

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/23/2017**

Bill/Resolution No.: SB 2305

- 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.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>						
<b>Appropriations</b>						

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

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

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

SB 2305 creates a new income tax credit for a corporation that reimburses an employee for amounts the employee pays to provide child care for a minor under the legal guardianship of the employee.

- 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 2305 allows an income tax credit to a corporation equal to the amount paid to reimburse an employee for child care costs the employee incurs and pays as a legal guardian of a minor. The child care must be provided by a North Dakota-licensed child care provider. The credit is allowed in the tax year the reimbursement amount is paid. If the credit amount is more than the corporation's tax liability, the corporation may apply the unused portion against its tax liability in subsequent tax years.

The credit is limited to corporations that pay North Dakota income tax (which are referred to as "C" corporations). Approximately 11,400 of these corporations currently file a North Dakota income tax return. Of these, it is not known how many of the individuals employed by them would meet the conditions set out in the bill. It also is not known if any of these corporations currently reimburse part or all of their employees' child care costs, or which corporations would reimburse such costs if this bill is enacted.

If enacted, SB 2305 will potentially reduce state general fund revenues for the 2017-19 biennium. The amount of the reduction, if any, cannot be determined because the information required to make an estimate is unavailable and is dependent on the future behavior of corporations.

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.*

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**Agency:** Office of Tax Commissioner

**Telephone:** 701.328.3402

**Date Prepared:** 01/27/2017

**2017 SENATE FINANCE AND TAXATION**

**SB 2305**

# 2017 SENATE STANDING COMMITTEE MINUTES

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

Senate Bill 2305  
1/31/2017  
Job #: 27622

- Subcommittee  
 Conference Committee

Committee Clerk Signature



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

A BILL for an Act to create and enact a new section to chapter 57-38 of the North Dakota Century Code, relating to a corporate income tax credit for reimbursement of employee child care expenditures; and to provide an effective date.

## Minutes:

Attachments #1, #2, #3

**Chairman Cook:** All Senators present. Opened the hearing on SB 2305.

**(0:00:30-0:04:25) Senator Oban, District 35:** introduced SB 2305 with testimony #1.

**(0:04:26-0:06:30)** Senator Oban was asked about the status of a similar bill in the house. Senator Laffen asked if companies would be eligible to receive this credit if they were to build their own facility and how to prevent scamming.

**(0:06:53-0:08:10) Dana Bohn, Economic Development Association of North Dakota:** presented testimony #2 in support of SB 2305.

**(0:08:30-0:09:30) Andy Peterson, Greater North Dakota Chamber of Commerce:** presented testimony #3 in support of SB 2305.

**(0:09:35-0:10:45) Rick Clayburgh, North Dakota Bankers Association:** presented testimony in support of SB 2305. Number one issue for maintaining the workforce. Child care issues are the number one issue impacting rural and urban North Dakota. In rural areas just trying to get and keep workforce. Support anything that can be done to support child care in the state.

**(0:11:05) Closed the hearing on SB 2305.**

**(11:05-end)** Committee Discussion on terminology and definitions in the bill. Also discussed the number of corporations that could benefit from the bill.

# 2017 SENATE STANDING COMMITTEE MINUTES

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

Senate Bill 2305  
2/6/2017  
Job #: 27908

- Subcommittee  
 Conference Committee

Committee Clerk Signature 

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

A BILL for an Act to create and enact a new section to chapter 57-38 of the North Dakota Century Code, relating to a corporate income tax credit for reimbursement of employee child care expenditures; and to provide an effective date.

**Minutes:**

No Attachments

**Chairman Cook:** All Senators present.

**(0:00:15-0:02:25)** Discussion on the remaining Senate Bills and the House bills that are still in committee.

**(0:02:26-0:04:55)** General discussion about the bill.

**Senator Unruh moved a Do Not Pass.**

**Senator Laffen seconded.**

**(0:05:05-0:10:45)** Committee discussion on issues and different options for moving forward and fixes that could be made.

**A Roll Call Vote was taken. 5 yeas, 1 nay, 0 absent.**

**Motion passes.**

**Senator Unruh will carry the bill.**

Date: 2-6-17  
Roll Call Vote #: 1

2017 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2305

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 Unruh Seconded By Laffen

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook	✓		Senator Jim Dotzenrod		✓
Vice Chair Brad Bekkedahl	✓				
Senator Lonnie J. Laffen	✓				
Senator Jessica Unruh	✓				
Senator Scott Meyer	✓				

Total (Yes) 5 No 1  
Absent 0  
Floor Assignment Unruh

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

**REPORT OF STANDING COMMITTEE**

**SB 2305: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO NOT PASS (5 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). SB 2305 was placed on the Eleventh order on the calendar.**

2017 TESTIMONY

SB 2305

1/31/2017

SB 2305

Testimony #1

pg 1

**SB 2305 – Child Care Tax Credit**  
**9:00 am | Tuesday, January 31, 2017**

Mr. Chairman, members of the Committee, for the record, Erin Oban, Senator of District 35 here in Bismarck. I'm happy to be here introducing SB 2305, a bipartisan bill that would provide a corporate income tax credit for businesses that, as an incentive or benefit for the recruitment or retention of employees, cover the cost some or all of their employee's child care expenses.

Mr. Chairman, there are many bills that come across our desks that affect North Dakota families and/or businesses. A lot of those affect people indirectly, but some can be seen and felt a bit more directly. SB 2305 is an example, I think, of the latter.

Access to available, affordable, high quality child care is a major challenge in North Dakota. While I heard this from families in my district back when I campaigned in 2014, and have since read and watched plenty of news coverage from across the state in large communities and small that the problem still exists, I've never been more personally aware of the issue than when our own son, Evin, was born in October.

To provide some context just from *my own* experience, and I know for a fact that I'm not alone in this experience, I started calling child care providers in February of 2016 when I found out we were matched with a birth family. Most expecting parents start even earlier in the "expecting" process than we did. We were wait-listed at 10 places and were told by at least another 5 that they didn't expect an opening for at least a year and to call back at that point. Until we received that glorious call last week letting us know a slot had opened up for Evin at a local facility, we were in the exact same place hundreds of families are in – a two-income household with no child care for the most important person in our lives. Chad and I are lucky enough to have our moms here in town, but if it weren't "Grandma-care," I may have been asking you, Chairman Cook, to have a baby swing in the back of your committee room so I could be here today. (Ok, maybe not.)

All jokes aside, that phone call that we had been hoping and waiting for comes with a bill of almost \$1,000 per month. While we obviously feel our son deserves to be in a safe, loving environment with a great staff that deserves to earn a living, \$1000 a month is tough, and that's only for one child.

Obviously access to child care is a workforce issue. If it wasn't, we wouldn't have the business world getting into the child care world. We've seen businesses right here in Bismarck collaborate to open child care centers for their employees, we've seen businesses provide child care right on-site, and we've seen businesses start offering incentives like covering all or part of an employee's child care payments, all in an effort to increase, recruit, and retain the best workforce and pool of applicants they can find.

I feel pretty strongly that individuals shouldn't be forced to choose between having or growing a family and having a career and staying in the workforce. I believe North Dakota has an interest in supporting opportunities that SB 2305 creates for businesses that support their workforce.

4/30/2017

SB 2305

Testimony #1

pg 2

Mr. Chairman, as you know likely better than anyone, North Dakota has many corporate income tax credits on the books that are provided as ways to incentivize or encourage certain investments or developments within the business community. SB 2305 is really no different, and it would be a great way to alleviate some of the real pressures on our business community and North Dakota families tackle a challenge that doesn't otherwise seem to be going anywhere.

I know we have many challenges this session with the budget, but encouraging businesses to address one of their more challenging workforce issues while keeping talented, needed employees in the workforce is a win-win.

I've provided a few numbers at the bottom of my testimony to support the opportunities for programs like this one and would stand for any questions.

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According to data provided by ND KIDS COUNT, North Dakota's child population is growing faster than any other state in the nation. In 2015, the percent of children in North Dakota between ages 0 to 5 with both parents in the workforce is 70.9%, and from ages 6 to 13, 78.3%. If families cannot find or afford childcare, they cannot be in the workforce.

According to the Tax Commissioner's Office, for tax return year 2015, 9,279 corporations paid in approximately \$85.3 million in corporate income tax. Of those, only 3,216, or about 35%, have a North Dakota mailing address and paid in just over \$18 million.

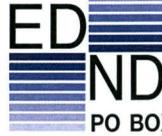
1/31/2017

SB 2305

Testimony # 2

Pg 1

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA



PO BOX 1091 • BISMARCK, NORTH DAKOTA 58502

**Testimony of Dana Bohn**  
**Economic Development Association of North Dakota (EDND)**  
**In Support of SB 2305**  
**January 31, 2017**

Chairman Cook and members of the Senate Finance and Taxation Committee:

My name is Dana Bohn and I represent the Economic Development Association of North Dakota. I am testifying in support of SB 2305.

EDND represents more than 80 large and small and rural and urban economic development organizations on the front line of growing businesses and communities in North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of North Dakota's economy.

Workforce availability is the most significant challenge facing North Dakota businesses, limiting the growth potential of the state's economy. EDND supports the development of workforce attraction, development and retention strategies that address the needs of the state's companies.

Childcare availability and cost is a major issue facing young families making up North Dakota's potential workforce pool. Childcare expenses can result in fewer workers, detracting from the state's productivity and ability to attract new talent into the state. According to Childcare Aware, the average cost of sending a child to a daycare center in North Dakota is more than \$8,000 per year. For a single parent or a married family at the poverty line with two children, they estimate that expense at almost 80 percent of the family's income.

1/31/2017

SB 2305

Testimony #2

Pg 2

SB 2305 encourages companies to use health care reimbursement as a creative way to attract and retain talent.

Thank you for the opportunity to address the committee and express support for this bill and for your continued commitment to working together to address North Dakota's workforce needs.

1/31/2017

SB 2305

Testimony #3

pg 1



**Testimony of Andy Peterson  
Greater North Dakota Chamber of Commerce  
SB 2305  
Senate Finance & tax  
Honorable Dwight Cook - Chair  
January 31, 2017**

Mr. Chairman and members of the committee, my name is Andy Peterson and am here today representing the Greater ND Chamber, local chambers of commerce, and other business associations throughout north Dakota. Some members of the media describe the GNDC as the most prominent business organization in North Dakota. As a group we stand in support of SB 2305 and urge a do pass from the committee on this bill.

This bill, as nearly as I can tell, allows for corporations to gain a tax credit if they reimburse, or pay for, child care for their employees. In certain cases this may be the deciding factor in a parent working or staying home due to high childcare costs. It also allows the free market to sort out the details of who might be providing the care and if a company wants to use the credit to increase workforce.

Workforce is the key to the future when deciding where to invest their dollars in the coming decades. This bill allows companies to directly invest in their future workforce, and it allows, in some cases, employees the ability to work and increase their station in life.

If possible, given the current fiscal situation, a do pass on SB 2305. Thank you and I'll stand for any questions.

Champions  Business

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