makes a lot of sense to get some economic justification as well as the population based statistics that these funds are being returned on the subdivisions. From a local perspective, I have seen both extremes, and this would be used for infrastructure matters.

Chairman Headland: Can you give the committee and idea of how much property value has increased?

Senator Bekkedahl: When I came on to the city commission in 1996 the city evaluation was 17 thousand dollars per mill value and today it 153 thousand per mill.

Chairman Headland: In terms of total taxable value in the city you probably went from a billion to several billion?

Senator Bekkedahl: Our taxable value is actually in the millions rather than the billions.

Representative Froseth: What was Williston's population in 2010? What is the current population?

Senator Bekkedahl: In 2010 14,750 and the current was (2013) 20,800. Our current estimate would be 36,000.

Chairman Headland: Further support for HB 1344? Is there any opposition to 1344? Does the committee have any questions for Myles Vosberg?

Chairman Headland: We are not changing the state aid distribution so there would be no city negatively impacted by the new sales tax equity fund correct?

Myles Vosberg, Tax Commissioners Office: Yes, the existing money that goes into the state aid distribution that gets distributed stays exactly the same. This bill would take an additional 2% and a fourth of that would be distributed like the current state aid distribution would be distributed like the state agency. The remaining would be distributed based on population.

Chairman Headland: From a tax department perspective it's been stated several times the sales tax distribution collected today that it is broken?

Myles Vosberg: I don't know that we have a comment on that. Certainly the sales growth has been different than the population growth.

Chairman Headland: Closed the hearing on HB 1344.

John Godfread: Unable to make it to the hearing testimony #4

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1344
2/2/2015
23030

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Mary Brucher

Explanation or reason for introduction of bill/resolution:

A Bill relating to the creation of a sales tax equity fund and allocation of revenues from that fund to cities and counties.

Minutes:

Attachment #1

Representative Hatlestad: Distributed amendments 15.0357.02001 and explained amendments. See attachment #1. **MADE A MOTION TO ADOPT THE AMENDMENT.**

Representative Steiner: SECONDED.

Voice vote: MOTION CARRIED TO ADOPT THE AMENDMENT.

Chairman Headland: We already passed a bill today on the floor that already addresses state aid distribution as far as updating population. I think this bill is a little too rich for my blood. It's a pretty large shift from state revenues to political subdivisions, particularly western political subdivisions.

Representative Hatlestad: In trying to deal with all the various agencies we tried to put together two categories; leaving the existing payment division schedule and added the other tiers. It's saying that if you generate the sales tax revenue you should profit from it. In our case we get credit for 14,700 people and we have 35,000 plus. We are number one in sales tax but we get peanuts and we don't feel that is fair.

Chairman Headland: We passed a bill in the house today that is going to rectify that particular problem. However, this bill goes beyond that and creates a new program that shifts state revenues to political subdivisions. I don't think I favor doing that because I think the state's revenue belongs to the state. The state in many ways is helping out the communities out west and for them to come in and ask for additional state revenue I don't agree with.

Representative Hatlestad: In Tioga almost \$1 billion in sales tax revenue to the state and it gets back \$128,000. I'm doing all the work and getting all this money for the state of

North Dakota and I'm asking for a small percentage of it back but you're saying no. Somehow if I generate the revenue there should be some positive response to me.

Chairman Headland: I agree with you however the businesses that are collecting and remitting those sales tax dollars to the state with that volume of sales tax is doing really well; they're building and there's property tax that will come on the rolls with new development. It will help with the infrastructure needs in the future in that area.

Representative Klein: I'm looking at the \$73 million out of the state coffers. I fully understand what is going on but it looks like with the surge funding and other things happening in that area I'm uncomfortable taking that money from the state coffers when we're in trouble.

Chairman Headland: I agree with you. We have to keep in mind that if we did move forward with a program like this is we have to balance the books so something has to give in another area. It might have to come from the surge funding bill or a similar bill that has a lot of dollars in it that are already directed out there. There is so much the state can afford to do and this would be one of my last priorities in that area.

Representative Trottier: I really liked this bill but one part of it that bothered me is that if it's good for Tioga and for Williston but it's not good for the smaller third tier because they don't get theirs back according to sales tax collected. I get affected by that in my small town because we are the largest sales tax in a couple counties for our size and we're going to get hurt bad by it.

Representative Hatlestad: As I understand the process there isn't a city in North Dakota that doesn't get more sales tax back than it currently does so how does that work to a deficiency? For whatever the population is you're getting paid for it. We are getting a smaller amount based on population.

Chairman Headland: If we were to put those additional revenues into the current structure it would certainly benefit (in audible as the microphone was off).

Representative Mitskog: This isn't just a western North Dakota boom; we've had great growth in our state. This is a way to offset the needs these cities have locally. With the exclusion of a couple western cities this really gives back to the cities that have needs infrastructure needs and things.

Chairman Headland: We've got to keep in mind that state aid distribution is designed to replace revenue derived to political subdivisions from personal property tax. When we talk about state revenues state sales tax belongs to the state. Political subdivisions put on their own sales tax within those political subdivision boundaries and those revenues are meant to cover any new generated sales or anything derived from sales within those political subdivisions. I think it's a lot to ask of the state to give up a fairly large portion of their revenue and give it to a few of the large cities that show they are the benefactors of an oil industry where a lot of the sales tax is derived from.

Representative Hatlestad: I'm seeing that one segment of society is paying a tremendous number of state bills and yet when asking for some assistance and fairness the answer is no. Because of Fargo's population they are almost a billion dollars less and yet they get eleven times as much in sales tax revenue. There's something wrong.

Chairman Headland: We passed a bill on the floor today that addresses that. It doesn't address it completely because it doesn't take additional revenues from the state to offer; it just shifts to where they go based on population which I think is fair.

Representative Steiner: The surge has not passed yet and there may be significant cuts to it for all we know. I think we should keep everything alive that we can. This is a really well written bill and it addresses a problem that's been going on for a long time. Its property tax relief and it's probably in a better form than how we currently send it. It goes back to those communities for their investment.

Representative Schneider: I can see the inequities in Fargo and I think the eastern part of the state has always been supportive in addressing the unprecedented boom and need for services that go with that in the west. There was no opposition to this and many that were for it. I'm going to support this.

Representative Toman: Inequities on sales tax revenues seem to be apparent. My city seems to shake out pretty well and they fair on reducing mills so I can't disagree with Representative Steiner on that. But my city will still raise specials so I'm not going to see any of that actuary reduction. They are going to use it to hold the mills level and use the money raised from specials to repair infrastructure.

Vice Chairman Owens: With the surge bill coming over I would like to ask that we hold this bill for just a little longer and let me talk to Mr. Walstad about an idea.

Chairman Headland: We can certainly do that.

Representative Froseth: The reason you see an increase in the fiscal note is because in the return back to cities and counties and municipalities it increases from 8.7% to 10.7 percent.

Chairman Headland: That right and that comes right out of the pocket of the state.

Representative Froseth: It's still a fairness issue; it's distributed back in proportion to the collections rather than the population. This could have a reverse effect on the cities if the oil prices keep going down and the oil drilling is reduced because those cities' sales tax collections are going to go down.

Chairman Headland: The state loses big time. How is the state going to replace this money?

Representative Froseth: How is the state going to replace \$120 million of income in corporate tax reductions then?

Chairman Headland: I don't believe any of those bills have even been heard for discussion yet so I don't want to confuse something that hasn't occurred.

Representative Froseth: Take a look at eliminating their two percent increase then and just return what sales tax are collected by ratio of the collections rather than the population. Would that be fair?

Chairman Headland: That would certainly be a different concept.

Representative Mitskog: In Wahpeton we have an extra two percent sales tax and we've been very resourceful in leveraging those dollars; the first one percent went for our flood mitigation and if the funds weren't needed for flood it went to infrastructure to help buy down costs of large special assessments or projects. We've seen the benefit of using sales tax to lower special assessments.

Representative Toman: I didn't mean my comments about my city to be misconstrued; I wasn't trying to throw them under the bus. They do use those sales tax dollars to reduce the property tax burden. If we give them more it doesn't mitigate infrastructure if that's what they use it for.

Representative Strinden: I really like what this bill is trying to do. I like Representative Kelsh's bill the most because it requires half of the extra sales tax to go to property tax buy down which I think solves most of the issues we have with this bill. I am looking forward to discussing that bill.

Chairman Headland: I think we will hold on to this bill for a little longer. If there are any ideas out there to help mitigate the revenue loss to the state I'd certainly welcome taking a look at it.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1344
2/10/2015
23617

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to the creation of a sales tax equity fund and allocation of revenues from that fund to cities and counties.

Minutes:

No attachments.

Chairman Headland: I'm going to reject this bill because there's a huge loss of state revenue that we're transferring over to all areas of the state and I don't think we're in a position to do that now.

Representative Steiner: I wonder if we should put a trigger on this bill because we may have the money to do this. This is significant and it is a fairness issue. I think it's a really good bill.

Representative Klein: I like the idea of the bill. Could we amend it down to make it more palatable dollar wise?

Representative Trottier: Williston and Tioga do not get their fair share but my little town of Northwood is in the bottom tier and we still go by population according to this formula and that's what bothers me about the bill. If the bottom tier were included in there as being distributed according to sales but this way I cannot.

Representative Steiner: The bill we approved on the floor takes money from your city so with this one at least you get something. I don't see it as a negative.

Chairman Headland: I think the bill on the floor changes it to distribution on population. If they've increased their population a lot they are going to get a lot more. I think that bill helps the cities that this bill is trying to address. This bill doesn't change the inequity that Williston brings throughout the state aid distribution; it keeps that program in place but takes \$78 million of state revenue and distributes it out trying to appease that inequity. I don't think that's the road we should be going down. I don't think the state has this revenue to give up at this point.

Representative Klein: I believe it probably got distorted because the city of Tioga had major construction on that gas plant which drove up those numbers one time but I don't believe it's in that same area like Dickinson where it's continuing.

Chairman Headland: I would agree with that and they have had an increase in population so with the change that's already been voted on and passed on the floor of the house that will be addressed.

Representative Hatlestad: I respectfully disagree with you. **MADE A MOTION FOR A DO PASS AS AMENDED.**

Representative Mitskog: **SECONDED.**

ROLL CALL VOTE: 4 YES 10 NO 0 ABSENT
MOTION FAILS.

Representative Dockter: **MADE A MOTION FOR A DO NOT PASS AS AMENDED.**

Representative Klein: **SECONDED.**

ROLL CALL VOTE: 10 YES 4 NO 0 ABSENT
MOTION CARRIES FOR DO NOT PASS AS AMENDED.

Vice Chairman Owens will carry the bill.

15.0357.02001
Title.03000

Prepared by the Legislative Council staff for
Representative Sukut
January 27, 2015

8/2
2/10/15

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1344

Page 2, line 29, replace "thousand" with "million"

Renumber accordingly

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

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1344

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 15.0357.02001

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. Hatlestad 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 carries

Date: 2-10-15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1344

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. Hatlestad Seconded By Rep. Mitskog

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) 4 No 10

Absent 0

Floor Assignment _____

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

MOTION FAILS

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

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1344

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. Dockter Seconded By Rep. Klein

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) 10 No 4

Absent 0

Floor Assignment Rep. Dockter Owens

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

REPORT OF STANDING COMMITTEE

HB 1344: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). HB 1344 was placed on the Sixth order on the calendar.

Page 2, line 29, replace "thousand" with "million"

Renumber accordingly

2015 TESTIMONY

HB 1344

HB1344

HB 1344
1-27-15
#1 p.1

FOURTEEN CITIES CONTRIBUTE 87.53% OF THE IN-STATE SALES TAX REVENUE.

THE FOLLOWING TABLE ILLUSTRATES DEVELOPING INEQUITIES

	2013 Taxable Sales & Purchases	2013 Sales Tax Revenues Contributed to State	2013 Sales Tax Revenues Rtnd to city	Ratio Rtn/Cntrb
CITIES WITH TAXABLE SALES & PURCHASES GREATER THAN \$1 BILLION				
Williston	\$3,378,607,395	\$168,930,370	\$1,536,547	0.910%
Fargo	\$2,690,898,800	\$134,544,940	\$11,020,726	8.191%
Bismarck	\$1,883,620,567	\$94,181,028	\$6,397,615	6.793%
Minot	\$1,560,243,652	\$78,012,183	\$4,269,254	5.473%
Dickinson	\$1,199,900,762	\$59,995,038	\$1,857,200	3.096%
Grand Forks	\$1,199,370,088	\$59,968,504	\$5,516,993	9.200%
	\$11,912,641,264	\$595,632,063		
	72.51%			

CITIES WITH TAXABLE SALES & PURCHASES GREATER THAN \$100M LESS THAN \$1 BILLION

Tioga	\$974,439,404	\$48,721,970	\$128,428	0.264%
West Fargo	\$324,217,762	\$16,210,888	\$2,696,997	16.637%
Mandan	\$291,882,199	\$14,594,110	\$1,914,001	13.115%
Jamestown	\$267,361,278	\$13,368,064	\$1,610,785	12.050%
Watford City	\$197,299,954	\$9,864,998	\$182,096	1.846%
Devils Lake	\$182,820,335	\$9,141,017	\$745,616	8.157%
Stanley	\$141,218,114	\$7,060,906	\$152,235	2.156%
Wahpeton	\$119,732,950	\$5,986,648	\$810,874	13.545%
	\$2,498,971,996	\$124,948,600		
	15.02%			

THESE 14 CITIES ACCOUNT FOR 87.53% OF THE
IN-STATE TAXABLE SALES & PURCHASES/SALES TAX
REVENUES FOR THE STATE OF NORTH DAKOTA

CURRENTLY THE STATE OF NORTH DAKOTA RETURNS 8.7% OF THE SALES TAX AND MOTOR VEHICLE EXCISE TAX BACK TO THE CITIES AND COUNTIES. THIS PROPOSAL INCREASES THE AMOUNT RETURNED FROM THE SALES TAX EQUITY FUND TO THE CITIES AND COUNTIES TO 10.7% AND DISTRIBUTES THE 2% INCREASE THROUGH A SALES TAX EQUALIZATION FUND USING THE FOLLOWING THREE CATEGORIES.

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#1 p.2

$\frac{1}{2}\%$

INCREASE AMOUNT OF SALES TAX REVENUES RETURNED TO CITIES AND COUNTIES FROM 8.7% TO 9.2% - ALL CITIES AND COUNTIES WILL PARTICIPATE IN THIS DISTRIBUTION BY THE CURRENT DISTRIBUTION FORMULA

$\frac{1}{2}\%$

INCREASED REVENUES FROM 9.2% TO 9.7% DISTRIBUTED TO THE CITIES WITH TS&P GREATER THAN \$100M AND LESS THAN \$1BILLION TO BE DISTRIBUTED ON THE BASIS OF THE CITIES RELATIVE SHARE OF ALL TS&P TO CITIES WITHIN THIS CATEGORY

1 %

INCREASED REVENUES FROM 9.7% TO 10.7% DISTRIBUTED TO CITIES WITH TS & P OVER \$1 BILLION TO BE DISTRIBUTED ON THE BASIS OF THE CITIES RELATIVE SHARE OF ALL TS & P TO THE CITIES IN THIS CATEGORY

Sales Tax Equity Fund

Proposal to Increase ST Revenue returned to cities/counties from 8.7% to 10.7%

Target Additional Revenue(2%) to (1) All cities and counties and

(2) Cities with TSP over \$100 million and (3) Cities with TSP over \$1 Billion

2015-17 Biennium

Preliminary Forecast for State Aid Distribution Fund - Current Law

8.7% of Sales Tax and Motor Vehicle Excise Tax

\$ 251,478,090

FIRST 1/2% BUCKET \$14,453,000 From Sales Tax Equity Fund

Additional dollars to cities and counties

Tioga	\$16,564
West Fargo	\$347,854
Mandan	\$246,865
Jamestown	\$207,756
Watford City	\$23,487
Devils Lake	\$96,168
Stanley	\$19,635
Wahpeton	\$104,585

TOTAL**INCREASE****TO CITIES**

\$5,580,969
\$2,316,353
\$1,826,577
\$1,684,853
\$1,299,686
\$1,119,441
\$915,721
\$772,314

\$14,453,000

Cities 46.3%

\$6,691,739

Counties 53.7%

\$7,761,261

Williston	\$198,181
Fargo	\$1,421,434
Bismarck	\$825,153
Minot	\$550,641
Dickinson	\$239,538
Grand Forks	\$711,572
Other Cities/Counties	\$9,443,565

\$8,488,422
\$7,948,409
\$5,262,224
\$4,227,484
\$3,364,277
\$3,561,704
\$9,443,565
\$57,812,000

Other cities/cty's

COUNTIES

\$7,761,261

CITIES

\$1,682,304

SECOND 1/2% BUCKET \$14,453,000 From sales Tax Equity Fund

Additional dollars for cities with over \$100 million and less

than \$1 billion in total taxable sales and purchases for FY 2014:

14,453,000

Tioga	38.50%	\$ 5,564,405
West Fargo	13.62%	1,968,499
Mandan	10.93%	1,579,713
Jamestown	10.22%	1,477,097
Watford City	8.83%	1,276,200
Devils Lake	7.08%	1,023,272
Stanley	6.20%	896,086
Wahpeton	4.62%	667,729
Total	100.00%	14,453,000

THE PROJECTED INCREASE IN SALES TAX REVENUES FOR THE 2015-17 BIENNIUM IS OVER \$400,000,000. \$57,812,000 OF THAT INCREASE WILL BE GIVEN BACK TO THE CITIES & COUNTIES IN THE 2015-17 BIENNIUM!

THIRD 1% BUCKET \$28,906,000 From sales tax equity fund

Additional dollars for all cities with over \$1 billion

in total taxable sales and purchases for FY 2014:

28,906,000

Williston	28.68%	\$ 8,290,241
Fargo	22.58%	6,526,975
Bismarck	15.35%	4,437,071
Minot	12.72%	3,676,843
Dickinson	10.81%	3,124,739
Grand Forks	9.86%	2,850,132
Total	100.00%	28,906,000

Total additional revenue to cities and counties from proposed increase in ST revenues rtd to cities/cty's from 8.7% to 10.7% - 2015-17 Biennium (Loss to State General Fund)

\$ 57,812,000

'es Tax Equity Fund allocations to cities over \$100 million and \$1 billion are calculated on the air relative share of all TSP in the category for FY 2014. These cities are assumed to continue to receive the current SADF allocations to all cities and counties and the proposed increase from 8.7% to 9.2%.

Sales Tax Equity Fund

Proposal to Increase ST Revenue returned to cities/counties from 8.7% to 10.7%

Target Additional Revenue(2%) to (1) All cities and counties and

(2) Cities with TSP over \$100 million and (3) Cities with TSP over \$1 Billion

2015-17 Biennium

Preliminary Forecast for State Aid Distribution Fund - Current Law

8.7% of Sales Tax and Motor Vehicle Excise Tax

\$ 320,160,000

FIRST 1/2% BUCKET \$14,453,000 From Sales Tax Equity Fund			TOTAL	
Additional dollars to cities and counties			INCREASE	\$18,400,000
			TO CITIES	Cities 46.3%
Tioga	\$21,088		\$7,105,088	\$8,519,200
West Fargo	\$442,850		\$2,948,930	Counties 53.7%
Mandan	\$314,281		\$2,325,401	\$9,880,800
Jamestown	\$264,493		\$2,144,973	
Watford City	\$29,901		\$1,654,621	
Devils Lake	\$122,431		\$1,425,151	
Stanley	\$24,997		\$1,165,797	
Wahpeton	\$133,147		\$983,227	
Williston	\$252,303		\$10,806,543	Other cities/cty's COUNTIES \$9,880,800 CITIES \$2,141,728
Fargo	\$1,809,617		\$10,119,057	
Bismarck	\$1,050,496		\$6,699,296	
Minor	\$701,017		\$5,381,977	
Dickinson	\$304,955		\$4,283,035	
Grand Forks	\$905,897		\$4,534,377	
Other Cities/counties	\$12,022,528		\$12,022,528	
	\$18,400,000		\$73,600,000	

SECOND 1/2% BUCKET \$14,453,000 From sales Tax Equity Fund			
Additional dollars for cities with over \$100 million and less than \$1 billion in total taxable sales and purchases for FY 2014:			18,400,000
Tioga	38.50%	\$ 7,084,000	THE PROJECTED INCREASE IN SALES TAX REVENUES FOR THE 2015-17 BIENNIUM IS OVER \$400,000,000. \$73,600,000 OF THAT INCREASE WILL BE GIVEN BACK TO THE CITIES & COUNTIES IN THE 2015-17 BIENNIUM!
West Fargo	13.62%	2,506,080	
Mandan	10.93%	2,011,120	
Jamestown	10.22%	1,880,480	
Watford City	8.83%	1,624,720	
Devils Lake	7.08%	1,302,720	
Stanley	6.20%	1,140,800	
Wahpeton	4.62%	850,080	
Total	100.00%	18,400,000	

THIRD 1% BUCKET \$28,906,000 From sales tax equity fund			
Additional dollars for all cities with over \$1 billion in total taxable sales and purchases for FY 2014:			36,800,000
Williston	28.68%	\$10,554,240	
Fargo	22.58%	8,309,440	
Bismarck	15.35%	5,648,800	
Minot	12.72%	4,680,960	
Dickinson	10.81%	3,978,080	
Grand Forks	9.86%	3,628,480	
Total	100.00%	36,800,000	

Total additional revenue to cities and counties from proposed increase

in ST revenues retnd to cities/cty's from 8.7% to 10.7% - 2015-17 Biennium

(Loss to State General Fund)

\$ 73,600,000

Sales Tax Equity Fund allocations to cities over \$100 million and \$1 billion are calculated on the

their relative share of all TSP in the category for FY 2014. These cities are assumed to continue to

receive the current SADF allocations to all cities and counties and the proposed increase from 8.7% to 9.2%.

House Bill 1344
House Finance and Taxation Committee
January 27, 2015

Good Morning Mr. Chairman and members of the House Finance and Taxation Committee. My name is Bill Wocken. I am appearing on my own behalf this morning since the Bismarck City Commission has not yet had opportunity to express its opinion on this bill. As luck would have it, they meet this evening.

House Bill 1344 seeks to capture a portion of the sales, use and motor vehicle excise tax to establish the Sales Tax Equity Fund. A portion of the collections would be channeled to each city and county in the state on a population basis. Two thirds of the collections would be earmarked for the cities that generate the largest sales tax collections.

This legislation recognizes the need to provide infrastructure for business so that it is able to produce increased sales. It measures those sales in terms of sales tax production. It may be considered a repayment for the past investment made to develop the existing business environment or it may be considered a downpayment on the further investments that must be made to continue profitability... and sales tax production.

This is not an entirely new concept for our state. The Renaissance Zone legislation that is so instrumental in the renewal of downtowns statewide operates under a similar concept. HB 1344 provides a tool for the provision of the infrastructure necessary for continued growth and prosperity in our state.

Bill Wocken

HB 1344
1-27-15
#3

January 27, 2015

HOUSE FINANCE AND TAXATION COMMITTEE
HB 1344

CHAIRMAN HEADLAND AND MEMBERS OF THE COMMITTEE

For the record my name is Blake Crosby. I am the Executive Director of the North Dakota League of Cities representing the 357 cities across the State.

I am here in support of HB 1344. This creation of a sales tax equity fund is self-explanatory. It would return additional funds to the 14 cities that account for over 87% of in-state taxable sales and purchases so they can fund critical needs. This is especially important as we look at ways to retain the workforce with families that have purchased housing and have become an integral part of the community.

Based on data from the State Data Center, the population of those 14 cities is estimated at about 75% of the state's population. Looking at Job Service data for cities over 12,500 based on number of employees in the oil and gas industry, 9 of the 14 cities have oil and gas related employment greater than 1.0%. These are impacted communities.

On behalf of the North Dakota League of Cities, I ask for a Do Pass on HB 1344.

THANK YOU FOR YOUR TIME AND CONSIDERATION. I will try to answer any questions.

Testimony of Jon Godfread
Greater North Dakota Chamber of Commerce
HB 1298
January 27, 2015

Mr. Chairman and members of the committee, my name is Jon Godfread; I am the Vice President of Government Affairs for the Greater North Dakota Chamber. GNDC is working on behalf of our more than 1,100 members, to build the strongest business environment in North Dakota. GNDC also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce. As a group we stand in Support income tax relief.

The Greater North Dakota Chamber has been among the principle advocates for tax reductions in past sessions and that role will continue in this session. In seeking those reductions our goal is that any reductions given will be measured, fairly distributed among all classes of taxpayers and above all else sustainable for the long term. Our overarching goal is drive North Dakota to a position where it is considered the best state to do business. As you know, taxes play an important role in those rankings, we have made some good strides over the last three biennia and we feel we can take another step this biennium.

We understand that there are many unknowns this session and tax relief will be one of the biggest issues debated. That being said, we will be advocating for the largest amount of tax relief possible, should that be dropping the income tax rates to 0% or the higher rates outlined in other of legislation. We believe it's likely somewhere in the middle.

Thank you and I would be happy to answer any questions.

HB 1344 2-2-15
#1

15.0357.02001
Title.

Prepared by the Legislative Council staff for
Representative Sukut
January 27, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1344

Page 2, line 29, replace "thousand" with "million"

Renumber accordingly