

FISCAL NOTE
Requested by Legislative Council
03/01/2019

Amendment to: SB 2120

- 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						
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).*

SB2120 as amended increases to 8 the minimum retail sales required to renew a Motor Vehicle dealer license and adds a definition of retail sales. This should limit the abuse of holding a dealer license for businesses that are not actively in the business of buying, selling or exchanging vehicles.

- 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.*

This bill should have no significant fiscal impact.

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: Shannon L Sauer

Agency: NDDOT

Telephone: 328-2734

Date Prepared: 03/01/2018

FISCAL NOTE
Requested by Legislative Council
12/26/2018

Bill/Resolution No.: SB 2120

- 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						
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).*

This bill increases the minimum retail sales required to renew a Motor Vehicle dealer license from 4 to 12 and adds a definition of retail sales. This should limit the abuse of holding a dealer license for businesses that are not actively in the business of buying, selling or exchanging vehicles.

- 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.*

This bill should have no significant fiscal impact.

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: Lindi Michlitsch

Agency: NDDOT

Telephone: 328-2734

Date Prepared: 12/27/2018

2019 SENATE TRANSPORTATION COMMITTEE

SB 2120

2019 SENATE STANDING COMMITTEE MINUTES

Transportation Committee
Lewis and Clark Room, State Capitol

SB 2120
1/11/2019
30681

- Subcommittee
 Conference Committee

Committee Clerk: Liz Stenehjem

Explanation or reason for introduction of bill/resolution:

A bill relating to retail motor vehicle sales.

Minutes:

2 Attachments

Chairman Rust: Called committee to order.

(1:15) Lindi Michlitsch, North Dakota Department of Transportation; Motor Vehicle Director: See **Attachment #1** for testimony and bill explanation.

Chairman Rust: The wording changes from shall to may, why?

Ms Michlitsch: I do not remember why.

Chairman Rust: What is the impact of changing the number from 4 to 12?

Ms Michlitsch: That means that in order to renew their dealers license they must have made at least 12 retail sales within that year.

Chairman Rust: This will define retail motor sales as being one that requires titling and registration, is that not part of the program now?

Ms Michlitsch: That is correct. What has been provided to us in some situations from the dealer is just a bill of sale that they sold the vehicle but then we could show it was never titled. So we don't know if it was really a legitimate sale.

(5:22) Senator Bakke: In other words, if a dealer only sells 8 cars they don't get any dealer plates?

Ms Michlitsch: That is correct, they wouldn't be able to renew their dealers license.

(5:49) Senator Clemens: I'm assuming the reason for the change is that it's not worth all the effort for someone who only sells 2 cars, is that correct?

Ms Michlitsch: There are several reasons why we are making changes to this section of code. A lot of it is, if you're in the business to sell cars the thought is they would be selling more than 4 vehicles per year, they would probably sell at least 1 a month.

Senator Clemens: There could be some dealers just using this for personal advantages rather than really being a serious car dealer, is that true?

Ms Michlitsch: That's our assumption.

(7:16) Senator Dwyer: You can still sell a vehicle you just won't be a dealer, is that correct?

Ms Michlitsch: That is correct.

(7:49) Senator Bakke: What's the purpose of dealer plates?

Ms Michlitsch: They're issued a number of dealer plates based on the number of sales. They are offered a tax exemption so they can display the plates on the vehicle but it is never titled and registered in their name. So they just put the plates on their vehicle and they don't have to title and register them. The purpose is so they can show and display the vehicles that they are driving, they have to be for sale.

(8:50) Chairman Rust: Under current law if I sell 5 vehicle I can apply and get a dealer's license and I get a dealer plate. So I take a car for all practical purposes I'm going to drive that vehicle around for about a year and I'm going to stick a dealer plate on it and that kind of provides an advantage to me. Is that kind of what you are trying to eliminate?

Ms Michlitsch: That is correct

(9:33) Senator Clemens: What's the formula for how many dealer plates a dealer gets in relation to how many cars they sell?

Ms Michlitsch: We have a set number of plates that can be issued per the number of sales. If it's 1-4 is 2 plates and it goes up from there. We can provide you that information.

(10:30) Chairman Rust: How many dealer licenses have you issued?

Ms Michlitsch: 1100 of all types including motorcycles and off highway

(11:00) Senator Bakke: are we having a problem with dealers who are using these dealer plates inappropriately? Is there a problem we are trying to solve?

Ms Michlitsch: we don't know how wide spread the problem is, we just have heard that some may be abusing it and thought maybe we should look at it.

(11:30) Senator Patten: Do have an idea how many would be affected by this rule? How many are selling less than 12 a year, how many are in that 4 to 12 mark?

Ms Michlitsch: I do not have that information, but I can get it to you.

(12:20) Matthew Larsgaard, Automobile Dealers Association of North Dakota: We are in favor of this bill. The retail automotive sector is a highly regulated industry. In order to be a dealer you must purchase and maintain a \$25,000 bond, you must maintain an established place of business with at least 250 square feet of office space, you must have a display lot of at least 2,500 square feet, the established place of business must be heated and lighted and must be open to the public during normal business hours. So the question becomes, why would an individual or business want to incur the expense of the items just listed if they are selling less than 12 vehicles a year? In most cases it comes down to tax avoidance. As a dealer you are allowed a certain number of dealer plates to allow customers to demonstrate vehicles. You cannot have a motor vehicle out on the road and legally operate it unless it has a drive out sticker which notarizes and confirms that application for title and registration has been applied for, or you have a dealer plate on the vehicle. You cannot demonstrate, test drive a motor vehicle on a road without having one of those two items. Some individuals become dealers simply to avoid paying that motor vehicle excise tax. They're able to use that dealer plate to legally drive vehicles without going through the title, registration and licensing process. (gave example). From our perspective it really boils down to a tax evasion issue. If you're really a dealer you're going to sell more than 1 vehicle per month. So we think this law is reasonable and would ask for the committee's support.

Chairman Rust: Who am I going to catch heck from when this bill gets passed

Mr. Larsgaard: There may be someone in rural North Dakota who sells 3 cars a year and this is economic development for my little town. That's about the only heck I think you might catch.

Chairman Rust: Is this a case where somebody might say its once again the government messing in our lives and restricting us from being able to be an entrepreneur, is that one of the things?

Mr. Larsgaard: Not at all. We need the government to regulate this industry to insure that consumers are not fleeced. To insure that customers are receiving vehicles that are represented properly. (gave example).

(18:54) Chairman Rust: How would this affect auto body people who fix up cars and sell them, or antique car people who fix up cars and sell them, do any of those become dealers?

Mr. Larsgaard: You cannot sell a motor vehicle in North Dakota unless you are either a dealer (new or used) or the vehicle owner. Does that answer your question?

Chairman Rust: Well, I'm wondering if those individuals who might be doing that now and are selling probably fewer than 12 cars would feel that this law as crept into their business model.

Mr. Larsgaard: I think I understand your question better. You mean like a body shop the sells 5 vehicles a year.

Chairman Rust: They go someplace and buy the vehicle, the fix it up and they set out in front of their place after they've got them fixed up. Over the course of the year they sell 8, 9,

10 vehicles and it provides them with some extra dollars. Are they dealers? Might they currently be out there?

Mr. Larsgaard: I am not aware of any, and our dealers do have body shops, but I am not aware of any. Then the question becomes are they really a dealer or do they need special consideration as a body shop and develop legislative language to address their specific needs.

Chairman Rust: Obviously, they still would be able to sell the vehicle, they just wouldn't be a dealer and wouldn't get dealer plates.

Senator Clemens: Is there any other way to rein in these fraudulent guys, like pull the dealer plate for some reason or something? I'm just trying to think of a way to protect the smaller guy that is a bona-fide dealer doing everything honestly and above board, following all the rules but only selling say 3 cars a year.

Mr. Larsgaard: I would have to contemplate that more. It really comes down to the dealer plate.

Senator Dwyer: I'm assuming that you are suggesting that selling 12 would be a small dealer like Senator Clemens is referring to.

Mr. Larsgaard: Absolutely. That's 1 vehicle a month. That's a small dealer, or arguably are they really a dealer because you're not going to make a living off one vehicle a month.

Senator Clemens: in the bill it changes from shall to may. So it's not absolutely mandatory it's up to your discretion. So let's say these low volume people, it's questionable whether they're really a dealer or not. So this would permit you to maybe investigate them a little bit and say ok, you we're going to pull your plate, but this other one is ok. Right?

Mr. Larsgaard: I think that would be a great idea and a great opportunity for the department. We ran legislation last session and with that legislation (I forget exactly what it was) I was up visiting with Legislative Council and they were changing the language from shall to may, and I said, wait we don't want that. Because in my mind "shall" is the imperative and may is permissive. In visiting with the lawyer at Legislative Council as I understand it and remember it, and I could be corrected, the legal application is the same between shall and may.

Josey Munson, Legislative Intern: Shall and may, when you're saying "you may do this" or you "shall do this" then it's option or must. However, when it's not it's never optional whether it's "shall not" or "may not" they're not allowed to do it either way, it doesn't make it optional and that is to align it with the plain English movement. So it's only when its combined with not, because both prohibit the act. They are trying to go through legislation and clean it up and align it with the plain English movement, and change all of the "must nots" or "shall nots" to "may nots"

Senator Clemens: So if the word not was taken out would that make this more permissive one way or the other?

Ms Munson: Yes, then it would be optional.

Senator Dwyer: Ms Munson gave a great answer to that question, because I know the Legislative Council is switching all those “shall” to “may”.

Chairman Rust: closed hearing on SB 2120.

See **Attachment #2** for additional information provided to committee via email.

2019 SENATE STANDING COMMITTEE MINUTES

Transportation Committee
Lewis and Clark Room, State Capitol

SB2120
1/17/2019
31021

- Subcommittee
 Conference Committee

Committee Clerk: Liz Stenehjem

Explanation or reason for introduction of bill/resolution:

A bill relating to retail motor vehicle sales.

Minutes:

No Attachments

Chairman Rust: Opened discussion on SB 2120. This is one of the first bills we would have heard, we heard it on January 11th. This bill does the following, it changes the number of sale from 4 to 12 in order to be able to get dealer license plates and there is a technical change from “shall” to “may” to align it with the plain English movement.

I did some checking with some people who are in the business of classic cars and used cars and they did not have a problem with the bill. I was told basically the same thing as we were told during the committee hearing, that there are a number of people who shouldn't be getting dealer plates because they basically aren't really dealers and they're taking advantage of the system. The Department of Transportation told us essentially the same thing. The feeling is, in order to be a legitimate dealer you should be selling at least 1 car a month. Please remember the following, as I'm remembering; and correct me if I'm wrong. You can sell a vehicle if you pay the taxes, you're just not a dealer, so private people can still do that. I think we have around 1100 licensed dealers in the state.

Senator Patten: When we asked, I think there would be 121 “dealers” currently that would be affected by this. I also contacted somebody who is formerly in the car business and he indicated that he felt that there was an abuse that was taking place out there related to the dealer 4 car sale.

Senator Dwyer: I move a **DO PASS**.

Senator Patten: I second the **DO PASS** motion.

A Roll Call Vote was taken:

Total was 6-0-0 Motion Passes

REPORT OF STANDING COMMITTEE

SB 2120: Transportation Committee (Sen. Rust, Chairman) recommends **DO PASS**
(6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2120 was placed on the
Eleventh order on the calendar.

2019 HOUSE TRANSPORTATION

SB 2120

2019 HOUSE STANDING COMMITTEE MINUTES

Transportation Committee
Fort Totten Room, State Capitol

SB 2120
2/28/2019
#33024

- Subcommittee
 Conference Committee

Committee Clerk: Jeanette Cook

Explanation or reason for introduction of bill/resolution:

A BILL relating to retail motor vehicle sales.

Minutes:

Attachment 1-2

Chairman Ruby opened the hearing on SB 2120.

Lindi Michlitsch, Motor Vehicle Division Director, North Dakota Department of Transportation, spoke to support SB 2120 and provided written testimony. See attachment # 1.

Vice Chairman Rick C. Becker: Can you summarize the issue here?

Lindi Michlitsch: The issue is that some of the dealers that are doing the minimum number of sales are just providing us a bill of sale, and those are never taxed in North Dakota as far as we can tell.

Vice Chairman Rick C. Becker: What is the advantage they getting by doing this, and what is the amount?

Lindi Michlitsch: They are allowed to get a dealer plate issued to them, and they can put that plate on any of their vehicles and drive around without having to pay registration or tax on that vehicle.

Vice Chairman Rick C. Becker: Are there fees to be a dealer? Do they get an offset by getting dealer plates?

Lindi Michlitsch: There is a \$100 fee per year for being a dealer.

Vice Chairman Rick C. Becker: What are they saving after they pay the \$100?

Lindi Michlitsch: We cannot distinguish if there are really four sales.

Chairman Ruby: Instead of being one sale per quarter, this would be one per month.

Lindi Michlitsch: That is correct.

Representative Owens: What is the advantage to the dealers? If I have 22 cars in my yard to sell, can they just set there without being registered or taxed, as long as I pay my dealer fee and sell 4 per year?

Lindi Michlitsch: Yes.

Vice Chairman Rick C. Becker: This cut out over 100 people that have dealer licenses, correct?

Lindi Michlitsch: They will just have to provide proof to us that they sold 12 vehicles.

Vice Chairman Rick C. Becker: This will cut out the ones that are between 4 and 12? So the fiscal note should show about a \$10,000 loss from dealer licenses?

Lindi Michlitsch: Yes, but there is no fiscal effect. There is a fluctuation of dealers, so that changes. If they are a dealer, they would have to provide a minimum number of vehicles that they need to be a dealer.

Representative Paur: You must have to change your programming to incorporate this, correct?

Lindi Michlitsch: We would not have to make any changes because it is a manual process for the dealers that are below 4 sales. The tracking of dealer sales is already programmed in our system.

Representative Paulson: It is tripling the number of sales. Is there any rationale to making the number of sales 12?

Lindi Michlitsch: We thought that one sale a month was reasonable for a new or used car dealer. We aren't set on 12, if you think that less is reasonable.

Representative Kading: There are requirements to be a dealer, why do we state the number of cars they must sell?

Lindi Michlitsch: We look at the number of cars each dealer sells in a year. That determines the number of dealer plates they are authorized. In current statute, if they sell 4-10 vehicles per year they are allowed 2 dealer plates. It goes up from there. That is the reason.

Representative Kading: Why do we limit the number of cars sold per year.

Lindi Michlitsch: You can sell as many cars as you want, but you would be paying tax and title and registration.

Chairman Ruby: If you move the number of sales to 12, how many dealer plates will they get?

Lindi Michlitsch: They would get two.

Chairman Ruby: Does this define retail motor sales? Isn't it anywhere else?

Lindi Michlitsch: No, it is not.

Chairman Ruby: Why does it need to be defined separately now that there are 12?

Lindi Michlitsch: We wanted a definition to assist us with the proof of retail sales, and to assist with the renewal process.

Matthew C. Larsgaard, MBA, Automobile Dealers Association of North Dakota, spoke in support of SB 2120 and provided written testimony. See attachment #2.
16:59

To answer **Vice Chairman Rick C. Becker's** question, if there are 122 dealers, there will be a loss of \$12,200 in deal fees. If the 122 dealers each had two vehicles that they had to pay license and tax on, it would be an additional \$6.1 million in additional motor vehicle excise tax revenue.

To **Representative Kading's** comment: In order to comply with the criteria to be a dealer, there are a lot of places out there that can meet the criteria. All they need to do to be a dealer is put up a sign. They can purchase vehicles and use them for an ancillary business, like a construction company, for example.

Vice Chairman Rick C. Becker: Usually the associations are not concerned with saving the tax payers money. Does this help the people that sell more cars, by not having the smaller dealers sell cars? I am still wondering if there is a true problem here. It doesn't seem like this would affect your membership in any way.

Matthew Larsgaard: We are concerned in the economy of North Dakota, the vehicle excise tax, and the health of our economy. Over the years we have worked very hard to create a good perception of the motor vehicle sector. An individual that sells four vehicles per year is not our competition. They cannot compete with a dealership. If we leave it at 4, maybe I could get more members in the association. That would be incentive to leave it at 4.

Chairman Ruby: Are there proof of abuses?

Matthew Larsgaard: Yes, there are definitely proof of abuses.

There was no further support for SB 2120.
There was no opposition on SB 2120.

The hearing was closed on SB 2120.

Break

Chairman Ruby brought SB 2120 back before the committee. He stated that there has been some discussion about a different number.

Representative Kading: I am just concerned about the people that buy a vehicle and fix it up and then sell it. Are they not allowed to do that? It seems unclear.

Chairman Ruby: They can still do that; they will just need to title it in their name. Some just buy it, fix it, and then sell it to someone. It is transferred at that point. So, you skip a step.

Representative Kading: I would say that you could do those things, but you would be in violation of current law.

Chairman Ruby: That is not going to change with this bill.

Representative Paulson: I am concerned about the number that is set. (12) I don't want to hurt the little guy. Maybe 8 sales would be better.

Representative Grueneich: I would support it as it is or if changing it to 8; I know of instances that abuse is happening.

Chairman Ruby: I think that there are people out there that are selling cars, even if it is not their main business. Maybe we could move it to 8.

Representative Hager: I think the number could be less. There are a lot of businesses in small towns that might find it hard to sell one a month.

Representative Paulson moved an amendment to change 12 to 8.

Representative Grueneich seconded the motion.

A voice vote was taken. The motion carried.

Representative Grueneich moved a DO PASS as amended on SB 2120.

Representative Owens seconded the motion.

A roll call vote was taken: Aye 9 Nay 4 Absent 1

The motion carried.

Representative Grueneich will carry SB 2120.

19.8073.01001
Title.02000

Adopted by the House Transportation
Committee

February 28, 2019

DF 2/28/19

PROPOSED AMENDMENTS TO SENATE BILL NO. 2120

Page 1, line 11, replace "twelve" with "eight"

Re-number accordingly

Date: 2-28-19
Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2120

House Transportation Committee

Subcommittee

Amendment LC# or Description: 19.8073.01001

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 Paulson Seconded By Grueneich

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN RUBY			REP LAURIEBETH HAGER		
VICE CHAIR BECKER			REP KARLA ROSE HANSON		
REP JIM GRUENEICH			REP MARVIN NELSON		
REP TERRY JONES					
REP TOM KADING					
REP EMILY O'BRIEN					
REP MARK OWENS					
REP BOB PAULSON					
REP GARY PAUR					
REP ROBIN WEISZ					
REP GREG WESTLIND					

Voice Vote Carried

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
Change 12 to 8

2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2120

House Transportation Committee

Subcommittee

Amendment LC# or Description: 19.8073.01001

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 Grueneich Seconded By Owens

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN RUBY	X		REP LAURIEBETH HAGER	X	
VICE CHAIR BECKER		X	REP KARLA ROSE HANSON	X	
REP JIM GRUENEICH	X		REP MARVIN NELSON	X	
REP TERRY JONES	X				
REP TOM KADING		X			
REP EMILY O'BRIEN	A				
REP MARK OWENS	X				
REP BOB PAULSON	X				
REP GARY PAUR		X			
REP ROBIN WEISZ	X				
REP GREG WESTLIND		X			

Total (Yes) 9 No 4

Absent 1

Floor Assignment Grueneich

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

REPORT OF STANDING COMMITTEE

SB 2120: Transportation Committee (Rep. D. Ruby, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (9 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). SB 2120 was placed on the Sixth order on the calendar.

Page 1, line 11, replace "twelve" with "eight"

Renumber accordingly

2019 TESTIMONY

SB 2120

SENATE TRANSPORTATION COMMITTEE**Date: January 11, 2019 at 9:00 a.m.****North Dakota Department of Transportation
Lindi Michlitsch, Motor Vehicle Division Director****Senate Bill 2120**

Good morning, Mr. Chairman and members of the committee. I'm Lindi Michlitsch, Motor Vehicle Division Director at the North Dakota Department of Transportation. Thank you for giving me the opportunity to discuss this proposed bill and answer any questions.

Senate Bill 2120 proposes to both increase the minimum retail dealer sales required to renew a Motor Vehicle dealer license from four plates to twelve plates, and add a definition of retail sales for use in this process.

As you know, dealer plates provide a tax advantage for dealers. NDCC section 39-22-17 allows persons directly related to the dealership to be issued dealer plates, thus eliminating the need for the person to title and pay motor vehicle excise taxes.

Each year the Motor Vehicle Division processes renewals from all dealers for their license. The number of dealer plates issued to a dealer is based on the number of annual retail sales. Many of these dealers struggle to provide proof of four actual retail sales, as many of the vehicles submitted as retail sales are never titled or taxed by a consumer subsequent to the sale.

This change provides clarity of the actual sale transaction that will be used to provide tax exempt dealer plates to motor vehicle dealers.

Thank you, Mr. Chairman, I would be happy to answer any questions.

NDLA, S TRN - Stenehjem, Elizabeth

From: Rust, David S.
Sent: Saturday, January 12, 2019 8:30 AM
To: -Grp-NDLA Senate Transportation; NDLA, S TRN - Stenehjem, Elizabeth; NDLA, Intern 06
- Munson, Josey
Subject: Fwd: SB 2120 Information requested

FYI.

David S. Rust
Senator, District 2
PO Box 1198
Tioga, ND 58852
701-664-3508 (H)
701-216-0270 (C)

Begin forwarded message:

From: "Michlitsch, Lindi J." <ljmichlitsch@nd.gov>
Date: January 11, 2019 at 5:52:47 PM CST
To: "Rust, David S." <drust@nd.gov>
Subject: SB 2120 Information requested

Senator Rust –

Good evening! Per your request, here is the additional information requested from the SB 2120 Committee hearing held this morning.

The total number of dealers that would be affected by the proposed change from 4 to 12 minimum retail sales is approximately 122 dealers.

The current plate allowance is based on the chart below:

Sales	Plate allowance
1-3	0
4-10	2
11-25	5
16-49	8
50-100	12
101-150	20
151-	Unlimited

39-22-17. Additional dealer plates - In-transit plates - Demonstration plates - Fees - Use of dealer plates - Penalty. 1. Additional dealer number plates must be issued to the dealer upon payment of a fee of twenty dollars each. A dealer number plate may be used on any vehicle owned by the dealership and used in the direct functions of demonstrating, buying, or selling vehicles. Dealer plates may not be used on a service vehicle or a vehicle used in other functions of the business, sold units in the possession of the purchaser, by family members not residing at the dealer's residence, or by a person not directly involved in the operation of the dealership.

SB 2120 #2
1/11/19 pg 2

Please let me know if you have further questions. Thank you!

Sincerely,

Lindi J Michlitsch

Director, Motor Vehicle Division

North Dakota Dept. of Transportation

608 East Boulevard Avenue

Bismarck, ND 58505-0780

Office: (701) 328-2734 Fax: (701) 328-1487

ljmichlitsch@nd.gov



SB2120
2-28-19
#1

HOUSE TRANSPORTATION COMMITTEE

February 28, 2019 at 9:45 a.m. – Fort Totten

**North Dakota Department of Transportation
Lindi Michlitsch, Motor Vehicle Division Director**

Senate Bill 2120

Good morning, Mr. Chairman and members of the committee. I am Lindi Michlitsch, Motor Vehicle Division Director at the North Dakota Department of Transportation (NDDOT). This bill is a NDDOT Agency bill. Thank you for allowing me to explain this bill and answer any questions.

Senate Bill 2120 proposes to increase the minimum retail dealer sales required to renew a Motor Vehicle dealer license from four plates to twelve plates, and add a definition of retail sales for use in this process.

Each year the Motor Vehicle Division processes annual renewals for dealer licenses. The number of dealer plates issued to a dealer is based on the number of annual retail sales. Dealers must provide proof of at least four retail sales prior to annual renewal on December 31. In most cases, vehicles submitted as proof of retail sales by dealers who only have four sales during the year are never titled or taxed by a consumer subsequent to the sale. The total number of dealers affected by the change from four to 12 minimum retail sales is approximately 122 out of 507 new and used car dealers.

This change provides clarity of the actual sale transaction that to be used to issue tax-exempt dealer plates to motor vehicle dealers for purposes as outlined in NDCC 39-22-17.

Thank you, Mr. Chairman, I would be happy to answer any questions.

SB2120
2-28-19
#2

Senate Bill 2120
Testimony before House Transportation Committee
Matthew C. Larsgaard, MBA
Automobile Dealers Association of North Dakota
9:45 a.m., February 28, 2019

2/25/19

Mr. Chairman and members of the committee, my name is Matthew Larsgaard. I am appearing in support of Senate Bill 2120 on behalf of the Automobile Dealers Association of North Dakota, which consists of our state's franchised new car dealers.

The retail motor vehicle industry is arguably one of the most competitive retail sectors within our state's economy. Dealerships typically must sell a large number of vehicles in order to turn a profit. The business model is built on volume.

A rhetorical question surrounding SB 2120 is: "Why would an individual want to maintain a motor vehicle dealer's license if they are selling less than twelve vehicles a year?" One of the reasons is tax avoidance.

Dealer's vehicle inventory is held for resale and is not subject to motor vehicle excise tax. The DOT provides dealers with a certain number of "dealer plates" that are used to allow customers to test-drive vehicles. These plates allow an individual to legally drive an untitled, unlicensed, and **untaxed** vehicle on public roads. Thus, some individuals become "dealers" simply to avoid paying excise tax on vehicles that are purchased for their own personal use.

We believe a minimum sales requirement of one vehicle per month in order to renew a dealer's license is more than reasonable if an individual is truly a motor vehicle dealer. We respectfully request a DO PASS on SB 2120.

Mr. Chairman, this concludes my testimony. Thank you for the opportunity to testify.

Matthew C. Larsgaard, MBA
Automobile Dealers Association of North Dakota