

FISCAL NOTE
Requested by Legislative Council
01/07/2019

Bill/Resolution No.: HB 1213

- 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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(1,366,000)	\$(119,000)		
Expenditures						
Appropriations						

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 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 1213 creates a sales tax exemption for sales made by a thrift store owned and operated by a nonprofit entity.

- 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.*

Section 1 of HB 1213 creates a sales tax exemption for the sale of merchandise in a thrift store owned and operated by a nonprofit entity.

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.*

If enacted, HB 1213 is expected to reduce state general fund and state aid distribution fund revenues by an estimated \$1.485 million in the 2019-21 biennium.

- 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 Strombeck

Agency: Office of Tax Commissioner

Telephone: 701.328.3402

Date Prepared: 01/09/2019

2019 HOUSE FINANCE AND TAXATION

HB 1213

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1213
1/14/2019
30720

- Subcommittee
 Conference Committee

Committee Clerk: Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to a sales tax exemption for sales by a thrift store of a nonprofit corporation; and to provide an effective date.

Minutes:

Attachment 1-4

Chairman Headland: Opened hearing on HB 1213.

Representative Monson: Introduced bill. Distributed written testimony, see attachment #1. Ended testimony at 2:22.

Chairman Headland: We have this bill every year. Are there questions?

Representative B. Koppelman: If the premise of your testimony is that often time thrift stores operate on a lower overhead thus they don't have the high tech equipment to calculate the tax, or the premise is that their customers are lower income, or even that it's used merchandise and shouldn't be taxed; in any one of those cases, why would we limit it to thrift stores that are nonprofit because the customers would be the same in the for-profit thrift stores?

Representative Monson: I didn't realize there were thrift stores that are for-profit until after I put this bill in. You can amend it to include all if you wish but that would raise the fiscal note.

Representative B. Koppelman: I'm aware of circumstances where items received at a thrift store haven't had tax paid on them before. If tax was never paid on those items shouldn't those items be taxed?

Representative Monson: I don't know how they would distinguish on whether tax was paid on the items or not. I would think the vast majority of things given to a nonprofit has been used. I'm assuming the items were bought by someone and tax was paid. The only way I can think of for clothing not having the tax paid on the item was if it was bought in Minnesota. You're supposed to pay the use tax if you buy it in Minnesota and bring it over here but that doesn't happen.

Chairman Headland: Is there testimony in support?

Kirsten Dvorak, executive director of The Arc of North Dakota: Submitted written testimony, see attachment #2. Ended testimony at 10:25.

Representative Steiner: What is your volume of business, your net receipts?

Kirsten Dvorak: I don't have that information but I will get that to you today.

Representative B. Koppelman: I believe there are local retailers who donate their items to these thrift stores so sales tax was never paid on them. Does that actually happen?

Kirsten Dvorak: In our case in Bismarck, we do truckload sales through a third party and we do sales tax on that. Dakota Boys Ranch does Target merchandise but I'm not sure how they handle that. I received a call from a third party asking if we would buy items that hadn't sold from Target so I would assume I would have to pay sales tax on that. If we buy new items, then we would pay sales tax on that. Most of our merchandise is donated except the truckload items which comes through a third party operation so we don't do it directly.

Chairman Headland: Do you compete with for-profit thrift stores for the same products?

Kirsten Dvorak: The only for-profit thrift store in Bismarck is Goodwill but that is run by the Easter Seals so to me that's really not for-profit. We don't have any for profits in Bismarck that I'm aware of.

Representative Hatlestad: Could you tell us how much sales tax you remit to the state of North Dakota?

Kirsten Dvorak: I will get that for you.

Chairman Headland: Is there further testimony in support? Is there any opposition?

Bill Wocken, North Dakota League of Cities: Distributed written testimony in opposition, see attachment #3. Ended testimony at 15:43.

Chairman Headland: Is there further testimony in opposition?

Mike Rud, North Dakota Retail Association: Distributed written testimony, see attachment #4. Ended testimony at 17:15.

Chairman Headland: Further opposition? Are there any questions for the tax department? Seeing none we will close the hearing on HB 1213.

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1213
1/23/2019
31321

- Subcommittee
 Conference Committee

Committee Clerk: Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to a sales tax exemption for sales by a thrift store of a nonprofit organization; and to provide an effective date.

Minutes:

No attachments

Chairman Headland: This goes a little beyond just clothing and it creates the same disadvantage that the last bill created. For that reason, I'm going to be voting no on this bill.

Representative Dockter: MADE A MOTION FOR A DO NOT PASS

Representative Steiner: SECONDED

I'd like to see us widening our sales tax and getting rid of income tax. If we go that direction, then this idea is taking us on a different direction than we need to be in. Taxes need to be fair, simple, and broad. You don't need as much tax on one group of people if you have that philosophy. Rather than going this direction we should go with no income tax for everybody in the state and have a broad, simple sales tax.

Chairman Headland: Is there further discussion?

**ROLL CALL VOTE: 12 YES 2 NO 0 ABSENT
MOTION CARRIED**

Representative Toman will carry this bill.

Date: 1-23-19
Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1213

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. Darter Seconded By Rep. Steiner

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Eidson		✓
Vice Chairman Grueneich	✓		Representative Mitskog		✓
Representative Blum	✓				
Representative Dockter	✓				
Representative Ertelt	✓				
Representative Fisher	✓				
Representative Hatlestad	✓				
Representative Kading	✓				
Representative Koppelman	✓				
Representative Steiner	✓				
Representative Toman	✓				
Representative Trottier	✓				

Total (Yes) 12 No 2

Absent 0

Floor Assignment Rep. Toman

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

REPORT OF STANDING COMMITTEE

HB 1213: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO NOT PASS** (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1213 was placed on the Eleventh order on the calendar.

2019 TESTIMONY

HB 1213

#1
HB 1213
1-14-19

HB 1213 - 10:30 AM Jan. 14, Fort Totten
Rep. David Monson - Dist. 10

For a constituent who went to local thrift store in my district. Was appalled to see an older volunteer whom he judged to be in her 80's using a tax card at the old till to figure the sales tax on his purchase. Asked me to put this bill in for thrift stores & their customers, many of whom are lower income folks. He had always assumed used merchandise at a thrift store was tax exempt as tax had been paid on it already when it was purchased new.

As a farmer, he & I both pay no ~~income~~ sales tax when we buy used machinery. Some farmers are lower income citizens but some are far from low income, yet they get that tax break needed or not. I encourage you to consider who the primary customers of thrift stores are; the type of employees or volunteers the thrift stores have; & the inequity of some used merchandise sold tax exempt while thrift store sales are not tax exempt. ~~Bar~~

I encourage you to give this your support & I will try to answer any questions you may have.



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**House of Finance and Taxation
HB 1213
January 14, 2019**

Chairman Headland and members of the committee, my name is Kirsten Dvorak. I am the executive director of The Arc of North Dakota, which includes all six Arc chapters in the state: Bismarck, Bowman, Dickinson, Fargo, Grand Forks, and Valley City. I also serve as the executive director of The Arc of Bismarck and oversee the operations of our Bismarck thrift store. Our mission is to improve the quality of life of people with intellectual and developmental disabilities and actively support their full inclusion and participation in the community.

The Arc of North Dakota supports HB 1213. The Arc Chapters across the state generate a regular source of funding for our programs and operations. Here in Bismarck, the revenue from our thrift store helps to fund our programming and educational activities for people with disabilities and their families. All six of our local chapters in North Dakota operate thrift stores that function in this manner, serving as a funding stream for Arc chapter activities. In total, The Arc of North Dakota's affiliated chapters operate eight thrift stores that are vital to our efforts in the state.

Our customer base varies, but is largely low to moderate-income (LMI) individuals, which includes people with disabilities. Historically, people with disabilities represent low-income earners of the population. The location of our thrift stores is also very important to our business, as transportation is an issue for people with disabilities and some LMI individuals. In Bismarck, The Arc Thrift Store is located in an area identified by the city of Bismarck and the U.S. Census Bureau as a low to moderate-income area.

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Many of our customers are repeat shoppers, frequenting our store on a daily or weekly basis. The frequent shopper and sales tax represents a higher percentage of their income.

This bill has the potential to help a lot of people, not only the low to moderate income individuals that shop at thrift stores and could use the extra cash in their pockets, but also the people who are helped by the efforts of The Arc.

The Arc of North Dakota supports a do pass recommendation from the committee on HB 1213.

I ask for your do pass on HB 1213, and I will stand for any questions.

Kirsten Dvorak, Exuctive Director
222-1854

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Testimony in Opposition to House Bill 1213
January 14, 2019
House Finance and Taxation Committee
Bill Wocken on behalf of North Dakota League of Cities

Good Morning Mr. Chairman and members of the House Finance and Taxation Committee. For the record, my name is Bill Wocken, appearing on behalf of the North Dakota League of Cities in opposition to House Bill 1213.

House Bill 1213 is a bill that would exempt all sales from a thrift store owned and operated by a nonprofit company from paying sales tax. This concept has been considered in the previous session and several others. It is not the entity that receives the exemption that concerns the League of Cities but the precedent the exemption sets.

There are many exemptions to the sales tax at present and adding additional exemptions just increases the load on those who pay the sales tax. In this time of decreased revenues and financial hardship for our state it is especially important that existing revenue sources be preserved. There are many other worthwhile causes like this one who will ask for similar treatment if this exemption is granted.

Mr. Chairman and Committee members, the North Dakota League of Cities has consistently opposed additional sales tax exemptions. For this reason, I am requesting a DO NOT PASS recommendation on House Bill 1213.

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P-1/1

Testimony- HB 1213

January 14, 2019- House Finance and Taxation

Chairman Headland and Members of the House Finance and Tax Committee:

For the record I'm Mike Rud, President of the North Dakota Retail Association. On behalf of NDRA I urge a **"DO NOT PASS" recommendation on HB 1213.**

There are thousands of retail businesses in ND that collect taxes on items sold. Included in this list are next to new clothing stores. Thrift stores need to remain in this same category. Many of the clothes you find in thrift stores are essentially next to new or new.

In many cases, the large retail outlets help supply thrift stores by taking overstocked or unsold items off the shelf and giving them to thrift stores for resale to customers.

Let's keep the playing field equal when it comes to taxation of items very similar in nature. It's only fair that a tax be charged and collected at Thrift stores in ND.

Again, NDRA asks for a "DO NOT PASS" recommendation on HB 1213.