

**2021 HOUSE FINANCE AND TAXATION**

**HB 1099**

# 2021 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Room JW327E, State Capitol

HB 1099  
1/6/2021

A bill relating to the authority of the tax commissioner to waive penalties for late or nonfiled alcoholic beverage tax returns, sales, market, and productivity studies for property tax purposes, the requirement to use certified or registered mailing for sales tax purposes, and disclosure of county lodging taxes and county lodging and restaurant taxes information to a county governing body.

**Chairman Headland** opened the hearing on HB 1099 at 9:25am. Roll call for attendance:

<b>Representatives</b>	<b>Present</b>
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	Y
Representative Ben Koppelman	Y
Representative Marvin E. Nelson	Y
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

### Discussion Topics:

- Waive penalties against suppliers of alcoholic beverages
- Registered or certified mail for sales and use tax permit holders
- Confidential information in county lodging tax and county and restaurant tax returns

**Shannon Fleischer, Associate Director of Tax Administration**, introduced bill (9:29am). Refer to written testimony #72.

**Dee Wald, General Counsel for the State Tax Commissioner's Office** (9:36am) explained the notice of appeal.

No further testimony. Meeting adjourned at 9:45am

*Mary Brucker, Committee Clerk*



## **Testimony— House Finance and Taxation Committee House Bill 1099**

January 6, 2021

Prepared by Shannon Fleischer, Associate Director of Tax Administration; and  
Kim Vietmeier, State Supervisor of Assessments  
North Dakota Office of State Tax Commissioner  
Phone: 328-3431; 328-3127  
e-mail: [sfleischer@nd.gov](mailto:sfleischer@nd.gov); [kmvietmeier@nd.gov](mailto:kmvietmeier@nd.gov)

Chairman Headland, and members of the House Finance & Taxation Committee:

My name is Shannon Fleischer. I am here on behalf of the Office of State Tax Commissioner in support of HB 1099, the Tax Department's housekeeping bill. I was asked to provide an explanation to the Committee of the provisions of House Bill 1099. State Supervisor of Assessments Kim Vietmeier is available if there are any questions specific to Section 2 of the Bill.

### **Section 1 of bill**

Page 1, lines 9-15: This amendment would allow the Tax Commissioner, for good cause shown, to waive any penalty imposed against a supplier of alcoholic beverages for failure to file reports with the Tax Commissioner required under N.D.C.C. § 5-03-09. A supplier is a manufacturer, importer, marketer, or wholesaler of alcoholic beverages. Similar language allowing for waivers of penalty for good cause exists in the other tax types administered by the Tax Commissioner. The reason for this change is that there are instances where the delay in filing the report is beyond the control of the alcoholic beverage supplier. This language would give the Tax Commissioner the ability to acknowledge those instances if the taxpayer has good cause for failing to meet a deadline.

## **Section 2 of bill**

Page 1, lines 16-24 and Page 2, lines 1-8: The 2017 Legislative Assembly, in House Bill 1356, which related to statements of full consideration recorded by county recorders, repealed the same language in N.D.C.C. § 11-18-02.2, and, due to an oversight, the language in N.D.C.C. § 57-01-06, the “sales ratio” statute, was not amended at that time. This technical amendment would make these statutes consistent so that both the Tax Department and counties are using the same information when preparing and using the sales ratio study.

## **Section 3 of bill**

Page 2, lines 9-19: This section of the bill proposes to remove the requirement that notices sent to sales and use tax permit holders be sent by registered or certified mail. With the repeal of this requirement, the process would allow notices to be sent by first class mail with an affidavit or other proof of service statement. Currently, if a taxpayer does not pick up the registered or certified mail, the Tax Commissioner is required to serve the documents by a sheriff. The costs associated with sending notices by registered or certified mail and serving notices by sheriff have continued to rise. This change would result in cost-savings while still ensuring proper notices are sent to permit holders.

## **Section 4 of bill**

Page 2, lines 20-31 and Page 3, lines 1-2: Under N.D.C.C. § 57-39.2-23, the information contained in county lodging tax and county lodging and restaurant tax returns and reports is confidential. This amendment makes that information available to no more than two members of a county governing body in the same manner as presently exists for city lodging tax and city lodging and restaurant tax information.

Chairman Headland, members of the Committee, the Tax Commissioner respectfully requests favorable consideration of House Bill 1099. We are available for any questions you may have. Thank you.

# 2021 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Room JW327E, State Capitol

HB 1099  
1/18/2021

A bill relating to the authority of the tax commissioner to waive penalties for late or nonfiled alcoholic beverage tax returns, sales, market, and productivity studies for property tax purposes, the requirement to use certified or registered mailing for sales tax purposes, and disclosure of county lodging taxes and county lodging and restaurant taxes information to a county governing body.

**Chairman Headland** opened the committee work at 2:00pm.

Representatives	Present
Representative Craig Headland	P
Representative Vicky Steiner	P
Representative Dick Anderson	P
Representative Glenn Bosch	P
Representative Jason Dockter	P
Representative Sebastian Ertelt	P
Representative Jay Fisher	P
Representative Patrick Hatlestad	P
Representative Zachary Ista	P
Representative Tom Kading	P
Representative Ben Koppelman	P
Representative Marvin E. Nelson	P
Representative Nathan Toman	P
Representative Wayne A. Trottier	P

### Discussion Topics:

- Waiving penalties against suppliers of alcoholic beverages
- Sales ratio study
- Sending notices to sales and use tax permit holders
- County lodging tax and county lodging and restaurant tax returns confidential reports

**Representative Dockter** made a motion for a do pass.

**Vice Chairman Steiner** seconded the motion.

Representatives	Vote
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y

Representative Sebastian Ertelt	N
Representative Jay Fisher	N
Representative Patrick Hatlestad	N
Representative Zachary Ista	N
Representative Tom Kading	N
Representative Ben Koppelman	N
Representative Marvin E. Nelson	N
Representative Nathan Toman	N
Representative Wayne A. Trottier	Y

**6-8-0 Motion failed.**

**Representative Ertelt proposed an amendment by striking section three.**

**Representative M. Nelson seconded the motion.**

**Voice vote-motion carried.**

**Representative B. Koppelman made a motion for a Do Pass As Amended.**

**Vice Chairman Steiner seconded the motion.**

<b>Representatives</b>	<b>Present</b>
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	Y
Representative Ben Koppelman	Y
Representative Marvin E. Nelson	Y
Representative Nathan Toman	N
Representative Wayne A. Trottier	N

**12-2-0 Motion carried.**

**Representative D. Anderson will carry this bill on the floor.**

Meeting adjourned at 2:12pm.

*Mary Brucker, Committee Clerk*

January 18, 2021

  
1/18/21

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1099

Page 1, line 1, replace "sections" with "section"

Page 1, line 1, remove the second "and"

Page 1, line 2, remove "57-39.2-17"

Page 1, line 4, remove ", the"

Page 1, line 5, replace "requirement to use certified or registered mailing for sales tax purposes," with a semicolon

Page 2, remove lines 9 through 19

Renumber accordingly

**REPORT OF STANDING COMMITTEE**

**HB 1099: Finance and Taxation Committee (Rep. Headland, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1099 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "sections" with "section"

Page 1, line 1, remove the second "and"

Page 1, line 2, remove "57-39.2-17"

Page 1, line 4, remove ", the"

Page 1, line 5, replace "requirement to use certified or registered mailing for sales tax purposes," with a semicolon

Page 2, remove lines 9 through 19

Renumber accordingly



**2021 SENATE FINANCE AND TAXATION**

**HB 1099**

# 2021 SENATE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1099  
2/16/2021

A BILL for an Act to amend and reenact subsection 3 of section 5-03-09, section 57-01-06, and subsection 5 of section 57-39.2-23 of the North Dakota Century Code, relating to the authority of the tax commissioner to waive penalties for late or nonfiled alcoholic beverage tax returns, sales, market, and productivity studies for property tax purposes; and disclosure of county lodging taxes and county lodging and restaurant taxes information to a county governing body.

**Chair Bell** 9:29 calls the meeting to order. Chair Bell, Vice Chair Kannianen, Senators Meyer, J. Roers, Patten, Piepkorn, Weber are present.

### **Discussion Topics:**

- Confidential Information
- Late Filing
- Property Tax

**Shannon Fleischer** 9:29 Assoc. Director ND Office of State Tax Commissioner Introduces in favor #6646

**Chair Bell** 9:33 adjourns the meeting.

*Joel Crane, Committee Clerk*



#6646

**Testimony—  
Senate Finance and Taxation Committee  
Engrossed House Bill 1099**

February 16, 2021

Prepared by Shannon Fleischer, Associate Director of Tax Administration; and  
Kim Vietmeier, State Supervisor of Assessments  
North Dakota Office of State Tax Commissioner  
Phone: 328-3431; 328-3127  
e-mail: [sfleischer@nd.gov](mailto:sfleischer@nd.gov); [kmvietmeier@nd.gov](mailto:kmvietmeier@nd.gov)

Chair Bell, and members of the Senate Finance & Taxation Committee:

My name is Shannon Fleischer. I am here on behalf of the Office of State Tax Commissioner in support of Engrossed HB 1099, the Tax Department's housekeeping bill. I was asked to provide an explanation to the Committee of the provisions of Engrossed House Bill 1099. State Supervisor of Assessments, Kim Vietmeier, is available if there are any questions specific to Section 2 of the Bill.

**Section 1 of bill**

Page 1, lines 7-13: This amendment would allow the Tax Commissioner, for good cause shown, to waive any penalty imposed against a supplier of alcoholic beverages for failure to file reports with the Tax Commissioner required under N.D.C.C. § 5-03-09. A supplier is a manufacturer, importer, marketer, or wholesaler of alcoholic beverages. Similar language allowing for waivers of penalty for good cause exists in the other tax types administered by the Tax Commissioner. The reason for this change is that there are instances where the delay in filing the report is beyond the control of the alcoholic beverage supplier. This language will give the Tax Commissioner the ability to acknowledge those instances if the taxpayer has good cause for failing to meet a deadline.

## **Section 2 of bill**

Page 1, lines 14-24 and Page 2, lines 1-6: The 2017 Legislative Assembly, in House Bill 1356, which related to statements of full consideration recorded by county recorders, repealed the same language in N.D.C.C. § 11-18-02.2, and, due to an oversight, the language in N.D.C.C. § 57-01-06, the “sales ratio” statute, was not amended at that time. This technical amendment would make these statutes consistent so that both the Tax Department and counties are using the same information when preparing and using the sales ratio study.

## **Section 3 of bill**

Page 2, lines 7-20: Under N.D.C.C. § 57-39.2-23, the information contained in county lodging tax and county lodging and restaurant tax returns and reports is confidential. This amendment makes that information available to no more than two members of a county governing body in the same manner as presently exists for city lodging tax and city lodging and restaurant tax information.

Chair Bell, members of the Committee, the Tax Commissioner respectfully requests favorable consideration of Engrossed House Bill 1099. We are available for any questions you may have. Thank you.

# 2021 SENATE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1099  
3/29/2021

A BILL for an Act to amend and reenact subsection 3 of section 5-03-09, section 57-01-06, and subsection 5 of section 57-39.2-23 of the North Dakota Century Code, relating to the authority of the tax commissioner to waive penalties for late or nonfiled alcoholic beverage tax returns, sales, market, and productivity studies for property tax purposes; and disclosure of county lodging taxes and county lodging and restaurant taxes information to a county governing body.

**Chair Bell** calls the meeting to order. Chair Bell, Vice Chair Kannianen, Senators Meyer, J. Roers, Patten, Piepkorn, Weber are present. [10:03]

### **Discussion Topics:**

- Tax Department clean up language
- Hospital taxation

No Committee action

**Chair Bell** adjourns the meeting. [10:04]

*Joel Crane, Committee Clerk*

# 2021 SENATE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1099  
3/30/2021

A BILL for an Act to amend and reenact subsection 3 of section 5-03-09, section 57-01-06, and subsection 5 of section 57-39.2-23 of the North Dakota Century Code, relating to the authority of the tax commissioner to waive penalties for late or nonfiled alcoholic beverage tax returns, sales, market, and productivity studies for property tax purposes; and disclosure of county lodging taxes and county lodging and restaurant taxes information to a county governing body.

**Chair Bell** calls the meeting to order. Chair Bell, Vice Chair Kannianen, Senators Meyer, J. Roers, Patten, Piepkorn, Weber are present. [9:39]

### Discussion Topics:

- Acreage of churches and hospitals
- Property tax exemptions

**Emily Thompson [9:39]**, Code Reviser for Legislative Council, presents an amendment on behalf of Chair Bell as testimony #11072. [LC 21.8093.02002]

**Chair Bell** briefly adjourns the meeting and momentarily moves to a different bill. [10:01]

**Chair Bell** returns to HB 1099. [10:09]

**Shannon Fleischer [10:10]** presents an amendment from the Tax Commissioner, testimony #11089 [LC 21.8093.02001]

**Senator Kannianen [10:13]** motions to adopt the amendment. [21.8093.02001]

**Senator J. Roers [10:13]** seconds.

**Voice vote**, motion passes. [10:13]

**Chair Bell** moves to a different bill. [10:15]

**Chair Bell** returns to HB 1099. [11:18]

**Emily Thompson [11:19]** returns to the podium to answer questions from the committee.

**Chair Bell** adjourns the meeting. [11:23]

*Joel Crane, Committee Clerk*

March 29, 2021

5-21-21

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1099

Page 1, line 1, after "reenact" insert "subsection 3 of section 5-01-01,"

Page 1, line 2, after "to" insert "the definition of beer;"

Page 1, line 3, replace the comma with a semicolon

Page 1, line 5, after "body" insert "; and to provide an effective date"

Page 1, after line 6, insert:

**"SECTION 1. AMENDMENT.** Subsection 3 of section 5-01-01 of the North Dakota Century Code is amended and reenacted as follows:

3. "Beer" means any malt beverage containing one-half of one percent or more of alcohol by volume and includes an alcoholic beverage made by the fermentation of malt substitutes, including rice, grain of any kind, glucose, sugar, or molasses, which has not undergone distillation."

Page 2, after line 20, insert:

**"SECTION 5. EFFECTIVE DATE.** Section 1 of this Act is effective for taxable periods beginning after June 30, 2021."

Renumber accordingly

Sixty-seventh  
Legislative Assembly  
of North Dakota

**ENGROSSED HOUSE BILL NO. 1099**

Introduced by

Finance and Taxation Committee

(At the request of the Tax Commissioner)

1 A BILL for an Act to amend and reenact subsection 3 of section 5-03-09, section 57-01-06,  
2 subsection 8 of section 57-02-08, and subsection 5 of section 57-39.2-23 of the North Dakota  
3 Century Code, relating to the authority of the tax commissioner to waive penalties for late or  
4 nonfiled alcoholic beverage tax returns; sales, market, and productivity studies for property tax  
5 purposes; a property tax exemption for public hospitals; and disclosure of county lodging taxes  
6 and county lodging and restaurant taxes information to a county governing body; and to provide  
7 an effective date.

8 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

9 **SECTION 1. AMENDMENT.** Subsection 3 of section 5-03-09 of the North Dakota Century  
10 Code is amended and reenacted as follows:

11 3. If a supplier fails to file the required report as required by this section, there is imposed  
12 a penalty of twenty-five dollars per month for each calendar month or fraction of a  
13 month during which the delinquency continues beginning with the month during which  
14 the report was due. Any assessed penalty may be waived by the tax commissioner for  
15 good cause upon request by the supplier.

16 **SECTION 2. AMENDMENT.** Section 57-01-06 of the North Dakota Century Code is  
17 amended and reenacted as follows:

18 **57-01-06. Sales, market, and productivity study - Contents not to be included.**

19 Any sales, market, and productivity study which may be made by the state tax  
20 commissioner may not include the following:

- 21 1. Property owned or used by public utilities.
- 22 2. Property classified as personal property.
- 23 3. A sale when the grantor and the grantee are of the same family or corporate affiliate, if  
24 known.



- 1       4.   A sale which resulted as a settlement of an estate.
- 2       5.   ~~All sales to or from a government or governmental agency.~~
- 3       6.   All forced sales, mortgage foreclosures, and tax sales.
- 4       ~~7.6.~~   All sales to or from religious, charitable, or nonprofit organizations.
- 5       ~~8.7.~~   All sales where there is an indicated change of use by the new owner.
- 6       ~~9.8.~~   All transfer of ownership of property for which is given a quitclaim deed.
- 7       ~~10.9.~~   Sales of property not assessable by law.
- 8       ~~11.10.~~   Agricultural lands of less than eighty acres [32.37 hectares].

9       **SECTION 3. AMENDMENT.** Subsection 8 of section 57-02-08 of the North Dakota Century  
10   Code is amended and reenacted as follows:

- 11       8.   a.   All buildings belonging to institutions of public charity, including public hospitals  
12               and nursing homes licensed pursuant to section 23-16-01 under the control of  
13               religious or charitable institutions, used wholly or in part for public charity,  
14               together with the land actually occupied by such institutions not leased or  
15               otherwise used with a view to profit.
- 16       b.   Up to fifty acres [20.23 hectares] of undeveloped land owned by an institution of  
17               public charity for the purpose of a future public hospital or nursing home is  
18               exempt from taxation. This exemption expires ten years after the taxable year in  
19               which the property was acquired by the institution of public charity if construction  
20               improvements to accommodate a public hospital or nursing home have not  
21               commenced.
- 22       c.   The exemption provided by this subsection includes any dormitory, dwelling, or  
23               residential-type structure, together with necessary land on which such structure is  
24               located, owned by a religious or charitable organization recognized as tax  
25               exempt under section 501(c)(3) of the United States Internal Revenue Code  
26               which is occupied by members of said organization who are subject to a religious  
27               vow of poverty and devote and donate substantially all of their time to the  
28               religious or charitable activities of the owner.

29       **SECTION 4. AMENDMENT.** Subsection 5 of section 57-39.2-23 of the North Dakota  
30   Century Code is amended and reenacted as follows:

1        5. The commissioner may make information pertaining to county lodging taxes, county  
2        lodging and restaurant taxes, city lodging taxes, city lodging and restaurant taxes, or  
3        city or county sales and use taxes, contained in tax returns, reports, related schedules  
4        and documents, and reports of an audit or investigation available upon request to no  
5        more than two duly elected or appointed members of the governing body of a city or  
6        county for which collection and administration of the tax is required by statute or a tax  
7        collection agreement administered under section 57-01-02.1. The governing body of  
8        the city or county or its members may not divulge or make known in any manner the  
9        business affairs, operations, or other information acquired from the commissioner  
10       under this subsection concerning any person, corporation, limited liability company, or  
11       other entity unless the disclosure is by judicial order and for tax administration  
12       purposes only.

13       **SECTION 5. EFFECTIVE DATE.** Section 3 of this Act is effective for taxable years  
14       beginning after December 31, 2020.

21.8093.02001

## FIRST ENGROSSMENT

Sixty-seventh  
Legislative Assembly  
of North Dakota

## ENGROSSED HOUSE BILL NO. 1099

Introduced by

Finance and Taxation Committee

(At the request of the Tax Commissioner)

1 A BILL for an Act to amend and reenact subsection 3 of section 5-01-01, subsection 3 of section  
2 5-03-09, section 57-01-06, and subsection 5 of section 57-39.2-23 of the North Dakota Century  
3 Code, relating to the definition of beer; the authority of the tax commissioner to waive penalties  
4 for late or nonfiled alcoholic beverage tax returns; sales, market, and productivity studies for  
5 property tax purposes; and disclosure of county lodging taxes and county lodging and  
6 restaurant taxes information to a county governing body; and to provide an effective date.

## 7 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

8 **SECTION 1. AMENDMENT.** Subsection 3 of section 5-01-01 of the North Dakota Century  
9 Code is amended and reenacted as follows:

10 3. "Beer" means any malt beverage containing one-half of one percent or more of alcohol  
11 by volume and includes an alcoholic beverage made by the fermentation of malt  
12 substitutes, including rice, grain of any kind, glucose, sugar, or molasses, which has  
13 not undergone distillation.

14 **SECTION 2. AMENDMENT.** Subsection 3 of section 5-03-09 of the North Dakota Century  
15 Code is amended and reenacted as follows:

16 3. If a supplier fails to file the required report as required by this section, there is imposed  
17 a penalty of twenty-five dollars per month for each calendar month or fraction of a  
18 month during which the delinquency continues beginning with the month during which  
19 the report was due. Any assessed penalty may be waived by the tax commissioner for  
20 good cause upon request by the supplier.

21 **SECTION 3. AMENDMENT.** Section 57-01-06 of the North Dakota Century Code is  
22 amended and reenacted as follows:

1       **57-01-06. Sales, market, and productivity study - Contents not to be included.**

2       Any sales, market, and productivity study which may be made by the state tax  
3 commissioner may not include the following:

- 4       1.   Property owned or used by public utilities.
- 5       2.   Property classified as personal property.
- 6       3.   A sale when the grantor and the grantee are of the same family or corporate affiliate, if  
7       known.
- 8       4.   A sale which resulted as a settlement of an estate.
- 9       5.   ~~All sales to or from a government or governmental agency.~~
- 10      6-   All forced sales, mortgage foreclosures, and tax sales.
- 11      ~~7-6.~~   All sales to or from religious, charitable, or nonprofit organizations.
- 12      ~~8-7.~~   All sales where there is an indicated change of use by the new owner.
- 13      ~~9-8.~~   All transfer of ownership of property for which is given a quitclaim deed.
- 14      ~~10-9.~~   Sales of property not assessable by law.
- 15      ~~11-10.~~   Agricultural lands of less than eighty acres [32.37 hectares].

16       **SECTION 4. AMENDMENT.** Subsection 5 of section 57-39.2-23 of the North Dakota  
17 Century Code is amended and reenacted as follows:

- 18       5.   The commissioner may make information pertaining to county lodging taxes, county  
19       lodging and restaurant taxes, city lodging taxes, city lodging and restaurant taxes, or  
20       city or county sales and use taxes, contained in tax returns, reports, related schedules  
21       and documents, and reports of an audit or investigation available upon request to no  
22       more than two duly elected or appointed members of the governing body of a city or  
23       county for which collection and administration of the tax is required by statute or a tax  
24       collection agreement administered under section 57-01-02.1. The governing body of  
25       the city or county or its members may not divulge or make known in any manner the  
26       business affairs, operations, or other information acquired from the commissioner  
27       under this subsection concerning any person, corporation, limited liability company, or  
28       other entity unless the disclosure is by judicial order and for tax administration  
29       purposes only.

30       **SECTION 5. EFFECTIVE DATE.** Section 1 of this Act is effective for taxable periods  
31 beginning after June 30, 2021.

# 2021 SENATE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1099  
3/31/2021  
AM

A BILL for an Act to amend and reenact subsection 3 of section 5-03-09, section 57-01-06, and subsection 5 of section 57-39.2-23 of the North Dakota Century Code, relating to the authority of the tax commissioner to waive penalties for late or nonfiled alcoholic beverage tax returns, sales, market, and productivity studies for property tax purposes; and disclosure of county lodging taxes and county lodging and restaurant taxes information to a county governing body.

**Chair Bell** calls the meeting to order. Chair Bell, Vice Chair Kannianen, Senators Meyer, J. Roers, Patten, Piepkorn, Weber are present. [10:23]

### Discussion Topics:

- Hospital property tax exemption
- Public and private hospital definitions
- Partial project completion assessments
- City costs during construction

**Kim Vietmeier** [10:25] State Supervisor of Assessments, Tax Department, provides oral information.

**Shane Goettle** [10:36] Special Assistant Legal Counsel, City of Minot provides information #11201.

**Kim Vietmeier** [10:43] State Supervisor of Assessments, Tax Department, provides additional oral information.

**Chair Bell** adjourns the meeting. [10:48]

*Joel Crane, Committee Clerk*



#11201



**TO:** Senator Jessica Bell  
**FROM:** Harold Stewart, City Manager  
**DATE:** March 30, 2021

Chairwoman Bell,

Thank you for seeking the City of Minot's position on the proposed language change to HB 1495 by Representative Bellew. Overall, the City of Minot is neutral on the proposed language but would respectfully ask the Committee to consider the following facts.

1. Even though the new hospital is currently under construction there is still a significant amount of public and taxpayer support that is being provided to the hospital. This includes street improvements, water and wastewater infrastructure, fire response, plan review and inspections. While the infrastructure improvements are not solely for the hospital and will serve further development, the relocation of the hospital did reprioritize the City's investment into them. Estimated costs subsidized by the public include:
  - a. Sewer Improvements - \$9.8 million
  - b. Water Improvements (including a new water tower to support the hospital's fire suppression system) - \$4.66 million
  - c. Street Improvements - \$6.7 million
  - d. Hours of Staff Plan Review – 1,200 hrs
  - e. Number of Inspections to date – 475 at approximately an hour each
  - f. Hours of Meetings and Communications – 250
  - g. Fire response to a propane tank fire on the construction site

As is illustrated above there is a significant amount of taxpayer funding utilized in hourly wages of City staff and infrastructure investment supporting the construction of the new hospital. While the hospital is a significant benefit to the community is it appropriate for the taxpayers to solely pay these costs, or should the hospital have some financial responsibility of paying taxes during construction?

Some of these costs are recouped through permit fees, but typically cities are doing well if they can garner 40-50% of the costs of plan reviews and inspections via the permit fee structure. Building of a hospital is highly complex, technical, and is a large volume project often requiring expertise and manpower the typical city does not have available, resulting in contracting out for services.

2. Assessments of the property for tax purposes are phased in over the construction, especially on multi-year build projects such as the hospital. Assessments are done once a year and only the actual completed work at the time of the assessment is used in the calculation, not the anticipated total value of the entire project. In Minot's case the assessments look like the following:

2020 assessment

Land	\$2,841,000
Bldg	<u>\$34,390,000</u>
Total	\$37,231,000

Proposed 2021 assessment

Land	\$2,841,000
Bldg	<u>\$100,660,000</u>
Total	\$103,501,000

The City of Minot understands the positive impacts the community will benefit by from having a new state-of-the-art public hospital, and wants to be a good community partner in helping it happen. At the same time, however, we have an obligation to be good stewards of the taxpayer money that has been entrusted to us. While Minot could absorb the impacts this proposed change would incur, it does have a significant financial impact on our community and organization. In addition, this change would not affect just Minot, but every other North Dakota community in a similar situation who may or may not be able to respond in like manner of Minot.

Thank you again for your diligence on this matter and providing an opportunity for the City of Minot to provide its response.

# 2021 SENATE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1099  
3/31/2021  
PM

A BILL for an Act to amend and reenact subsection 3 of section 5-03-09, section 57-01-06, and subsection 5 of section 57-39.2-23 of the North Dakota Century Code, relating to the authority of the tax commissioner to waive penalties for late or nonfiled alcoholic beverage tax returns, sales, market, and productivity studies for property tax purposes; and disclosure of county lodging taxes and county lodging and restaurant taxes information to a county governing body.

**Chair Bell** calls the meeting to order. Chair Bell, Vice Chair Kannianen, Senators Meyer, J. Roers, Patten, Piepkorn, Weber are present. [3:02]

### Discussion Topics:

- Hospital property tax exemption
- Beer taxation

**Senator Kannianen** [3:05] moved DO PASS as Amended  
**Senator Meyer** seconds

Senators	Vote
Senator Jessica Bell	Y
Senator Jordan Kannianen	Y
Senator Scott Meyer	Y
Senator Dale Patten	Y
Senator Merrill Piepkorn	Y
Senator Jim Roers	Y
Senator Mark Weber	Y

Motion passes 7-0-0

**Senator Bell** carries

**Chair Bell** adjourns the meeting. [3:09]

*Joel Crane, Committee Clerk*



**REPORT OF STANDING COMMITTEE**

**HB 1099, as engrossed: Finance and Taxation Committee (Sen. Bell, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1099 was placed on the Sixth order on the calendar.

Page 1, line 1, after "reenact" insert "subsection 3 of section 5-01-01,"

Page 1, line 2, after "to" insert "the definition of beer;"

Page 1, line 3, replace the comma with a semicolon

Page 1, line 5, after "body" insert "; and to provide an effective date"

Page 1, after line 6, insert:

**"SECTION 1. AMENDMENT.** Subsection 3 of section 5-01-01 of the North Dakota Century Code is amended and reenacted as follows:

3. "Beer" means any malt beverage containing one-half of one percent or more of alcohol by volume and includes an alcoholic beverage made by the fermentation of malt substitutes, including rice, grain of any kind, glucose, sugar, or molasses, which has not undergone distillation."

Page 2, after line 20, insert:

**"SECTION 5. EFFECTIVE DATE.** Section 1 of this Act is effective for taxable periods beginning after June 30, 2021."

Renumber accordingly