

FISCAL NOTE
Requested by Legislative Council
01/14/2019

Bill/Resolution No.: HB 1458

- 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			\$(820,000)	\$(71,000)		
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 1458 creates a sales tax exemption for the sale of used clothing 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 1458 creates a sales tax exemption for the sale of used clothing sold in a thrift store that is 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 1458 is expected to reduce state general fund and state aid distribution fund revenues by an estimated \$891,000 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: 01/16/2019

2019 HOUSE FINANCE AND TAXATION

HB 1458

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1458
1/23/2019
31285

- 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 of used clothing by a thrift store of a nonprofit corporation; and to provide an effective date.

Minutes:

Attachment 1

Chairman Headland: Opened hearing on HB 1458.

Representative Hagar: Introduced bill. This bill would exempt sales tax for items of used clothing purchased at thrift stores, a nonprofit thrift store. This would include items that have already been purchased and taxed. The mission of this bill would help the consumer with some sales tax relief. Many people of the lower incomes rely on thrift store items to increase their wardrobe.

Chairman Headland: This bill is not new to this committee. Should it matter to this committee that we have for-profit thrift stores that offer the same clothing that would continue to be taxed but we provided an exemption for the nonprofit? If there is a donation from a department chain of new clothes that have never been sold would that also be considered used?

Representative Hagar: It is a donation so I would consider that used. It may be up to the business owner.

Chairman Headland: Taxes have already been collected on it doesn't hold for at least that portion of it.

Representative B. Koppelman: In a previous bill we heard it suggested that all purchases from a thrift store that was a nonprofit wouldn't be taxed. This bill is just used clothing. Should we be creating an unfair treatment of the for-profit thrift stores or should it apply to all thrift stores being that the same clientele would shop at those stores? Do you see concerns with treating them differently?

Representative Hagar: They already have a special status from the statute and have special federal numbers so they are already distinguished that way. I see a difference between thrift stores. Our nonprofits are giving back to the state so I believe that is good rationale for those working specifically with those stores on this tax exemption.

Representative B. Koppelman: The 501c3 also has some benefits to gaining donations from their benefactors. It gives a tax deduction for any value of what you donate. I struggle because they already have an advantage being a 501c3.

Representative Hagar: I'm looking at this from the consumer perspective, not from the ownership of the nonprofit thrift stores.

Chairman Headland: But as a consumer it appears you don't have any concern of the competitive advantage you'd be giving to the nonprofit by allowing them not to have to remit the sales tax versus the for-profits that would have to do that.

Representative Hagar: That was not my concern.

Representative Ertelt: Would you be interested in having all clothing be exempt from taxation?

Representative Hagar: I grew up in Minnesota so yes I do. I believe that would make us more competitive especially with the cross of borders where you have stores you can go to and not pay taxes. I think clothing is a basic right and you shouldn't have to pay taxes on it. I'm particularly concerned with the resale of clothing at this part and clothing that has been donated for the purpose of helping people that receive benefits from the nonprofits.

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

Bill Wocken, North Dakota League of Cities: Distributed written testimony, see attachment #1. Ended testimony at 11:17.

Chairman Headland: Is there further opposition? Seeing none we will close the hearing on HB 1458.

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1458
1/23/2019
31320

- 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 of used clothing by a thrift store of a nonprofit corporations; and to provide an effective date.

Minutes:

No attachments

Representative Dockter: We have this bill every session but because of our budget constraints I'm going to **MAKE A MOTION FOR A DO NOT PASS.**

Vice Chairman Grueneich: SECONDED.

Chairman Headland: We've seen this bill before. It's not only because we don't have the revenue right now but it creates a disadvantage for any for-profit thrift store. I don't believe we're in the business of choosing winners and losers in this committee. I fully intend to support the do not pass.

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

Representative Blum will carry this bill.

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

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1458**

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. Grueneich

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. Blum

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

REPORT OF STANDING COMMITTEE

HB 1458: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO NOT PASS** (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1458 was placed on the Eleventh order on the calendar.

2019 TESTIMONY

HB 1458

1
HB 1458
1-23-19

Testimony in Opposition to House Bill 1458
January 23, 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 1458.

House Bill 1458 is a bill that would exempt sales of used clothing from a thrift store owned and operated by a nonprofit company from paying sales tax. This concept has been considered in several previous sessions. It is not the entity 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 advocated against additional sales tax exemptions. For this reason, I am respectfully requesting a Do Not Pass recommendation on House Bill 1458.