

FISCAL NOTE
Requested by Legislative Council
01/10/2019

Bill/Resolution No.: HB 1292

- 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			\$(155,200)	\$(14,800)		
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 1292 allows a reduction in motor vehicle excise tax on the purchase of a vehicle replacing one that is stolen or deemed a total loss.

- 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.*

The Motor Vehicle Division of the Department of Transportation reports approximately 3400 vehicles are stolen or deemed a total loss each year for which a replacement vehicle is purchased. Insurance deductibles range from \$250 to \$1000, with an industry average of approximately \$500. HB 1292, if enacted, would allow the purchase price of the replacement vehicle to be reduced by the amount of the insurance deductible when calculating the motor vehicle excise tax.

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.*

HB 1292, if enacted, is expected to reduce state general fund and state aid distribution fund revenues by an estimated \$170,000 during 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: 01/22/2019

2019 HOUSE FINANCE AND TAXATION COMMITTEE

HB 1292

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1292
1/23/2019
31282

- Subcommittee
 Conference Committee

Committee Clerk: Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to the definition of purchase price for motor vehicle excise tax purposes.

Minutes:

No attachments

Chairman Headland: Opened hearing on HB 1292.

Representative Schmidt: Introduced bill. Told the committee a personal story. This bill says that tax credit would be given on what the insurance company says the vehicle is worth. We had asked for a fiscal note on this. It talks about stolen cars as well but we weren't considering stolen vehicles, this was purely for vehicles that had been in accidents that were totaled. What does a deductible have to do with the tax credit on the vehicle?

Chairman Headland: If it was stolen you would be in the same boat as if it were totaled.

Representative Schmidt: I realize this isn't a whole lot of money for an individual but to me it's kind of an equity thing. If you pay the tax on the value of the car when you buy it then it's destroyed, you should be able to get the tax credit for what the vehicle is worth and not subtracting your deductible.

Representative Trottier: What happens if you only have liability insurance and you have a \$10,000 car that is totaled?

Representative Schmidt: I'm looking to the committee to answer that.

Chairman Headland: Is there further support? Is there opposition? Seeing none we will close the hearing. Discussion committee.

Representative Kading: To me it makes sense. I don't think the deductible should be reduced from the amount your credited. **MADE A MOTION FOR A DO PASS**

Representative Mitskog: SECONDED

Chairman Headland: Is there further discussion?

Representative Steiner: Do we have to deal with the liability only issue or is this separate from that? Does this affect other people?

Chairman Headland: If you only have liability insurance there is no deductible, so no you don't. Any other discussion?

ROLL CALL VOTE: 8 YES 5 NO 1 ABSENT
MOTION CARRIED

Representative Eidson will carry this bill.

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

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1292**

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. Kading Seconded By Rep. Mitskog

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	A				
Representative Steiner	✓				
Representative Toman		✓			
Representative Trottier		✓			

Total (Yes) 8 No 5

Absent 1

Floor Assignment Rep. Eidson

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

REPORT OF STANDING COMMITTEE

HB 1292: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO PASS** (8 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). HB 1292 was placed on the Eleventh order on the calendar.

2019 SENATE FINANCE AND TAXATION

HB 1292

2019 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB 1292
2/27/2019
Job #32888

- Subcommittee
 Conference Committee

Committee Clerk: Alicia Larsgaard

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact subsection 5 of section 57-40.3-01 of the North Dakota Century Code, relating to the definition of purchase price for motor vehicle excise tax purposes.

Minutes:

Attachments: 0

Chairman Cook: Called the hearing to order on HB 1292.

Representative Dockter: Introduced the bill. Read Line 17-20 of the bill. If they sell to a dealership, they take the deductible off the price. If you sell privately, that doesn't happen. It is for a total loss vehicle. An example is the cost of \$10,000 and you have a \$1,000 deductible.

Chairman Cook: You are not selling a totaled out car, you are buying a replacement car.

Representative Dockter: Yes, and the deduct the deductible off that purchase amount.

Chairman Cook: So if you total the car at \$10,000 and you have a \$1,000 deductible, you get to deduct all \$10,000 not just \$9,000. Is that what you are trying to say?

Representative Dockter: Yes.

Miles Vosberg, Tax Commissioner's Office: Under the current law, if you total out a vehicle or it is stolen and you get reimbursed by the insurance company, you can take that as a credit on the purchase of the replacement vehicle. If the vehicle was \$10,000 and there was a \$1,000 and the insurance paid the owner \$9,000, the credit against the new vehicle is limited to \$9,000. This bill says that they will give you the \$10,000 deductible because that is what the vehicle was worth.

Chairman Cook: What if the vehicle is totaled out but no one is found at fault and there is no insurance reimbursement?

Miles Vosberg: If there is no insurance reimbursement then the person does not get a credit against a replacement vehicle. It is the proceeds paid from the insurance company as of now. This makes it the proceeds plus the deductible. If there is no insurance, then the owner doesn't get a credit.

Senator Dotzenrod: If you have a vehicle that is totaled and you do not get a replacement vehicle, then insurance company will still pay you. Would you normally, if you do not replace it, get a check for \$9,000?

Miles Vosberg: Correct. It doesn't have an impact on the payment for the insurance. It only provides a credit against tax on the replacement vehicle. If you went to the dealer and had not totaled your vehicle but you traded it in and they gave you a \$10,000 trade in, that would reduce the taxable purchase price by \$10,000. That is what this does in the case of a vehicle that is stolen or destroyed. You no longer have that vehicle to trade in. It is an extra burden to pay the tax on the value of the replacement vehicle.

Senator Dotzenrod: So this has to do with the tax that is going to be imposed.

Miles Vosberg: That is correct. The way this works is the insurance company will give a certificate to the vehicle owner that says your vehicle was worth X amount minus the deductible then they will give you that amount as a credit. When the owner of that destroyed vehicle goes to get a replacement, they take that certificate with them and use that like a trade in for calculating the tax purposes.

Senator Unruh: Whether that replacement vehicle is new or used, the buyer still pays sales tax on that correct?

Miles Vosberg: Correct.

Chairman Cook: Any further testimony on this bill? Hearing none, we will close the hearing on HB 1292.

2019 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB 1292
3/19/2019
Job #33929

- Subcommittee
 Conference Committee

Committee Clerk: Alicia Larsgaard

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact subsection 5 of section 57-40.3-01 of the North Dakota Century Code, relating to the definition of purchase price for motor vehicle excise tax purposes.

Minutes:

Attachments: 0

Chairman Cook: Called the committee to order on HB 1292.

Chairman Cook: This bill wants to treat totaled vehicles for the amount of dollars you do not have to pay excise tax on, the same way they would treat a stolen vehicle. Representative Schmidt had a vehicle that was totaled and he was shocked when he found out that the amount of the totaled vehicle was not part of the allowable trade in value you get for excise tax deductions.

Senator Dotzenrod: I am looking on page 2, line 2. This bill is about that deductible and trying to get that deductible amount that is in the insurance policy. It is trying to make that lost vehicle more valuable.

Senator Unruh: Did we hear what this bill would do to insurance costs?

Chairman Cook: I do not think it would have much effect on insurance cost.

Senator Patten: Moved a Do Pass on HB 1292.

Senator Meyer: Seconded.

Chairman Cook: Any Discussion?

Chairman Cook: It is only fair that we treat a totaled vehicle just like a stolen one.

A Roll Call Vote Was Taken: 6 yeas, 0 nays, 0 absent.

Motion Carried.

Senate Finance and Taxation Committee
HB 1292
March 19, 2019
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Senator Meyer will carry the bill.

Date: 3-19-19
Roll Call Vote #: 1

2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1292

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 Patten Seconded By Meyer

Senators	Yes	No	Senators	Yes	No
Chairman Cook	✓		Senator Dotzenrod	✓	
Vice Chairman Kannianen	✓				
Senator Meyer	✓				
Senator Patten	✓				
Senator Unruh	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Meyer

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

REPORT OF STANDING COMMITTEE

HB 1292: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1292 was placed on the Fourteenth order on the calendar.