

FISCAL NOTE
Requested by Legislative Council
02/15/2015

Amendment to: SB 2230

- 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			\$(94,000,000)			
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 SB 2230 creates an individual income tax credit for renters.

- 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.*

Engrossed SB 2230 creates an individual income tax credit for renters equal to 15% of the annual rent, not to exceed \$900 per year. The tax credit cannot exceed the income tax liability of the renter/taxpayer. If enacted, engrossed SB 2230 will reduce state general fund revenues by an estimated \$90,000,000 to \$98,000,000 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
01/16/2015

Bill/Resolution No.: SB 2230

- 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			\$(160,000,000)			
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).*

SB 2230 creates a refundable income tax credit for renters.

- 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.*

SB 2230 creates a refundable income tax credit for renters equal to 15% of the annual rent, not to exceed \$900 per year. Based on escalating rental rates in the state, most renters could receive the maximum credit of \$900 per year. If enacted, SB 2230 will reduce state general fund revenues by an estimated \$134,000,000 to \$186,000,000 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: 01/24/2015

2015 SENATE FINANCE AND TAXATION

SB 2230

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2230
1/27/2015
22585

- Subcommittee
 Conference Committee

Committee Clerk Signature

Katie Oliver for Alice Grove

Explanation or reason for introduction of bill/resolution:

Relating to a renter's income tax credit, and to provide an effective date

Minutes:

2 Attachments

Chairman Cook opened the hearing on SB2230.

Senator Tyler Axness: District 16. (Attachment #1)

Senator Cook: This is identical to the second section of the previous bill, the fiscal note is the same.

Senator Tyler Axness: I felt that this idea had enough merit to stand on its own.

Senator Cook: You make a comment that there's no doubt that we will be providing additional tax relief. Have you been watching the oil price? You are getting your tax relief whenever you fill up your tank.

Senator Tyler Axness: I think in light of that conversation being based strictly on the price of oil is that I do not want to get too reliant on that revenue, either. I understand the debate of the balance of where the tax cuts will come and where the revenue is coming from.

Senator Triplett: I have opposed bills like this in the past because I believe that it is double-dipping, as it were. We were paying out to give relief to the owners of the property and then we were being asked to pay out again to give relief to the renters and we shouldn't have to do that. If the system worked correctly the relief would be passed on, I have been waiting for 8 years for a small bit of evidence that the tax relief we give to residential apartment owners gets passed on and I have yet to see it. Are you aware of any single example that you can point to where the credit has been passed on in a knowing way to renters?

Senator Axness: I have been a resident of Fargo for 9 years, the first 8 of which I rented. While property tax bills are being provided, at whatever level, the rent in which I was responsible for never remained steady and it never decreased. In visiting with my constituents they have not felt the relief either.

Senator Triplett: When you were renting did any of your landlords mention that they had property tax relief but they still had to raise the rent because other costs have increased in the last year. Was any attempt made by the landlord to explain why it wasn't being passed on.

Senator Axness: This sounds a lot like the discussion we have had over the last few sessions on proper taxes in general. Political subdivisions are now required to disclose on their statements what level of property taxes is provided by the state. I have not heard from property managers saying that they have transferred those savings on. Perhaps an option is that if we are going to include property taxes that the tenants see an annual statement.

Senator Bekkedahl: District 1 and I am a co-sponsor of this bill. The reason I signed on to this bill is because I live in an area that typically had about 25% rental property and 75% single family homes. It is now, with the oil activity, 60% rental and 40% private homeownership. Along with that we have seen extreme costs for construction, \$200,000 a unit to construct in Williston verses \$100,000 in Bismarck. The other reason the rent rates are the highest in the country is because of the capital financing which is being weighed into a 3-5 year payback on the structures. I also stand in support of the amendment considerations that Senator Axness has presented.

Senator Triplett: You mentioned that a lot of the apartments were funded with 3-5 year payback we should be getting to the end of the payback on the early apartment buildings then. Do you think that rent will start declining on the apartments that were built 3-5 years ago or do you think it is based solely on supply and demand?

Senator Bekkedahl: It looks to me that even the structures that are paid off will still be determined by supply and demand. The city of Williston has placed a lot of infrastructure into our city system to accommodate apartment buildings because the only way we get the rate structures down for the benefits of the residents is to build the supply so it finally exceeds the demand. We have been told we need 5,000 units per year in construction over a 5 year period we have only been doing 2,000-2,400.

Laney Herauf: Greater North Dakota Chamber. (Attachment #2)

Jeremy Petron: North Dakota Apartment Association. Gave neutral testimony.

Senator Laffen: My company has owned some apartments along the way and in relation to the question of do property owners give back the property tax we would get property tax relief owning an apartment building and never give it directly back in a rate reduction. The reason is there are about 25 line items in the cost of managing an apartment and they all go up every single year.

There was no further testimony on SB 2330 and Senator Cook closed the hearing.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2230
1/27/2015
Job #22648

- Subcommittee
 Conference Committee

Committee Clerk Signature

Alice G. Howe

Explanation or reason for introduction of bill/resolution:

Committee work

Minutes:

Chairman Cook opened the meeting on committee work.

Dee Wald -- General Counsel, State Tax Department

Section 1, page 1, lines 8 through 12. As you noticed on line 9, this is a refundable tax credit. Because it is refundable and there are many taxpayers who might earn income but don't have a tax filing requirement to require us to develop a new form and also to get the word out to those taxpayers who would be eligible but for the fact that they don't have a tax liability. That is one of the things that we would have to do.

Chairman Cook -- What would you change it to if you wanted to eliminate non-refundable or just take the word out?

Dee Wald -- We've not had a refundable tax credit before. I would just take refundable out.

Senator Laffen -- What does the word refundable mean in this case?

Dee Wald -- If you have a tax liability, say of \$100.00, and you are eligible for a \$900.00 tax credit under this bill, we would write you a check for \$100.00. If you had no tax liability, we would write you a check for \$900.00. Most tax credits are not refundable and they have a carry-forward provision in them. That allows the taxpayer the opportunity to get the full benefit of the credit.

Senator Dotzenrod -- We quickly concluded that this can't really work as refundable credit. We are going to be working on some amendments. I was thinking that there might have to be some language that said that any refund is limited to the individual tax liability for that particular tax year. Maybe just take refundable out of there and that takes care of it.

Dee Wald -- Yes, that takes care of it. On lines 13 to 18, some of the concerns we have with this is that in order to make sure that the correct people are claiming the correct

amount, we would have to require copies of leases and rent contracts. This would be particularly difficult for taxpayers and the tax department because of the electronic filing that we are getting more and more taxpayers to use. Electronic filing does not accommodate additional schedules, such as we would be asking for here, or the copies of the utility receipts or whatever we would need to verify the amount of the credit.

Senator Dotzenrod -- My thought on this was that in order to make this work that the taxpayer who is requesting this kind of refund would have to attach a piece of paper that they would have to sign and date where they would state what their rent was for the year, what the 15% was and that would be attached. You are saying that you really can't make the system work that way?

Dee Wald -- Yes, it doesn't accommodate that type of thing. What we have right now is a modernized e-filing program. If you file your federal return electronically, there is state information that is pushed out to us and that does not accommodate that. We've had a large number of taxpayers who do use that modernized e-file. It's a very simple way of getting them returned to us. We don't even get as much information as we used to under this.

Senator Triplett -- I'm not seeing in section 2 that person is required to submit a form, not just the information that they would use to calculate and claim a credit. Does it say here that they have to produce the document?

Dee Wald -- No, it does not. We usually prescribe the forms and that is in statute right now. What makes this more administratively a concern for us is the fact that it is refundable. Once you start giving people money and you do a back-end audit, it's pretty hard to get money back from some people.

Senator Triplett -- We've made the decision that it's not going to be refundable.

Dee Wald -- We could do that back-end audit. We have a policy in the department with individuals to do more upfront auditing so that individual taxpayers are not hit with the penalties and interest 3 years down the line. We have a lot of upfront checks on that. We just wanted to make sure that people were claiming what they were entitled to. It pushed our refunds time back by a week.

Chairman Cook -- If you just allow the taxpayer to write down the 15% number, it really could be abused?

Dee Wald -- There is a great possibility for abuse. How are we going to know if I claim a credit? We don't have a mechanism for determining what's rental properties and what's not. We've read line 13 to 18 differently. It is interpreted, as we believe, that the utilities and the furniture and all of those other services that are listed on 14 through 15 are excluded from calculation of the credit. Preventing multiple claims with one apartment unit, those are some of the issues we have. Minnesota has this same renters credit and it, too, is difficult for them to administer but they have been doing it for a long time and have come up with a method but it is a separate form. It's something totally off the income tax return. The other thing is trying to verify rental property that is exempt from taxation. Again, how

do we know that? Even though we do have the property tax section, that doesn't tell us that. The whole thing for us is just verification: upfront and backend. Currently, we don't have resources that we use in our income tax processing to administer something like this. On page 2, as the collections attorney I'm concerned about trying to determine whether something was fraudulently claimed, I have issues with trying to collect money to bar that taxpayer from claiming the credit and the ensuing 2 taxable years. If you have multiple occupants? Everything we do is by social security number, name and address. That's how we upfront verify whether somebody should be filing with us. Trying to figure out that 2 ensuing years, I don't know how we would do that. We've never had a credit that would actually bar further claiming of that credit. And, I can't think of a way that we would take care of that issue.

Senator Dotzenrod -- I'm trying to understand what you just said: we've never had a credit that would bar further claiming of the credit. How does that relate to this? If someone is going to ask for the credit, I would assume that there would just be a form that they would sign and date that shows that they paid these rents and would have the documents to back that up. By claiming the credit, how does that bar them from claiming further credit?

Dee Wald -- Subsection 5 on page 2, lines 5 through 9, states that if an applicant has fraudulently claimed the credit, that in addition to the penalty and interest we would charge on that amount that they claimed, that we would have to bar them from claiming the credit for the next 2 taxable years.

Senator Laffen -- What would stop me from, as a parent, charging my boomerang child rent and have them deduct rent at my house. Would that be allowed?

Dee Wald -- It looks like it would be allowed in this situation. It's the multiple occupants with spouses, with dependents, non-dependents. Looking at it administratively, there's a lot for us to do. We don't like going back and charging taxpayers penalty and interest for anything.

Senator Triplett -- If we were to pursue this bill, you would suggest that we take 5 out entirely? Would that be your recommendation?

Dee Wald -- Yes. We already have audit provisions in the income tax code.

Senator Triplett -- I'm following you on tracking on everything, except your analysis of subsection 2, lines 13 through 18. If it's a tax credit and the law tells them how they should calculate it, you just put it on the form. How would that administratively be any different than charitable contributions and receipts therefor?

Dee Wald -- There are so many moving parts in this bill. What can be claimed? What can't be claimed? Multiple occupants? Tax exempt properties? It's those moving parts with the taxpayers that make some of that more difficult for us. If we get a credit for 15 people in one unit, and in college that could be possible, we would have to determine that, cross-check addresses. We could have a form that says that but it might be difficult for some taxpayers to know how much and who. It's all of these different moving parts.

Senator Laffen -- Having thought back to owning some apartments and other potential issues, we never gave receipts to anybody. With multiple renters, one person is paying and the other is paying him or her. How would you prove that system in apartment rental?

Dee Wald -- That's correct. You wouldn't know that. If one claimed it one year, the other one could claim it the second year for the same apartment, same living arrangements. Landlords might have to think about itemizing some of those items. The renter would have to go back and ask them how much of my rent is prorated to the use of the tangible personal property that's within the apartment.

Senator Bekkedahl -- What we are seeing in Williston now is that the apartment rents are \$2,500.00 to \$4,000.00/month. In order to afford that, they are putting 4 to 6 guys in each of these apartments. If there are 4 of them in an apartment unit and they are each paying \$600.00/month rent to make that work, a \$500.00 threshold means that you get the full 15% credit back of \$900.00. Each one of those 4 then could claim that same deduction, because it is their primary residence, even though there is 4 in one residence, they could each 4 apply for the credit for the 1 residence because they are all sharing it. Is that correct?

Dee Wald -- That's correct. The definition of primary residence too becomes an issue when you talk about what is going on out west. We have a lot of out-of-staters that have come into the state to work and are not claiming North Dakota as their primary residence. That would be an issue for us too. Residency for tax purposes, is not the same as residence for voting.

Senator Dotzenrod -- On the bottom of page 1, starting at line 21, "individuals who reside together in a rental unit, who are not spouses or dependents, are each entitled to apply for a portion of a full credit based on the portion of the rent paid by the applicant". Would that limit, in the case that Senator Bekkedahl mentioned, to ¼ of the \$900 credit to each of the 4?

Dee Wald -- What Senator Bekkedahl explained, that's correct in that situation. \$2,400.00, 4 people. They would get \$600.00. Pay \$600.00/month. That's correct. The problem is that: how do we know that there are 4 people in there, in one apartment? And if it's refundable, that's one of the issues we have. Who's in? Who's out?

Senator Dotzenrod -- It appears to me that the way the bill is written from those lines that I just read, is that there would be a total of \$900.00 of credit available that would have to be divided by 4. That each would get ¼ of that.

Dee Wald -- That is not our interpretation.

Senator Dotzenrod -- It says "apply for a portion of a full credit based on the portion of the rent paid by the applicant". If there is a full credit there for that rental unit, then each would get a portion of that. That was what I thought I read there but maybe it can be interpreted a different way?

Dee Wald -- It could be interpreted the way that you are interpreting it.

Chairman Cook -- It should be made clearer then?

Dee Wald -- I think that should be made clearer. I would think it would be entitled to the credit based upon whatever you paid, not $\frac{1}{4}$ of the max.

Senator Dotzenrod -- You've raised a lot of interesting ways in which people could sort of game the system. It appears that if Minnesota had this and had it for some time; and without knowing any more about it, I am going to assume the only way they make it work is they just have more people hired in the tax department to take care of this. Isn't that the conclusion that you have to reach?

Dee Wald -- Their credit works more like our homestead tax credit. The renters refund, where people apply and they send out a check. It has nothing to do with the income taxes. It's a stand-alone system. As far as FTE's in Minnesota, they have their own building. I don't know if it's even administered by the department of revenue.

Senator Dotzenrod -- It's possible this could be a general fund appropriation to fund the renter's credit. It's not an income tax credit in Minnesota?

Dee Wald -- No, it's more of a refund situation. There have been bills in the past session, especially in the last few when we were looking at property tax relief, trying to give property tax relief to renters. Direct property tax relief to renters.

Senator Bekkedahl -- You mentioned that primary residence for tax purposes is defined here: if I'm a worker from LA working in the oilfields in North Dakota and make the majority of my income in North Dakota, I pay tax on that in North Dakota, don't I?

Dee Wald -- How the individual income tax systems work: if you are in the state for less than 280 days, you are a non-resident, but if you maintain your domicile in LA, you will pay LA income tax on 100% of your income. Then you will have to file in North Dakota, report the income that you earned here, figure out what the tax is and then go back to your home state, LA, and request a credit for taxes paid to another state.

Senator Bekkedahl -- The primary residence is important. What I'm trying to get to is the primary residence clause that is in here. There's an abundance of these people who have not changed their primary residence. If you are doing 2 weeks on and 2 weeks off, half the year in North Dakota. Do they have any income tax liability in North Dakota to pay on their income earned here?

Dee Wald -- Yes, they do have that obligation. It's a compliance issue for us right now.

Senator Bekkedahl -- I don't know how you track it.

Dee Wald -- That and fraudulent returns are our big compliance issues.

Senator Oehlke -- There's probably a lot of folks that reside on a couple of our military base installations in the state and do they just pay taxes where they're from or do they pay North Dakota taxes?

Dee Wald -- Under federal law, we cannot tax the income of active military members or their wives that is earned in North Dakota.

Senator Oehlke -- Do you rebate a portion of rent under this?

Dee Wald -- No. Their primary residence isn't here. As a matter of fact, in the military they have to fill out a form and declare their residency. Most military members claim Texas.

Chairman Cook -- Anything else on the bill?

Dee Wald -- That is all the concerns that we had.

Chairman Cook -- You can go to the tax department and start working on amendments.

Chairman Cook closed the meeting.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2230
2/9/2015
Job #23516

- 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 SB2230
This is the same renters credit that we took care of this morning.

Senator Bekkedahl -- I will make a motion for a do not pass.

Seconded by Senator Oehlke.

Senator Dotzenrod -- I think that one of the learning experiences of this renters credit, for me, was having some testimony from the tax department about the need for them to be able to verify. That is, the problems, if you use the income tax system to try to deliver renters credit, you run into one problem after another with verifiability. Under North Dakota law, the relationships between the landlords and the renters is non-receiptable. We don't have any laws that required that receipts be part of that. I think Minnesota has a state law that says the relationship is receiptable. They do it through something like we do homestead credit where they have an appropriation and they fund that and they have FTE people to take care of that. I am going to vote for this just on the principal that it would be nice to see something for the renters but I understand that functionally you have some big problems if you are going to make this work through the tax system.

Chairman Cook -- I have a note here that says Minnesota's is a stand-alone law. It has nothing to do with income tax.

Senator Oehlke -- It is interesting how we beat up landlords all the time, assuming that the renter is never getting that benefit, even though we know that it is a case of supply and demand that drives that car. To pick on them just because we think that the rent might be high and chastise them for being capitalists. The one thing that is missing is the renter doesn't get a little piece of paper that says he got 12% break or their rent didn't go up as much because the state gave property tax relief.

Chairman Cook -- I'd like to point out, too, that this is a refundable credit. That is something that we have never done before.

Senator Triplett -- That was my question, before we voted, where I had struck out the word refundable with a note in the margin saying the sponsors agree to withdraw the refundable concept. I thought we were waiting for an amendment. Did the sponsors decide to just not bother?

Senator Bekkedahl -- I've had no communication from the prime sponsor on this since it was delivered.

Senator Triplett -- If the refundable piece were removed, I might consider joining Senator Dotzenrod and just making a statement that we care about the renters but I can't support it as long as it's in here because it's just bad policy. In response to Senator Oehlke, it's not that we are choosing to pick on landlords, I think for the first several sessions that we had this conversation the landlords came in and basically tried to tell us that they were doing this and it's clear, as a group, they have not and never were. Maybe individual landlords somewhere actually offer a reduction or fail to drive an increase up but I think you are correct that it a matter of supply and demand. They brought it on themselves by suggesting through their representatives here by testifying that, of course, they were passing it on.

Chairman Cook -- We have a do not pass motion on SB2230.

Roll call vote 6-1-0

Carrier: Senator Bekkedahl

Date: 2-9-15

Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO 2230

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. Bekkedahl Seconded By Sen. Oehlke

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) 6 No 1

Absent 0

Floor Assignment Sen. Bekkedahl

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

REPORT OF STANDING COMMITTEE

SB 2230: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO NOT PASS (6 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). SB 2230 was placed on the Eleventh order on the calendar.

2015 TESTIMONY

SB 2230

#1
1-27-15

SB 2230
Testimony in Support
Tyler Axness
Senator, District 16

Good morning Chairman Cook and members of the Senate Finance and Tax Committee. My name is Tyler Axness, State Senator representing District 16 which is parts of Fargo and West Fargo.

I'm happy to appear before you to introduce SB 2230, a bill directed to provide tax relief for renters across our state. As someone who represents a district that has a large constituency of renters and mobile home residents, I am compelled to continue to work to find avenues to ensure they are included in the tax relief. In fact, over half of my district constituents are renters.

SB 2230 would provide an income tax credit of 15% of a person's annual rent but not to exceed \$900 annually. Under subsection 3 of section 1, the credit would be available to only one individual if a couple resides together and are a spouse or a dependent. Individuals who reside together who are not a spouse or dependent are able to apply for a portion of the full credit based on the portion of rent paid.

According to the most recent Census information, approximately 192,000 North Dakota residents are renters. They are our construction workers and our nurses. Renters are our young, new families and our college students who face higher tuition rates. As the cost of living has gone up and rents rise, they are individuals who have been left out of our previous tax relief.

I am aware of the fiscal note that accompanies this bill. I believe the rather large tax reduction demonstrates the need for renters' relief as it states, "Based on escalating rental rates in the state, most renters could receive the maximum credit of \$900". However, if the committee desires to lower the fiscal note, may I suggest amending SB 2230 to make the tax credit non-refundable so that individuals who do not have an income tax liability would not get the credit.

Another suggestion may be to include a residency requirement for tenants. Mr. Chairman, may I suggest that tenants be required to have been an established North Dakota resident for 2 years before becoming eligible for the tax credit?

In conclusion, I have no doubt the 64th Legislative Assembly will provide additional tax relief for North Dakotans and deservedly so. I look forward to supporting tax relief bills with merit. Mr. Chairman, members of the committee I believe SB 2230 is one of those tax relief bills with merit. I urge the committee to vet this bill thoroughly, amend where needed, and recommend a DO PASS to provide long overdue relief to North Dakota's renters.

Thank you for your time and attention and I will stand for any questions you may have.

#2



Testimony of Laney Herauf
Greater North Dakota Chamber of Commerce
SB 2230
January 27, 2015

Mr. Chairman and members of the committee, my name is Laney Herauf; I am the Government and Regulatory Affairs Specialist 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 opposition to Senate Bill 2230.

The Greater North Dakota Chamber has often fought for tax decreases and tax credits to citizens and businesses alike. It is our belief that lower taxes offer a much more dynamic business climate, which aids in a healthy statewide economy. This bill, however, does not align itself with our mission and creates unfair tax policy among North Dakota's citizens.

We support broad based income tax relief. This bill takes one particular subsection of the population, determined by their choice of place of residence and determines that they are more worthy of income tax relief. This is an arbitrary way to classify people.

Further, people who are renting are not paying property taxes. As such, they do not have that expense. Should this bill pass, in addition to not paying property taxes, they would be receiving an income tax credit. If this committee wants to have a broader discussion about income tax credits for all citizens of North Dakota, the Greater North Dakota Chamber would happily participate in that conversation, but this bill, as written creates poor policy.

The Greater North Dakota Chamber respectfully requests a DO NOT PASS recommendation on Senate Bill 2230. Thank you and I would be happy to answer any questions.

Champions  Business

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