

2021 SENATE FINANCE AND TAXATION

SB 2202

2021 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2202
1/26/2021

A BILL for an Act to amend and reenact subsection 36 of section 57-02-08 of the North Dakota Century Code, relating to a property tax exemption for property leased for the provision of early childhood services; and to provide an effective date.

Chair Bell calls the meeting to order. Chair Bell, Vice Chair Kannianen, Senators Meyer, J. Roers, Patten, Piepkorn, Weber are present. [9:31]

Discussion Topics:

- Tax exemption for daycare services
- Early childhood services

Senator Heitkamp [9:31] introduces the bill and offers oral testimony in favor.

Carol J. Peterson [9:35], Economic Development Coordinator for the city of Milnor, testifies in favor and submits testimony #3323.

Additional written testimony:

Danielle Hogness, owner of Camryn's Clubhouse in Milnor, ND, submits testimony #3442.

Chair Bell adjourns the meeting. [9:48]

Joel Crane, Committee Clerk

Testimony of Carol Peterson

Economic Development Coordinator, City of Milnor

701-427-9414 milnoreconomicdev@hotmail.com

January 26, 2021

I come before you today as the Economic Development Coordinator and a citizen of Milnor, ND to discuss an issue in our community.

Our community, Milnor, North Dakota is located in southeastern North Dakota along North Dakota Highway # 13. We are 40 miles west of Wahpeton and ten miles east of Gwinner. The southeastern part of the State is a diverse economy of agriculture and manufacturing. Bobcat, located in Gwinner, is the largest manufacturer in North Dakota and has provided livelihoods for many people in our area. There are additional businesses in our area that support our citizens and many other industries that are spinoffs doing contract work for the Doosan Bobcat Factory.

In 2012 and 2013, Milnor had a crisis in our community. We had no daycare available in Milnor as several individuals that had in-home daycares had quit or retired. We worked with several individuals to encourage private businesses to fill this need, but no one was interested. After several meetings and a survey was done, we put together a plan for a new 5,000 square foot childcare center for our community and applied for a grant from the ND Dept of Commerce for \$187,500. In the fall of 2013, we were very fortunate to receive the \$187,500 grant. We formed a 501 (c) 3 non-profit corporation, Youth Opportunity Unlimited, Inc. (a/k/a YOU), which was incorporated as a community owned corporation. We chose a Board of Directors and a fundraising committee. We applied for additional grants from a variety of agencies and businesses and did fundraising and we soon had the funds (along with a loan from our local bank) to start construction. Construction began in July of 2014.

Reminiscent of years ago when people got together for an "old fashioned barn raising", the Milnor community came together preparing the building site for the new childcare center. Our community took a low-lying lot next to our Park and built it up and prepared it for the new business. Twenty-two volunteers donated their time hauling clay and dirt, packing and leveling. An additional seven community minded people and businesses donated equipment. After the lot was level and ready for construction, local contractors started the building process. The facility was built in 2014 and opened for business as a licensed childcare center and preschool in 2015. We worked with a variety of state and local agencies such as Department of Commerce, Child Aware, ND Health Dept., ND Fire Marshall and the Sargent County Social Services throughout the process to give our children a safe place to play and learn. We opened the 50' by 100' licensed childcare facility even though additional work would need to be done. Since the opening we have added a fenced playground, cement in the parking lot and presently we are putting in flooring to cover the cement floor we have been using thus far. The project is still a work in progress.

YOU, Inc. owns and leases the building to a childcare provider that runs the business - Camryn's Clubhouse. As you are probably aware, childcare is highly sought after, hard for families to find and is a low margin business. The YOU offers low rent on the building to encourage the new business and to keep the daycare rates as reasonable as possible. It is important to offer this service to our community.

The childcare center was built in the Milnor Renaissance Zone and received a five-year real estate exemption. This exemption finalized in 2019. The YOU Board of Directors applied in 2019 to the City of Milnor to exempt the building from future real estate taxation based on the ND Century Code 57-02-08:

Property Exempt From Taxation. The exemption is - 36. The governing body of the city, for property within city limits, or of the county, for property outside city limits, may grant a property tax exemption for the portion of fixtures, buildings, and improvements, used primarily to provide early childhood services by a corporation, limited liability company, or organization licensed under chapter 50-11.1 or used primarily as an adult day care center. However, this exemption is not available for property used as a residence.

The City of Milnor conferred with their legal counsel, LeeAnn Even, of Even Law office who in turn conferred with some state agencies and determined that this section only allowed the exemption to a childcare business/operator that owns its own building, not a building owned by the community and leased to a childcare business. The City stated that they wanted to work with the YOU in exempting the building, but was unable to due to how the law was written.

We would like to have our state government clarify this exemption and make it more workable for communities like ours. There are a lot of costs involved for our community based corporation to keep a daycare in Milnor. Not only do we have maintenance on the building, but there are many projects still waiting to be done to make this facility a completed childcare center. We also have the costs of facility insurance, liability insurance, director's insurance, special assessments, etc. The Board of Directors are volunteers and take no salary. Volunteers are also used as much as possible for maintenance when possible. Real estate taxes will add a large burden to the YOU and the release from this would be a big benefit to keeping the doors open on this facility.

In January 2020, I contacted Senator Jim Dotzenrod in regard to this issue. He understood our situation and started working with committee members to prepare a bill for the 2021 legislative session. Since the election, I have asked Senator Jason Heitkamp and Representative Kathy Skroch to continue Senator Dotzenrod's work on the bill.

I, along with many others would like to see ND Century Code 57-02-08 (36) a more workable solution for childcare centers. Please consider looking into this issue and making the changes necessary to allow the YOU and others to qualify for the exemption. Thank you for your time.

Respectfully, Carol Peterson, Economic Development Coordinator, Milnor, ND.

Testimony of Danielle Hogness

Owner, Camryn's Clubhouse LLC, Milnor, ND

701-427-5045 camrynsclubhouse@gmail.com

January 26, 2021

I am the owner of Camryn's Clubhouse LLC. Currently, we are the only preschool and daycare center located in Sargent County. I rent the daycare building from You Inc.

At this time, we have 57 children enrolled and 15 employees. In order to keep the tuition cost at a reasonable amount for the families and the hourly rate for employees at a livable wage, we need our expenses to be as minimal as possible. You Inc has been able to rent the building at a very reasonable rate. This has greatly benefited the business as well as the families & staff at the center.

A daycare center is not like a grocery store or any other business in town. You cannot simply head to the next town over for daycare services. Every town in our area is experiencing a daycare crisis. Families are having to travel many miles out of their way every day to find care for their children if they can find any at all.

We cannot risk the closure of our daycare center. The center is not only a huge asset to our community but to our county as a whole.

I, along with many others would like to see ND Century Code 57-02-08 (36) a more workable solution for daycare centers. Please consider looking into this issue and making the changes necessary to allow YOU Inc and others to qualify for the exemption. Thank you for your time.

Respectfully, Danielle Hogness, Owner of Camryn's Clubhouse, Milnor, ND.

2021 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2202
2/1/2021

A BILL for an Act to amend and reenact subsection 36 of section 57-02-08 of the North Dakota Century Code, relating to a property tax exemption for property leased for the provision of early childhood services; and to provide an effective date.

Chair Bell calls the meeting to order. Chair Bell, Vice Chair Kannianen, Senators Meyer, J. Roers, Patten, Piepkorn, Weber are present. [10:49]

Discussion Topics:

- Early childhood services property tax exemption
- State and Local Taxes and overview and Comparative Guide (Red Book) commercial property exemptions.

Committee Work

Senator Patten [10:59] moves DO PASS

Senator J Roers second

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 J. Roers Carries

Chair Bell adjourns the meeting. [11:01]

Joel Crane, Committee Clerk

REPORT OF STANDING COMMITTEE

SB 2202: Finance and Taxation Committee (Sen. Bell, Chairman) recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2202 was placed on the Eleventh order on the calendar.

2021 HOUSE FINANCE AND TAXATION

SB 2202

2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

SB 2202
3/8/2021

A bill relating to a property tax exemption for property leased for the provision of early childhood services.

Chairman Headland opened the hearing at 10:00am.

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

Discussion Topics:

- Property tax exemption for daycare centers

Senator Heitkamp introduced bill (no written testimony).

Carol Peterson, Economic Development Coordinator for the City of Milnor, support (7729).

Chairman Headland closed the hearing at 10:19am.

Shelly Meiers, Property Tax Division with the North Dakota Tax Commissioners Office, answered questions from the committee.

Meeting adjourned at 10:25am.

Mary Brucker, Committee Clerk

Testimony of Carol Peterson

Economic Development Coordinator, City of Milnor

701-427-9414 milnoreconomicdev@hotmail.com

January 26, 2021

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I, along with many others would like to see ND Century Code 57-02-08 (36) a more workable solution for childcare centers. Please consider looking into this issue and making the changes necessary to allow the YOU and others to qualify for the exemption. Thank you for your time.

Respectfully, Carol Peterson, Economic Development Coordinator, Milnor, ND.

2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

SB 2202
3/9/2021

A bill relating to a property tax exemption for property leased for the provision of early childhood services.

Chairman Headland opened the discussion at 2:20pm.

Representatives	Present
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	AB
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:

- Proposed amendment 21.0443.02001
- Proposed verbal amendment by Representative Ertelt
- Committee decision

Representative M. Nelson proposed an amendment 21.0443.02001 (#8350).

Representative M. Nelson made a motion to adopt amendment 21.0443.02001.

Representative D. Anderson seconded the motion.

Voice vote-motion carried.

Representative Ertelt made a motion to further amend by striking “or leases property.”

Representative Fisher seconded the motion.

Voice vote-motion carried.

Representative B. Koppelman made a motion for a DO PASS AS AMENDED.

Representative Ertelt seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	N
Representative Vicky Steiner	Y
Representative Dick Anderson	N
Representative Glenn Bosch	N
Representative Jason Dockter	AB
Representative Sebastian Ertelt	Y
Representative Jay Fisher	N
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	N

Motion carried 8-5-1

Representative B. Koppelman is the bill carrier.

Chairman Headland closed the discussion at 2:31pm.

Mary Brucker, Committee Clerk

PROPOSED AMENDMENTS TO SENATE BILL NO. 2202

Page 1, line 3, after "childhood" insert "or adult day care"

Page 1, line 11, after the period insert "The exemption applies regardless of whether the early childhood or adult day care service provider owns the property or leases the property."

Page 1, line 12, remove "The exemption also may"

Page 1, remove lines 13 through 16

Renumber accordingly

March 9, 2021

GF
3/9/21

PROPOSED AMENDMENTS TO SENATE BILL NO. 2202

Page 1, line 3, after "childhood" insert "or adult day care"

Page 1, line 11, after the period insert "The exemption applies regardless of whether the early childhood or adult day care service provider owns the property."

Page 1, line 12, remove "The exemption also may"

Page 1, remove lines 13 through 16

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2202: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (8 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). SB 2202 was placed on the Sixth order on the calendar.

Page 1, line 3, after "childhood" insert "or adult day care"

Page 1, line 11, after the period insert "The exemption applies regardless of whether the early childhood or adult day care service provider owns the property."

Page 1, line 12, remove "The exemption also may"

Page 1, remove lines 13 through 16

Renumber accordingly

Introduced by

Senators Heitkamp, Poolman, Sorvaag

Representatives Magrum, Skroch, Steiner

1 A BILL for an Act to amend and reenact subsection 36 of section 57-02-08 of the North Dakota
2 Century Code, relating to a property tax exemption for property leased for the provision of early
3 childhood or adult day care services; and to provide an effective date.

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

5 **SECTION 1. AMENDMENT.** Subsection 36 of section 57-02-08 of the North Dakota
6 Century Code is amended and reenacted as follows:

7 36. The governing body of the city, for property within city limits, or of the county, for
8 property outside city limits, may grant a property tax exemption for the portion of
9 fixtures, buildings, and improvements, used primarily to provide early childhood
10 services by a corporation, limited liability company, or organization licensed under
11 chapter 50-11.1 or used primarily as an adult day care center. The exemption applies
12 regardless of whether the early childhood or adult day care service provider owns the
13 property or leases the property. However, this exemption is not available for property
14 used as a residence. ~~The exemption also may be granted for the portion of fixtures,~~
15 ~~buildings, and improvements owned by an organization recognized as tax exempt~~
16 ~~under section 501(c)(3) of the United States Internal Revenue Code [26 U.S.C. 501(c)~~
17 ~~(3)] and leased to an operator licensed under chapter 50-11.1 for use primarily to~~
18 ~~provide early childhood services.~~

19 **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
20 December 31, 2020.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2202

Page 1, line 3, after "childhood" insert "or adult day care"

Page 1, line 11, after the period insert "The exemption applies regardless of whether the early childhood or adult day care service provider owns the property or leases the property."

Page 1, line 12, remove "The exemption also may"

Page 1, remove lines 13 through 16

Renumber accordingly

2021 CONFERENCE COMMITTEE

SB 2202

2021 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2202
4/9/2021
Conference Committee

A BILL for an Act to amend and reenact subsection 36 of section 57-02-08 of the North Dakota Century Code, relating to a property tax exemption for property leased for the provision of early childhood or adult day care services; and to provide an effective date.

Chair J Roers calls the meeting to order. Senators J. Roers, Meyer, Piepkorn and Representatives Steiner, Hatlestad, Ista are present. [10:32]

Discussion Topics:

- Adult day care
- Building ownerships
- Property tax exemptions
- 501 (c) 3 entities ownership

Committee discussion [10:33]

Emily Thompson [10:42] Code Reviser, Legislative Council provides oral information

Senator Meyer [10:48] moved Senate Accede to House Amendments

Senator Piepkorn seconds

Motion passes 6-0-0

Senator J. Roers and **Representative Steiner** carry.

Chair J Roers adjourns the meeting. [10:50]

Joel Crane, Committee Clerk

**2021 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES**

BILL/RESOLUTION NO. SB 2202

Senate Finance and Taxation Committee

- Action Taken** ☒ **SENATE accede to House Amendments**
☐ **SENATE accede to House Amendments and further amend**
☐ **HOUSE recede from House amendments**
☐ **HOUSE recede from House amendments and amend as follows**
- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Senator Meyer Seconded by: Senator Piepkorn

Senators				Yes	No		Representatives				Yes	No
Chair J. Roers				X			Steiner				X	
Meyer				X			Hatlestad				X	
Piepkorn				X			Ista				X	
Total Senate Vote				3			Total Rep. Vote				3	

Vote Count Yes: 6 No: 0 Absent: 0

Senate Carrier J. Roers House Carrier Steiner

LC Number _____ . _____ of amendment

LC Number _____ . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

REPORT OF CONFERENCE COMMITTEE

SB 2202: Your conference committee (Sens. J. Roers, Meyer, Piepkorn and Reps. Steiner, Hatlestad, Ista) recommends that the **SENATE ACCEDE** to the House amendments as printed on SJ pages 866-867 and place SB 2202 on the Seventh order.

SB 2202 was placed on the Seventh order of business on the calendar.