

2001 HOUSE APPROPRIATIONS

HB 1006

Commissioner - Commissioner's Division, Legal Division, Controllers Division, Information and Technology, Sales and Special Taxes Division, Income and Oil Taxes Division, and Property Tax Division. Pages 5 through 9 explains in more detail what each of these divisions provide, and their case load. The IT division is a new division in the department and they felt that this was important enough to elevate its importance and focus of technology.

Page 10 and 11 includes the executive budget request. They began with the existing budget as a base budget. They added in inflationary costs and known increases, including salary increases, funded a risk management premium (requested by OMB), postage, mailings, gas prices, motor pool increases, printing costs, etc. They did have new money for ITD enhancements - electronic filing and other technical enhancements.

Then they made adjustments to the budget from cost savings and improvements and they reduced their base budget with these funds. They have eliminated or unfunded since 1997 11 persons and reduced their budget. Now they are eliminating 1 account tech or auditor, eliminated the Multistate Tax Commission audit fee of \$270,450. They moved this fee to the optional adjustment section, and they unfunded the salary and wage line by \$58,000 - their only line with any flexibility. They had an optional budget that was not recommended in the Governor's budget that requested reinstatement of the Multistate Tax Commission audit.

Pages 13 and 14 list and outline and explain the major accomplishments of the Agency. They implemented a new validation system, implemented a new accounting system, implemented e-filing, implemented direct deposit system, established a withholding telefile system, implemented a sales tax webfile system, and enhanced the web site to include applications on line.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1006

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date January 11, 2001

Tape Number	Side A	Side B	Meter #
01/11/01 tape #1	-	0 - 6222	
01/11/01 tape #2	0 - 1388	-	
Committee Clerk Signature <i>Patricia Hall</i>			

Minutes:

The committee was called to order, and opened the hearing on HB #1006, the appropriation bill for the State Tax Commissioner, and also the Homestead Tax Credit.

Rick Clayburgh - State Tax Commissioner: Has written testimony, and Tax overview guide. He introduces his staff appearing with him in the room and available to the committee during the session.

Their mission is to administer the tax laws fairly and effectively and to install the highest degree of public trust. The tax dept. Is the major revenue collecting agency for the state. Sales and use tax collects the most, and there are some small collections, such as music composition tax.

The budget presentation is written, and will be highlighted in the testimony. Page 5 lists the year 2000 gross collection totals. Page 6 lists the 7 divisions of the Office of the Tax

Page 15 lists their new objectives. The Electronic Document Management System (EDMS) is in partnership with ITD for scanning and imaging. They each purchased parts of the system. Hopefully other agencies can tie into this system at a lesser cost. This improves their customer service greatly, with faster process time and greater efficiency. They are planning to scan in new paper tax returns, so that they can appear on the computers and eliminate a lot of storage and dead time.

Rep. Skarphol: Are you going to be scanning in past year's tax returns?

Response: That would be too cost prohibitive. We will be scanning in old documents, but only as they are needed, when someone needs to view the past return.

Rick Clayburgh: continuing - By developing the EDMS system we will reduce staff and overtime staff by the scanning process and will reduce storage space needed.

Rep Koppelman: When stored electronically and destroy the paper, what is the backup system.

Response: There is a backup and recovery system process by ITS and the backup is in a vault or other safe place.

Rick Clayburgh: continuing - we also have a new objective of eliminating the older mainframe computer system and rewriting older applications.

On page 18 the critical issues of the budget are listed. The Office of the Tax Commissioner would like to restore the Multistate Tax Commission audit funding, they really don't want to loose that income. They also need to either lease space in the Gateway Building, or, if the Attorney General's office is allowed to move out of their extra space, they would like to move in there. If the Attorney General's office does not move, the Tax Commissioners office will need budget money to lease additional space. Finally, they would like to restore their unfunded auditor position.

Rep. Koppelman: Can you enlighten me on the Multistate Tax Commission Audit?

Response: North Dakota is a charter member in what is called a Multistate Tax Commission. It is a group consisting of approximately 34 states that look to creating a uniform system for establishment of tax uniformity of tax regulations, and try to provide an environment that is less cumbersome to tax payers of the various states as they deal with Multistate issues. We are currently a compact member which means we are a voting member that deals with all of the issues. The fees to continue to be part of that commission are in our budget. We also participate in what is called a nexus program. It deals with looking at companies that may have a nexus with out state, that means that we can go out and suggest that they pay taxes in the state of North Dakota. Those dollars to participate in the nexus program are still in our budget.

The multistate audit program, dealing with here in the budget request, deals with a number of states banding together, smaller states. We don't send our staff in to audit, but the Multistate Tax Commission sends its audit staff and legal staff, and goes in on behalf of the states and audits the company. If a company has some contact with North Dakota, say in New York, it would not be a company that the state would go audit ourselves, but we can say we would like to participate in that audit, and they would keep ND in mind as they do the audit, and look for ND issues, and then issue an audit assessment that addresses the various small states' issues. Does offer an opportunity to keep contact with these less prominent companies without us doing a specific audit.

Rep. Carlisle: You have used the phrase "revenue collecting agency" many times. With the modernization lately, is there any talk about your changing the agency department name to "Department of Revenue".

Response: That is an interesting question. Our department's name is the Office of the State Tax Commissioner. That is our constitutional, statutory name. We do do a lot more than just collect taxes. We are involved in a lot of issues that deal with revenue with the state of ND. We are the only state that is known as the Office of the State Tax Commissioner, and very few are known as the state tax department. Most agencies are known as the revenue agencies. We would like to change the name at some point.

Rep. Huettner: Do we collect sales tax on internet purchases? Do these taxes come back to your department?

Response: I cannot say as to any company specific because of confidentiality reasons. There are 2 situations, currently if a company operates outside of ND, and does not have operation or contact with the state of ND, they do not meet the requirements in Quill v. State of ND for significant nexus for them to collect sales and use taxes for their customers. That is a significant problem for the states, and we may be looking at this during the session. Some companies do collect taxes and remit taxes to the state. They do this out of good will, by agreement, voluntary agreement to pay. Not enough companies do this, and we estimate that by 2004 it will be approximately 27 million dollars lost in sales tax to the state of ND. Remote sales are a factor in our projected revenue.

Rep. Glassheim: Are you going to propose suggestions/thoughts/resolutions as to the internet sales tax concerns that we can send to Congress?

Response: We are working on a couple things. First our tax study which was funded in the last biennium and have a report on our tax structure that makes sense, and have suggestions and propositions. We do talk specifically about the streamline sales tax system. There should also be a bill in this session to allow the state of ND to participate in putting together model

legislation for this streamline system by 2005. We have been working with Senator Dorgan in this area, and Congress is working on that issue. I don't know if this legislature needs to do anything particular.

Rep. Glassheim: As to delinquent taxes, what is the magnitude of non-collectible or delinquent taxes?

Response: It is difficult to get exact numbers, but the difficult to collect taxes are about 8-10 million dollars. This is a significant amount, but includes those who have filed bankruptcy, just uncollectible, have moved out of state, and may never have the money to pay.

Rep. Glassheim: Could you collect these with an extra person?

Response: Probably not on some of these. These are uncollectible, and we work on these collections in house and out of house. Before we use an extra person, it would be requested that the department be able to use a collection company for instate collections.

Rep. Glassheim: The corporation tax collections are way down, why?

Response: This is a very difficult issue, and not a state unique problem. There is a downturn in corporate income tax profits. The downturn we have seen is due to 5 issues, very hard to explain and very technical. Two of the most prominent is the fact that there are more subchapter S, limited liability, and limited liability partnership company filings. These are created by the IRS and Congress to allow pass through taxes to the owners of the corporations. The pass through entities pass all profit and loss to the owners who file a personal return only, and not both a corporation and individual return.

The other issue involves corporations who file estimated tax payments and final payments. When they put their estimates together, they may have overpaid, and when they file the final returns, they file for a refund. We have had negative corporate collections at some times

and pay more refunds than we collect. It is not the lack of enforcement or the lack of collections, it is just the way it lawfully goes.

Rep. Skarphol: On the out of state sales and tax issue, what assurance do we have that this money is returned to the state of ND?

Response: On instate sales we can catch non payments through audits. If it is an out-of-state company we may not have the ability to know that they have collected a tax from our residents. We cannot tell if they have charged a tax. The tax department can check to see if a particular company has agreed to pay taxes, and the multistate tax commission audit tries to catch some of these companies who have collected taxes but not paid them back to the state.

Rep. Skarphol: How many IT employees does your department have?

Response: Our IT department has data entry persons, and the data entry coordinator is IT also. Then we have 5 other persons, the division director, one who deals with the mainframe application and ITD, one who deals with department hardware and needs, one who runs all of our reports and gets information on a daily basis, and one who is responsible for internet, intranet, and departmental needs.

Rep. Skarphol: Where do the part time employees show up in your budget?

Response: They appear in the salary and wage line, not contracted services, we have that budgeted, at about \$578,000, this has been a relatively stable number, but may be reducing over the next few years as they use less temporaries.

Rep. Huetter: Will you see a reduction in staff due to technology?

Response: Technology may not reduce the number of staff, but it will make them more efficient, more knowledgeable, and will use less temporary employees.

Rep. Byerly: A possible question that may come to you in the Senate is why you can't lease space in other locations of the state at less cost than in Bismarek. Technology may allow you to decentralize. What is your response?

Response: We have looked into this, and telecommunication. We have three persons that telecom mute in ND. One lives in Williston, two live in Grand Forks. WE have offices in Minot, Dickinson, and Fargo. We have 17-18 persons located outside of the Bismarek tower. As we get into more technology, we certainly can, and can look at this moving and decentralizing. This shouldn't create significant increased costs. It would take some planning, but his office could do it. Some functions of the department cannot do this, it just would not be practicable, and may duplicate some costs to do so.

Rep. Byerly: The legislature keeps talking about the revitalization of rural ND. The only thing in ND that seems to get bigger is government. And if we were to do some disbursal, it seems that processing centers would work well..

Rick Clayburgh: I would like the opportunity to further discuss the budget at any time.

Rick Clayburgh: Our office is concerned about SB 2053, that adds some duties to the State Tax Commissioners office. We have not taken any position on this bill, and have not been a party to this bill. However, there may be some budgetary implications to our office.

Rep. Glassheim: The rate of interest paid on the corporate refunds is listed on page 26 (red book) at 1% per month. Can we decreased this refund rate of 12%?

Response: I certainly hope the state is not being used as an investment fund. Last session the rates were equalized at the rate of 12% - the rate collected on unpaid taxes, and the rate paid on overpaid taxes.

Hearing adjourned on this section of HB 1006.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1006- Homestead Tax Credit

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date January 11, 2001

Tape Number	Side A	Side B	Meter #
01/11/01 tape #2	1255-1388		
Committee Clerk Signature <i>Kathleen Hall</i>			

Minutes:

The committee was called to order, and continued the hearing on HB 1006 - Homestead Tax Credit section.

Charles (Chuck) Krueger: State Supervisor of Assessments - provided written testimony. The property tax division of the office of Tax Commissioner administers the Homestead Property Tax Credit Program for qualifying senior and disabled persons. There are three parts to the property tax relief program. The first offers a graduated reduction in the taxable value, and resulting taxes, of the applicants homestead. The second makes a direct payment to the renters to refund the difference when 20% of the rent - the property tax portion- exceeds 4% of the applicant's annual income. And the third allows the recipient of a homestead credit to receive credit for the annual installment of special assessments. However, a lien is placed upon the property for the amount of the credit plus interest.

A qualifying senior citizens must be over age 65 of permanently disabled, they must have an adjusted income of less than \$14,000, and has a limit of the amount of assets owned. The written testimony notes the history of the property tax credit qualifications.

The legislature has fully funded the property tax credit since 1973, and the general fund appropriation in the past budget appears to be sufficient to meet the current needs. They do expect some increased expenditures because of the increased income level this year. The graduated levels have changed from 1993 (\$13,500) to 1999 (\$14,000).

Rep. Glassheim: The numbers of qualifying applicants has decreased, although the number of aged persons in North Dakota has increased. Can you explain?

Response: Part of the reason is that the income levels of the population exceed the statutory qualifications to meet this credit.

Chuck Krueger: The attachments to the written testimony include a listing of the past homestead credit payments, for renters and homeowners, and the schedule used to calculate these figures. See example for year 2000.

Jerry Hjelmstead: On behalf of the North Dakota League of Cities. I wanted to testify in favor of the ND Homestead Credit program.

The chairman closed the hearing on this bill.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1006

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date January 29, 2001

Tape Number	Side A	Side B	Meter #
01-29-01 tape #1	4735-6223	0 - 328	
Committee Clerk Signature <i>Kathleen Hall</i>			

Minutes:

The committee was called to order, and opened committee work on HB 1006.

Chairman Byerly: Both executive recommendations were the same. The main stuff in this budget over and above the employee package is \$153,000 worth of funding for temporary employees during tax season. The Commissioner has been moving the agency forward in regard to technology. The amount of electronic filings has gone up and continues to go up, for sales tax or income tax or whatever. The question is whether or not this continues to go up in the next few years in that they do not need quite so many temporary employees.

Rep. Carlisle: Question for Joe, LC staff, hasn't the number of temps gone down due to e-filing. (Joe responds that he does not have those numbers).

Chairman Byerly: For the 2000 processing year the office employed 55 temporary staff. We know how many they were using. That was listed on page 8 of the written testimony. They also unfunded an audit position, that had been vacant for about a year. And they unfunded an account

technician. I will call the Commissioner and talk to him first about the temporaries. Obviously in the budget there must already be some funding for temporaries, so the question is is this an increase to the amount in his budget, or was there nothing in the budget for temps.

Rep. Skarphol: Agrees that as the filings on line go up, the need for temps should go down.

Jeff, OMB: He would assume that in the base budget there was some funding for temps, but just guessing.

Rep. Skarphol: Comments about the FTE list of vacancies/openings. It looks like one of those positions got unfunded.

Jeff, OMB staff: Comments that the positions listed on the FTE vacancies are those vacant as of December 31, and were funded in the executive budget. The FTE that got unfunded does not appear on that list.

Chairman Byerly: I will ask him about any vacant positions he has now, and he doesn't really talk about restoring the account technician spot. He only is talking about restoring the multitaxing authority, the audits of foreign corporations. Other than a few questions, I don't see a lot of things in this budget that are big red flags.

Rep. Skarphol: I wrote down in my notes that he has \$570,000 in part time spending. That is a big number. I do not know if that includes the additional amount that he is requesting.

Jeff, OMB: I do note that in the budget temporary salary line they do have a requested budget of \$249,696. There is money in there. He had asked for more in his budget request, and it does not appear that he was given the additional amount in the executive budget.

(General discussion as to the department and its use of technology, and the costs associated with it. The amounts of increased filings on line increase the need for technology.)

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Government Operations Division

Bill/Resolution Number HB 1006

Hearing Date January 29, 2001

Rep. Thoreson: Commented that when he was discussing this bill with the commissioner, there was a request to reinstate the \$270,00 for the multistate tax commission audit. His written testimony on page 12 states why that is. There is about a 4 to 1 return on the investment. The web site for the multistate tax commission is mtc.gov.

The chairman closed the committee work on this bill.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1006

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date January 30, 2001

Tape Number	Side A	Side B	Meter #
01-30-01 tape #1	538 - 2330		
Committee Clerk Signature <i>Kathie Hall</i>			

Minutes:

The committee was called to order, and opened committee work on HB 1006.

Chairman Byerly: This is the budget for the State Tax Commissioner. Rep. Thoreson and I worked on this, and Rep. Huether worked on this. The main concern of the Tax Commissioner was to get that Multistate Tax Commission back in the budget. They can actually realize some return on this audit. And so we spent a lot of time on this, and didn't want to spend general fund dollars to do this. We have a hard time accounting for what the return really is on this. We came up with an alternative method for handling this. We checked with OMB, Legislative Council okays the change, and we have this figured out. The plan is to give the Tax Commissioner other fund authority for a total of \$316,000. And in that \$316,000 is the Multistate Tax Audit function, the nexus function, and the membership fees to belong to the Multistate Tax Commission. As the money comes in from either the nexus system or the audit they will paying the dues from this fund, and once the dues are paid, then all the money goes into the general

fund. The net affect is the same, but its just a question of when the general fund gets the money.

Two things come out of this, one there is a much better accounting for a rate of return on the MTC stuff, because its all just added together as audit proceeds, but now, we will know exactly how the MTC is paying off. The net effect is that we don't have general fund dollars appearing in the budget except on the income side. That puts the pressure on the Commissioner to make sure the MTC generates the money to pay for itself.

Rep. Thoreson: In the audit portion, they say they get about a 4 to 1 return on money spent. On the nexus portion they get about a 30 to 1 return. This will allow us to really see what the returns actually are.

Chairman Byerly: Effectively what this does is that we don't have to come up with the \$316,000 in general fund dollars, because they are now other fund dollars.

Rep. Glassheim: Don't you deduct that from income now? Won't it reduce the income?

Chairman Byerly: Yes, but income wasn't tracked before, it was just lumped together with all audit review money. The costs are now deducted from the income generated. It becomes a pay-as-you-go kind of system, rather than us paying everything up front, and not having any idea what we get back from the investment.

Rep. Koppelman: Explain the Multistate Tax Commission please. What if the state is not a member?

Chairman Byerly: The commission goes out and does an audit on a corporation. They can determine how much that corporation's profit came out of the state of ND. As a result of that audit, the state gets a cut of the check. If not a member, the state would not get anything. The commission would not even look for ND moneys. The commission has their own auditors, and we don't need to send our own auditors to other states, unless we need to.

Rep. Huether: The commission will also notify the state if they think a special audit should be done by the state.

Rep. Thoreson: They predict on the nexus program a \$24,000 biennium cost and a return of over \$700,000, and on the audit portion we pay about \$270,000 and that's about a 4 to 1 ratio. The web site for this commission is mtc.gov.

Chairman Byerly: Nexus is if you have a presence in the state. Remember the Quill lawsuit, and they were found to have no presence in the state.

Rep. Glassheim: Is there a separate line item for the different parts?

Chairman Byerly: No, they are all one expense as part of operating expenses. The nexus and the membership expenses are already in the budget. Just the audit is being added.

Rep. Thoreson: The costs as given to him are audit at \$270,450, nexus at \$23,651, and membership was \$21,230, for two years, the total being \$315,331.

Chairman Byerly: We need to wait until Thursday afternoon to get the final draft of the amendment, to do our final vote. We can make the motion today.

Rep. Thoreson: moves to make the amendment to create the MTC fund with a total of \$316,000, and the authority of the Tax Commissioner to have spending authority of this other fund. Rep. Huether seconded.

Vote on adopting the amendment, 7 yes, 0 no.

Chairman Byerly: The other thing in this budget that we dealt with is the issue of temporary employees. The budget has a general fund line of \$153,881. The Commissioner testified to paying overtime to these people, paying more money, increasing the salaries of the part time employees. The problem I have with this is that the Tax Commissioner is being very successful in getting more on-line filings. The more successful he becomes, the fewer part time persons he

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Government Operations Division

Bill/Resolution Number HB 1006

Hearing Date January 30, 2001

needs. There is already base money for these part time persons. There is additional money in there for these part time persons. I believe we could decrease this \$150,000 by at least half without putting the commissioner into a bind. The Commissioner does not like the idea of cutting this money.

Rep. Carlisle: He remembers the part time people number to about 55.

Rep. Skarphol: Moves that we amend to cut the temporary employee funds to \$75,000.

Seconded by Rep. Thoreson.

Vote on adopting this portion of the amendment, 6 yes, 1 no. Motion carries.

Final vote on this bill is being held over until the final amendment is drafted.

The chairman closed committee work on this bill.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1006

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date February 1, 2001

Tape Number	Side A	Side B	Meter #
02-01-01 tape #1	470 - 860		
Committee Clerk Signature <i>Kathie Zell</i>			

Minutes:

The committee was called to order, and opened committee work on HB 1006.

Chairman Byerly: We have already adopted the amendment on this bill, the budget for the State Tax Commissioner. We made this change on the Multistate Tax Commission fund, and also removed out of the budget about \$78,000, plus \$44,000 general funds out of the Multistate fund. We are making the multistate fund separate. Have decreased the market adjustment, decreased the temporary wages, and decreased the multistate tax commission, all general fund dollars, to the total of \$140,855.

Rep. Thoreson: Moves a DO PASS AS AMENDED. Rep. Skarphol seconded.

Vote on the do pass as amended, 7 yes, 0 no. Motion passes.

Rep. Huether is assigned to carry the bill to the full committee.

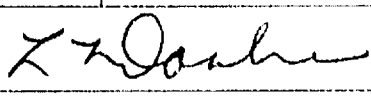
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1006

House Appropriations Committee

☐ Conference Committee

Hearing Date February 2, 2001

Tape Number	Side A	Side B	Meter #
1	x		0 - 1077
Committee Clerk Signature 			

Minutes:

Rep. Mike Timm: House Appropriations Committee was called to order at 8:00 a.m. Clerk will call the roll. All members present.

House Appropriations Committee action on HB1006.

Rep. Robert Heuther: HB1006 is the budget bill for the State Tax Commissioner. This amendment reduces the equities salary line by \$17,092 , we reduced funding for the temporary wages by \$78,882 , we also took out the funding for the multi state tax commission and we created a new line that the tax commissioners office can use collections that was retrieved from the multi state tax commission up to a cap of \$316,000, any funding received after that goes to the general fund. We also increased the special funding line. Mr. Chairman, I move these amendments. Seconded by Rep.Byerly.

Rep. Mike Timm: Any discussion? If not, all those in favor of adopting the amendments signify by saying AYE. Voice vote was taken. Motion carried the amendments are adopted.

Rep. Robert Heuther: I would like to further amend. When the budget was prepared, the governor's office took out an unfunded position #126. I move that we re-authorize the position to remain unfunded. Seconded by Rep. Carlisle.

Rep. Rex Byerly: Basically what it does, there was an FTE position that was unfunded and removed in the governor's budget and the commissioner would like to have just the FTE authorization back. He doesn't need the funding, but he needs the FTE back, because right at the moment it is occupied, isn't it?

Rep. Francis Wald: I have a bill that would move the oil and gas tax collection from the treasurer's office to your department, and you handle part of that now. How many more FTE's would you need if any, if that bill should pass?

Rick Clayburg, State Tax Commissioner: At this point we do all of the ground work for the oil and gas recording and then we certify that to the treasurer's office, and then they make the disbursements to the local subdivision's. It would require no additional FTE's and minimal at best programming in our agency.

Rep. Francis Wald: The initial information from the Industrial Commission flows to your office initially, so you have the basic information first hand, and then you give it to the treasurer's office and they write the checks and send it out to the cities, counties, and school districts. Is that correct? Response: That is correct.

Rep. Mike Tlmm: Any other discussion on the amendment to put back one FTE back into the budget?

Rep. Robert Heuther: To be fair to the Tax Commissioner, Rep. Thoreson and I on the first visit that we had, we did discuss that and I think it just slipped our mind when we had it at the Government Operations Committee, we did not discuss it there.

Rep. Mike Timm: If there is no other discussion, we will vote on that amendment. Voice Vote.

All those in favor, signify by saying Aye. Motion carried and the amendment is adopted.

Rep. Robert Heuther: I move adoption of HB1006 as amended. Seconded by Rep. Thoreson.

Rep. Mike Timm: Any Discussion?

Rep. Ken Svedjan: I just need clarification on this \$316,000. Is that money that would normally flow into the general fund. But in this case you have set up a separate fund and capped it for any excess funds would then flow into the general fund?

Rep. Rex Byerly: The multi state tax commission is a membership organization that we belong to that does audits and audit work in multiple states. What happens is when they discover in an audit that there is tax liability owed to the State of North Dakota, North Dakota ultimately ends up getting a cut of it. Prior to this all of the money for the multi state tax commission came out of the general fund and all of the proceeds came back to the general fund and they ended up being lumped into an item called Audit Returns when it flowed to the bottom line, and what we did in working with OMB, Legislative Council, and the State Tax Commissioner's office, what we came up with was that we would have a special fund item for multi state tax commission, where what would happen is, as this audit money comes in and until it reaches the \$316,000 , it would be used to pay for the multi state tax commission, and as soon as it reaches that all of the money goes into the general fund. The net effect is actually the same, the potential of the same amount of money going to the general fund is there. The trouble with the multi state tax commission audits are that we have no idea and we can't quantify the amount of money that may return to the State of North Dakota. In testimony, Commissioner Clayburg, there are three parts to the multi state tax funding, there is the membership itself, a thing called nexus, and then audit. The membership fee is indeed just that, a membership fee, its the price of playing in the game. The

nexus, is when they do these searches on these companies, if you remember what nexus means, is does that company have a presence in North Dakota, and the nexus portion of it costs us about \$20,000 if I remember correctly. Membership is \$10,000 per year. Basically what nexus does is it pays back about 30 to 1, but again we have not way of predicting what that number may be, and then the audit end of it we usually get a return of about 4 to 1, and again, working with OMB and Legislative Council and the Tax Commissioner, OMB never had any way to account for what the rate of return was on Multi State Tax Commission and that's how we came up with this approach. The net effect is that we don't spend general fund dollars up front we end up using the money as it comes in to pay for this.

Rep. Mike Timm: Any other discussion?

Rep. John Warner: A question for Rep. Byerly, Does this multi state tax commission have anything to do with the efforts of NCSL or the Internet? Response: No. This has nothing to do with it. This is just auditing of corporations, and the nexus is to see whether they have presence in the state, and the audit function is to see if any portion of their sales are taxable in the State of North Dakota.

Rep. Ole Aarsvold: The removal of the \$40,000 for membership in the multi state tax commission, is that being made up with the \$316,000 that is being proposed? Response was yes.

Rep. Mike Timm: Any other discussion? If not we will have a vote on HB1006. Roll call vote taken. (21) YES (0) NO (0) Absent. Motion passes. Rep Huether will carry the bill on the floor.

Tape at 1077. Tape 1 Side A.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB1006A**

House Appropriations Committee

☐ Conference Committee

Hearing Date **February 2, 2001**

Tape Number	Side A	Side B	Meter #
1		x	4771 - 6242
2	x		0 - 320
Committee Clerk Signature <i>ZL Douhen</i>			

Minutes:

HOUSE APPROPRIATIONS COMMITTEE ACTION ON HB1006A.

Rep. Rex Byerly: I would ask us to take a look again HB1006, I apologize. There was a mistake made in the amendment on HB1006 that we acted on just a few minutes ago. That is the State Tax Commissioner's budget, and in the narrative for the multi state tax commission portion of that stuff, there was a misunderstanding between the tax commissioner's office and all of the parties that were involved. It was caught right after we acted on the bill and if we can I would like to make a motion that we reconsider our actions HB1006, where we sent it out as a DO PASS as amended. Seconded by Rep. Carlisle.

Rep. Mike Timm: A motion has been made by Rep. Byerly to reconsider our actions by which we passed out HB1006. Seconded by Rep. Carlisle. All those in favor of that motion say AYE. Voice vote, motion carried. We have HB1006 before us. And it is still amended.

Rep. Rex Byerly: I passed out a sheet that just changes the wording to clarify, that if a money goes into the general fund as soon as the \$316,000 is satisfied. The way that it was in the amendment, it waited until the end of that biennium to be transferred. I would move this, what is the typewritten amendment as handed out. Seconded by Rep. Huether.

Rep. John Warner: I see that the new amendment replaces all references to the State Treasurer with the State Tax Commissioner. Can you explain the significance of that?

Rep. Rex Byerly: The reason for that is that the moneys are received by the State Tax Commissioner not by the State Treasurer. So the State Tax Commissioner will be the one that actually transfers it to the general fund. The State Treasurer never has her hands on the money, let's put it that way.

Rep. Pam Guleson: I just want to clarify that. Was it wrong in the first one. Response was yes.

Rep. Rex Byerly: The timing on this is that the money will come in and it comes in to the Tax Commissioner as soon as the \$316,000 is satisfied every nickel above that goes immediately to the general fund.

Rep. Mike Timm: We have a motion to amend.

Rep. John Warner: Isn't the State Treasurer mandated constitutionally to deposit all funds?

Rep. Rex Byerly: Again, the money comes to the Tax Commissioner, It comes to his audit proceeds fund. And if you take a look at the statute that's who has possession of that money, is the State Tax Commissioner.

Rep. Pam Guleson: Can we take a look at this statute?

Rick Clayburgh, State Tax Commissioner: This amendment was brought to our attention on a concern by OMB about the transfer and also the reference to the Treasurer, since the Treasurer's office does not have receipt of these dollars, this amendment was put together by our legal staff.

and to my understanding we do already transfer dollars from the Tax Department to the state general fund, and I'm not aware, but we certainly can double check that, we not aware of a constitutional mandated that only a single agency can transfer money to the general fund, I will verify that, but our legal staff did put this amendment together.

Dave, OMB: The money will still be in essence how the funds flow through state government, the Tax Commissioner will get the money and they will prepare the deposit, the deposit will still go to the state treasurer's office, the accounting of the money is in the state treasurer's office and in the tax commissioner's office, they are responsible for entering the coding and all of those kind of things, they are just a repository where a deposit slip will be brought down and they will indicate that the money is in the fund, so the treasurer's office is still in the loop and they always are in the loop with those funds moving through that office, but the tax commissioner's office is responsible for collecting the funds, properly recording the funds, keeping track of the funds, the fund balance and when the transfer will be made.

Rep. Ken Svedjan: I'm sure this amendment will be put in the proper form and style, but the amount shown on line 3 of the amendment just handed out, is one zero short. Response was that it was a typographical error in rushing to get this out this morning. The intent is \$316,000.

Rep. Ole Aarsvold: It just seems to me whenever we have language like this that the treasurer's office is always mentioned in terms of making the actual deposit. I'm not sure who can respond to that, perhaps David?

Dave, OMB: The treasurer's office will still be the place where all state government

Deposits are made. And that will continue to be the case, when the transfer to the funds will be made, it makes logical sense that the tax commissioner will be that person to do it, whereas you could avoid the step of having to tell the tax commissioner that we have reached our limit, and from now on instead of the coding going into the multi tax commission fund, the coding is going to be to the general fund, and the tax commissioner would make that determination, and there going to indicate when that happens, instead of them just telling the state treasurer's office that the coding on the deposit instead of going to fund such and such is going to fund 001.

Rep. Ole Aarsvold: I'm still uncomfortable with the language that is being suggested here, so I will vote against the amendment.

Dave, OMB: These dollars will be administered in the fund through the tax department, we will track all dollar receipts from multi state tax commission activity. If the way the amendment were written, once the \$316,000 was met the dollars would still have gone into the fund and sat until the end of the biennium and transferred out. OMB was concerned about that, and just to address that portion of it we would have no longer tracked the multi state tax commission dollars as they were receipted in, and they would have just been general fund receipts, this is an opportunity for us to, by controlling the dollars fully through the whole biennium we will know the full benefit of the multi state tax commission participation, it will be a fully funding organization. So from the standpoint of the transfer, that is not a significant issue, I don't believe.

Rep. Ole Aarsvold: If that in fact is the contentious issue, that date and time of the transfer when that \$316,000 trigger is met, that could have been easily handled with an adjustment in the last line of section 3. But apparently we have gone beyond that an inserted new language that seems to be outside of purpose intended here.

Rick Clayburgh, Tax Commissioner: That was not our original discussion, the way the section that you had already amended, would read , the dollars would then come to the treasurer's office. We are in receipt of the dollars and its the tax department, just as all other tax types, we deposit the money's that we receive into the department, this would have required the dollars to be received. Once we have those dollars, because it is a tax department fund, we are the ones who have the authority for transferring the dollars to the general fund. This is in my understanding, not hanky panky or anything, is purely a step on how all the funds are operated. We have control of that fund, because we receipt those income tax dollars. These are from sales and income tax dollars, it would be quite confusing to businesses if they had to submit multi state tax commission dollars to the treasurer's office for income tax purposes and then all none MTC dollars to the state tax department. It really is a common operating procedure. Its the way it occurs now.

Rep. Elliot Glasshelm: Currently when we pay our taxes they go to your office and your office deposits them in some fund and at some point your office transfers them to the general fund, is that the common procedure when I pay my taxes now?

Rick Clayburgh, Tax Commissioner: That is correct, when we receipt your income tax dollars we have a fund that is operated by the Bank of North Dakota, and we then authorize those dollars to be transferred through the Treasurer's office to the general fund. We do not hold dollars long within the state tax department.

Rep. Elliot Glasshelm: Where does the treasurer come in then, you have the dollars under your control and you deposit them to your account and at some point the treasurer's office does what?

Rick Clayburgh, Tax Commissioner: The treasurer's office accounts for the dollars going into the general fund, and we certify the dollars through the Bank of North Dakota to them and they

track those dollars to make sure those dollars go in. We transfer dollars now as we receipt them into our general fund revenues coming in now, come through our office and we authorize that transfer to the general fund. And the standard accounting as Dave was explaining occurs as the treasurer still has her constant responsibility of insuring that those dollars are properly transferred into the general fund. But we have to get those dollars out of our agency, and at this point the current amendment doesn't get the dollars into our agency to even make the payment of the \$316,000. The question is if it's in that fund, we need to make sure that we can get that money out of that fund for those membership dollars.

Rep. Mike Timm: Any other discussion on the proposed amendment, to further amend HB1006? All those in favor of adopting this amendment say AYE. Voice Vote. Motion carried amendment is adopted. Rep. Byerly moves a DO PASS as amended, seconded by Rep. Thoreson. Any discussion? Clerk will take the roll on HB1006 with the amendments. Motion passes with the following vote totals: YES (18) NO (1) ABSENT and not voting (2). Rep Heather will carry the bill to the floor.

End of action on HB1006A

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB1006B**

House Appropriations Committee

☐ Conference Committee

Hearing Date February 7, 2001

Tape Number	Side A	Side B	Meter #
1	x		0 - 857
Committee Clerk Signature <i>L. J. Dasher</i>			

Minutes:

HOUSE APPROPRIATIONS COMMITTEE ACTION ON HB1006B.

Rep. Mike Timm: The first thing that we are going to do is reconsider our actions on HB1006, the tax commissioner is here and this is the tax commissioner's budget bill, there was a mistake made on the amendments that were adopted here last week by our committee, and in your book you have a new set of amendments numbered .0103, and those would be the new amendments that we have to adopt and it clears up the language that we have to adopt which clears up the language in section 3 of those amendments, so the first thing I will need is a motion to reconsider the action by which we passed out HB1006. Moved by Rep. Heuther, Seconded by Rep. Warner. All those in favor of that motion say AYE. Motion carried. Now we have the bill before us, and now we have to reconsider the action by which we amended HB1006. Moved by Rep. Glassheim, Seconded by Rep. Skarphol. All those in favor of that motion say AYE. Motion carried. We now

have HB1006 before us una mended. And to explain the difference of what happened we have the state tax commissioner here to do so.

Rick Clayburgh, State Tax Commissioner: I apologize that HB1006 is back in front of you, this actually occurred because of some miscommunication of what the intent was of the original amendments. When I and our staff originally visiting with the conference committee and the sub section on governmental operations, I was under the impression that all of the proceeds coming in from the multi state tax commission activities were going to go into a special fund, and apparently when the action occurred in the sub committee which we were not present at , the discussion was only the dollars up to \$316,000 are going to go into that fund. OMB and the Tax Dept. When we first saw the amendments just after you had acted on them, we thought that this is not working the way I thought the intent was supposed to be, and that's where we starting working to get those amendments drawn up that day that you reenacted on that plain sheet of paper, it was really a misunderstanding and miscommunication of what the intent of how many dollars were going into that fund, because of that the original amendments that you had before you were sufficient to address the needs of the tax department and the concerns of OMB, as you have the proposed amendments in front of you now, the tax department will designate up to \$316,000 from our activity in the multi state tax commission to be deposited by the treasurer's office into the multi state tax commission fund and that at the end of the biennium its anticipated there will be about \$600 left in the fund. Our bills for the next two years are \$315,300 and so OMB no longer has the concern either, they thought we would have a Million or Two Million dollars setting in this to be transferred at the end of the biennium when they need the money throughout the biennium. So this isn't any concern anymore that given the intent that we are only transferring up to \$316,000 into this fund. There was one word removed from the section 3.

from which you originally had, and it was the word "audit". We are involved in more than just audit activities with the MTC that bring in dollars to the state and just by removing the word audit and just saying any collections attributable to the MTC will address our needs. There is one other amendment on this bill up on page 1 line 9 after funds, this is in section 1. It inserts the wording "and other funds". Otherwise the legislative intent in section 1 would only have allowed us to spend general funds dollars, appropriated, or federal fund dollars and it would not have actually given us the full authority these other fund dollars which are coming from the MTC activity. So Mr. Chairman this does clear up all the concerns that everyone had concerning our bill and I apologize as it was a misunderstanding on our behalf on what the original intent was from the sub committee. As the bill stands before you now, it does not have the voice amendment that enacted on in your full hearing the other day to reauthorize position number 126. With a voice vote on that again counsel will make these amendments clear and you will have a clean copy in front of you.

Rep. Mike Timm: Any questions? Jim Smith, putting that position back in, can that be part of this amendment? It's not in this current amendment right?

Jim Smith, Legislative Council: That's correct, with your permission, would be to go back and basically it would be reflected in the statement of purpose.

Rep. Mike Timm: There was a motion made to strip all amendments from the bill, so there is no amendments on the bill right now. So a motion would have to be made to put that position back in. Response: We would redo the amendment to reflect that and get it down. Any discussion on the amendment?

Rep. Elliot Glassheim: The amounts collected through this audit and over the \$316,000 how is that handled? Does that just go through the normal channels?

Rick Clayburgh, Tax Commissioner: One of the reasons we had the original concern is because we do have state aid distribution dollars that come out of sales tax activity. Anything up to the first \$316,000 collected by the Multi State Tax Commission activities will go into this fund, and all other dollars over and above \$316,000 will just follow the normal channels through the tax department as we currently do.

Rep. Mike Timm: I need a motion to adopt the amendments numbered 18006, 0103. Moved by Rep. Wald, Seconded by Rep. Glassheim. Any discussion? All those in favor of adopting these amendments say AYE. Voice vote and motion carried. These amendments are adopted. Rep. Huether you originally made the motion to put that FTE back in unfunded. Do you want to make that motion again? Moved by Rep. Huether, Seconded by Rep. Skarphol to allow the tax department that FTE unfunded and that will be incorporated in the total amendments. Any discussion on that?

Rep. Jeff Delzer: Was the governor's recommendation removed too and that just puts one FTE back unfunded?

Rick Clayburgh, Tax Commissioner: When we put our 100% budget together, we put together the request to the governor that we eliminated one position and unfunded one position, and through the executive budget process they pulled both positions out because there were no funds associated with it, and I brought that to the attention of OMB after the budget was prepared and they said it was our practice to pick up all unfunded positions. So we brought that out to the sub committee, talked to the committee and it was just an item that wasn't brought up in the sub committee's discussion. Yes, it was not in the executive budget but I don't believe that was the intent of anyone, we were just getting rid of the dollars to hit the 100% budget.

Page 5

House Appropriations Committee

Bill/Resolution Number HB1006B

Hearing Date February 7, 2001

Rep. Mike Tamm: Any other discussion? I have a motion to adopt that amendment. All those in favor of adopting the amendment made by Rep. Huether say AYE. Motion carried the amendment is adopted. I need a motion to adopt the bill. Motion made by Rep. Huether to adopt the bill, seconded by Rep. Thoreson. Any discussion? Clerk will call the roll. YES (20) NO (0) ABSENT and not voting (1). Motion passes and Rep. Huether will carry the bill to the floor.

End of committee action on HB1006B.

FISCAL NOTE
 Requested by Legislative Council
 12/14/2000

Bill/Resolution No.: HB 1006

Amendment to:

1A. 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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Section 3 of HB 1006 increases the salary of the Tax Commissioner by \$11,583 for the 2001-03 biennium. This amount is contained in the appropriation in Section 1 of the bill.

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, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	01/04/2001

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1006

Page 1, line 3, after "credit" insert "; to provide for allocations to the multistate tax compact fund"

Page 1, line 14, replace "12,950,176" with "12,854,202"

Page 1, line 15, replace "4,327,342" with "4,282,461"

Page 1, line 18, replace "393,729" with "393,729"

Page 1, after line 18, insert:

"Multistate tax commission 316,000"

Page 1, line 19, replace "17,956,247" with "18,131,392"

Page 1, line 20, replace "393,729" with "709,729"

Page 1, line 21, replace "17,562,518" with "17,421,663"

Page 2, after line 8, insert:

"SECTION 3. MULTISTATE TAX COMMISSION FUND. Notwithstanding any other provision of law, during the 2001-03 biennium the tax commissioner shall designate up to \$316,000 of revenue from audit collections attributable to participation in the multistate tax compact for deposit in the multistate tax commission fund and, upon receipt of funds so designated, the state treasurer shall deposit those funds in the multistate tax commission fund. The state treasurer shall transfer any balance in the multistate tax commission fund on June 30, 2003, to the state general fund."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1006 - Summary of House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Homestead tax credit			
Total all funds	\$4,540,813	\$0	\$4,540,813
Less estimated income			
General fund	<u>\$4,540,813</u>	<u>\$0</u>	<u>\$4,540,813</u>
State Tax Commissioner			
Total all funds	\$17,956,247	\$175,145	\$18,131,392
Less estimated income	<u>393,729</u>	<u>316,000</u>	<u>709,729</u>
General fund	\$17,562,518	(\$140,855)	\$17,421,663
Bill Total			
Total all funds	\$22,497,060	\$175,145	\$22,672,205
Less estimated income	<u>393,729</u>	<u>316,000</u>	<u>709,729</u>
General fund	\$22,103,331	(\$140,855)	\$21,962,476

House Bill No. 1006 - State Tax Commissioner - House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$12,950,176	(\$95,974)	\$12,854,202
Operating expenses	4,327,342	(44,881)	4,282,461
Equipment	235,000		235,000
City tax administration fees	50,000		50,000
Motor fuels federal grant	393,729		393,729
MTC fund		316,000	316,000
Total all funds	\$17,956,247	\$175,145	\$18,131,392
Less estimated income	393,729	316,000	709,729
General fund	\$17,562,518	(\$140,855)	\$17,421,663
FTE	142.00	0.00	142.00

Dept. 127 - State Tax Commissioner - Detail of House Changes

	ADJUST MARKET EQUITY SALARY INCREASE ¹	REDUCES FUNDING FOR TEMPORARY WAGES	REDUCES FUNDING FOR MULTISTATE TAX COMMISSION ²	INCREASES SPECIAL FUNDING FROM AUDIT REVENUES ³	TOTAL HOUSE CHANGES
Salaries and wages	(\$17,092)	(\$78,882)			(\$95,974)
Operating expenses			(\$44,881)		(44,881)
Equipment					
City tax administration fees					
Motor fuels federal grant					
MTC fund				\$316,000	316,000
Total all funds	(\$17,092)	(\$78,882)	(\$44,881)	\$316,000	\$175,145
Less estimated income				316,000	316,000
General fund	(\$17,092)	(\$78,882)	(\$44,881)	\$0	(\$140,855)
FTE	0.00	0.00	0.00	0.00	0.00

¹ This amendment reduces, from \$24,268 to \$7,170, the amount provided for a market equity salary increase for the State Tax Commissioner. The amount included in the bill will provide for a monthly increase of \$341 per month for the last 18 months of the biennium.

² Removes funding for the general membership and the nexus program portion of the Multistate Tax Commission fees from operating expenses.

³ Funding is added for costs associated with membership in the Multistate Tax Commission, including membership in the audit program. A section is added providing for a Multistate Tax Commission fund consisting of audit collections from the Multistate Tax Commission. The State Tax Commissioner is authorized to spend up to \$316,000 from the Multistate Tax Commission fund and the remaining balance is transferred to the general fund. Representations of the Tax Department indicate that membership in this commission will result in additional revenues of \$316,000 for deposit in the Multistate Tax Commission fund for the 2001-03 biennium in excess of the amount included in the executive budget recommendation.

Date: 1-30-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1006

House Appropriations - Government Operations Division Committee

☒ Subcommittee on ~~Appropriations~~ Govt. Operations
or
☐ Conference Committee

Legislative Council Amendment Number 18006.0101

Action Taken to adopt amendments

Motion Made By Rep. Thoreson Seconded By Rep. Huether

Representatives	Yes	No	Representatives	Yes	No
Rep. Rex R. Byerly - Chairman	✓		Rep. Eliot Glassheim	✓	
Rep. Ron Carlisle - Vice Chairman	✓		Rep. Robert Huether	✓	
Rep. Kim Koppelman	✓				
Rep. Bob Skarphol	✓				
Rep. Blair Thoreson	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment

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

to create an MTC fund which will have a ceiling

Date: 1-30-01
Roll Call Vote #: 2

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1006

House Appropriations - Government Operations Division Committee

☒ Subcommittee on ~~Appropriations~~ Govt Operations
or
☐ Conference Committee

Legislative Council Amendment Number 18006.0101

Action Taken to adopt amendment

Motion Made By Rep. Skarphol Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Rep. Rex R. Byerly - Chairman	✓		Rep. Eliot Glassheim	✓	
Rep. Ron Carlisle - Vice Chairman		✓	Rep. Robert Huether	✓	
Rep. Kim Koppelman	✓				
Rep. Bob Skarphol	✓				
Rep. Blair Thoreson	✓				

Total (Yes) 6 No 1

Absent 0

Floor Assignment

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

to reduce the temp. employee fund
to \$75,000.

Date: 2-1-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. *1006*

House Appropriations - Government Operations Division Committee

☒ Subcommittee on Government Operations

or
☐ Conference Committee

Legislative Council Amendment Number 18006.0101

Action Taken

Motion Made By

Seconded

By

[illegible]

Total (Yes) 7 No 0

Absent 

Floor Assignment Keo. Huether

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

Date: 02-02-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB1006

House APPROPRIATIONS Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS AS AMENDED

Motion Made By HUETHER Seconded By THORESON

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman	✓				
Wald - Vice Chairman	✓				
Rep - Aarsvold	✓		Rep - Koppelman	✓	
Rep - Boehm	✓		Rep - Martinson	✓	
Rep - Byerly	✓		Rep - Monson	✓	
Rep - Carlisle	✓		Rep - Skarphol	✓	
Rep - Delzer	✓		Rep - Svedjan	✓	
Rep - Glassheim	✓		Rep - Thoreson	✓	
Rep - Gulleeson	✓		Rep - Warner	✓	
Rep - Huether	✓		Rep - Wentz	✓	
Rep - Kempenich	✓				
Rep - Kerzman	✓				
Rep - Kliniske	✓				

Total (Yes) 21 No 0

Absent 0

Floor Assignment HUETHER

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

to B. J. King

Article 201

10/10/00

Section 3. Multistate Tax Commission Fund. Notwithstanding any other provision of law, during the 2001-2003 biennium the tax commissioner shall designate up to \$316,00 of revenue from audit collections attributable to participation in the multistate tax compact for deposit in the multistate tax commission fund, and upon receipt of funds so designated, the tax commissioner shall deposit those funds in the multistate tax commission fund. The tax commissioner shall transfer any receipts in excess of the designated \$316,000 to the state general fund at any time during the 2001-2003 biennium.

February 2, 2001

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1006

Page 1, line 3, after "credit" insert "; to provide for allocations to the multistate tax compact fund"

Page 1, line 14, replace "12,950,176" with "12,854,202"

Page 1, line 15, replace "4,327,342" with "4,282,461"

Page 1, line 18, replace "393,729" with "393,729"

Page 1, after line 18, insert:

"Multistate tax commission

316,000"

Page 1, line 19, replace "17,956,247" with "18,131,392"

Page 1, line 20, replace "393,729" with "709,729"

Page 1, line 21, replace "17,562,518" with "17,421,663"

Page 2, after line 8, insert:

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Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

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State Tax Commissioner			
Total all funds	\$17,956,247	\$175,145	\$18,131,392
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General fund	<u>\$17,562,518</u>	<u>(\$140,855)</u>	<u>\$17,421,663</u>
Bill Total:			
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FTE	142.00	1.00	143.00

Dept. 127 - State Tax Commissioner - Detail of House Changes

	ADJUST MARKET EQUITY SALARY INCREASE ¹	REDUCE FUNDING FOR TEMPORARY WAGES	REDUCE FUNDING FOR MULTISTATE TAX COMMISSION ²	INCREASE SPECIAL FUNDING FROM AUDIT REVENUES ³	RESTORE AN AUDITOR II POSITION ⁴	TOTAL HOUSE CHANGES
Salaries and wages	(\$17,092)	(\$78,882)				(\$95,974)
Operating expenses			(\$44,881)			(44,881)
Equipment						
City tax administration fees						
Motor fuels federal grant						
MTC fund				\$316,000		316,000
Total all funds	(\$17,092)	(\$78,882)	(\$44,881)	\$316,000	\$0	\$175,145
Less estimated income				316,000		316,000
General fund	(\$17,092)	(\$78,882)	(\$44,881)	\$0	\$0	(\$140,855)
FTE	0.00	0.00	0.00	0.00	1.00	1.00

¹ This amendment reduces, from \$24,268 to \$7,176, the amount provided for a market equity salary increase for the State Tax Commissioner. The amount included in the bill will provide for a monthly increase of \$341 per month for the last 18 months of the biennium.

² Removes funding for the general membership and the nexus program portion of the Multistate Tax Commission fees from operating expenses.

³ Funding is added for costs associated with membership in the Multistate Tax Commission, including membership in the audit program. A section is added providing for a Multistate Tax Commission fund consisting of audit collections of up to \$316,000 from the multistate tax compact. The State Tax Commissioner is authorized to spend up to \$316,000 from the Multistate Tax Commission fund, and any remaining balance is transferred to the general fund. Representatives of the Tax Department indicate that membership in this commission will result in additional revenues of \$316,000 for deposit in the Multistate Tax Commission fund for the 2001-03 biennium in excess of the amount included in the executive budget recommendation.

⁴ Restores an auditor II position with no related funding.

Date: 02-02-01
Roll Call Vote #: 2

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB1006

House APPROPRIATIONS Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS AS FURTHER AMENDED

Motion Made By BYERLY Seconded By HUETHER

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman	✓				
Wald - Vice Chairman	✓				
Rep - Aarsvold	✓		Rep - Koppelman	✓	
Rep - Boehm	✓		Rep - Martinson	✓	
Rep - Byerly	✓		Rep - Monson	✓	
Rep - Carlisle	✓		Rep - Skarphol	✓	
Rep - Delzer	✓		Rep - Svedjan	✓	
Rep - Glassheim	✓		Rep - Thoreson	✓	
Rep - Gulleason		✓	Rep - Warner	✓	
Rep - Huether	✓		Rep - Wentz	✓	
Rep - Kempenich	✓				
Rep - Kerzman					
Rep - Kliniske	✓				

Total (Yes) 19 No 1

Absent 1

Floor Assignment HUETHER

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

Date: 2-7-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB1006 (B) A

House APPROPRIATIONS Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS AS AMENDED

Motion Made By HUETHER Seconded By THORESON

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman	✓				
Wald - Vice Chairman	✓				
Rep - Aarsvold	✓		Rep - Koppelman		
Rep - Boehm	✓		Rep - Martinson	✓	
Rep - Byerly	✓		Rep - Monson	✓	
Rep - Carlisle			Rep - Skarphol	✓	
Rep - Delzer	✓		Rep - Svedjan	✓	
Rep - Glassheim	✓		Rep - Thoreson	✓	
Rep - Gulleason	✓	✓	Rep - Warner	✓	
Rep - Huether	✓		Rep - Wentz	✓	
Rep - Kempenich	✓				
Rep - Kerzman	✓				
Rep - Kliniske	✓				

Total (Yes) 18 No 1

Absent 2

Floor Assignment HUETHER

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

you decide which is right A or B? left!

Date: 2/7/01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB1006B

House APPROPRIATIONS

Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken _____

Motion Made By REP HUETHER Seconded
By REP THORESON

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman	✓				
Wald - Vice Chairman	✓				
Rep - Aarsvold	✓		Rep - Koppelman	✓	
Rep - Boehm	✓		Rep - Martinson	✓	
Rep - Byerly	✓		Rep - Monson	✓	
Rep - Carlisle	✓		Rep - Skarphol	✓	
Rep - Delzer	✓		Rep - Svedjan	✓	
Rep - Glassheim	✓		Rep - Thoreson	✓	
Rep - Gulleson	✓		Rep - Warner	✓	
Rep - Huether	✓		Rep - Wentz	✓	
Rep - Kempenich	✓				
Rep - Kerzman	✓				
Rep - Kliniske	✓				

Total (Yes) 20 No 0

Absent 1

Floor Assignment REP HUETHER

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

REPORT OF STANDING COMMITTEE

HB 1004: Appropriations Committee (Rep. Tamm, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (19 YEARS, 0 DAYS, 2 ABSENT AND NOT VOTING). HB 1004 was placed on the Sixth order on the calendar.

Page 1, line 10, replace "5,716,616" with "5,855,615"

Page 1, line 11, replace "775,320" with "745,320"

Page 1, line 13, replace "6,570,906" with "6,679,905"

Page 1, line 15, replace "4,425,069" with "4,534,068"

Page 1, line 17, replace "\$1,234,548" with "\$1,288,567"

Page 1, line 19, replace "\$1,234,548" with "\$1,288,567"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1004 - State Auditor - House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$5,716,616	\$138,989	\$5,855,615
Operating expenses	775,320	(30,000)	745,320
Equipment	78,970	—	78,970
Total all funds	\$6,570,906	\$108,989	\$6,679,905
Less estimated income	2,145,837	—	2,145,837
General fund	\$4,425,069	\$108,989	\$4,534,068
FTE	53.00	2.00	55.00

Dept. 117 - State Auditor - Detail of House Changes

	ADD 2 FTE AUDITOR 1 POSITIONS - TRANSFER FROM OPERATING	ADJUST MARKET EQUITY SALARY INCREASES	TOTAL HOUSE CHANGES
Salaries and wages	\$140,000 (\$1,000)	\$108,989 (\$0,000)	\$248,989
Operating expenses	(30,000)	—	(30,000)
Equipment	—	—	—
Total all funds	\$110,000 (\$1,000)	\$108,989	\$218,989
Less estimated income	—	—	—
General fund	\$110,000 (\$1,000)	\$108,989	\$218,989
FTE	2.00	0.00	2.00

1. This amendment reduces 2 FTE auditor 1 positions unfunded in this agency's basic budget request and claims in the State and General Fund accounts. This amendment transfers \$20,000 from operating expenses to salaries and wages to partially fund the \$140,000 general fund cost of the positions.

2. This amendment reduces, from \$4,425 to \$4,401, the amount provided for a market equity salary increase for the State Auditor. The amount reduced on the bill will provide for a monthly increase of \$162 per month for the last 18 months of the term.

In Section 2 of the bill, the amount of estimated income to be generated from political subdivision audit fees is increased by \$54,019, the amount of the executive budget compensation package funded from the collection of these audit fees, to match the amount appropriated in Section 1 of the bill.

REPORT OF STANDING COMMITTEE

HB 1006: Appropriations Committee (Rep. Tamm, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (19 YEARS, 0 DAYS, 2 ABSENT AND NOT VOTING). HB 1006 was placed on the Sixth order on the calendar.

Page 1, line 3, after "credit" insert "; to provide for allocations to the multistate tax compact fund"

Page 1, line 9, after "funds" insert "and other income"

Page 1, line 14, replace "12,950,176" with "12,854,202"

Page 1, line 15, replace "4,327,342" with "4,282,461"

Page 1, line 18, replace "393,729" with "383,729"

Page 1, after line 18, insert:

"Multistate tax commission

Page 1, line 19, replace "17,956,247" with "18,131,392"

Page 1, line 20, replace "393,729" with "709,729"

Page 1, line 21, replace "17,562,518" with "17,421,663"

Page 2, line 3, replace "22,103,331" with "21,962,476"

Page 2, after line 8, insert:

"SECTION 3. MULTISTATE TAX COMMISSION FUND. Notwithstanding any other provision of law, during the 2001-03 biennium the tax commissioner shall designate up to \$316,000 of revenue from collections attributable to participation in the multistate tax compact for deposit in the multistate tax commission fund and, upon receipt of funds so designated, the state treasurer shall deposit those funds in the multistate tax commission fund. The state treasurer shall transfer any balance in the multistate tax commission fund on June 30, 2003, to the state general fund."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1006 - Summary of House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Homestead tax credit	\$4,540,813	\$0	\$4,540,813
Less estimated income	\$4,540,813	—	\$4,540,813
General fund	\$0	\$0	\$0
State Tax Commissioner	\$17,562,518	\$175,145	\$17,737,663
Total all funds	\$17,562,518	\$175,145	\$17,737,663
Less estimated income	383,729	—	383,729
General fund	\$17,178,789	(\$140,854)	\$17,037,935
Ball Total	\$22,487,060	\$175,145	\$22,662,205
Total all funds	\$22,487,060	\$175,145	\$22,662,205
Less estimated income	383,729	—	383,729
General fund	\$22,103,331	(\$140,854)	\$21,962,476

House Bill No. 1006 - State Tax Commissioner - House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$12,850,176	(\$86,974)	\$12,763,202
Operating expenses	4,327,342	(44,881)	4,282,461
Equipment	235,000	—	235,000
City tax administration fees	50,000	—	50,000
Motor fuel sales tax grant	383,729	—	383,729
MTC fund	—	316,000	316,000
Total all funds	\$17,846,247	\$175,145	\$18,021,392
Less estimated income	383,729	—	383,729
General fund	\$17,462,518	(\$140,854)	\$17,321,663
FTE	142.00	1.00	143.00

Dept. 127 - State Tax Commissioner - Detail of House Changes

	REDUCE FUNDING FOR TEMPORARY WAGES	REDUCE FUNDING FOR MULTISTATE TAX COMMISSION 2	INCREASE SPECIAL FUNDING FROM ALLOT POSITION 4	INCREASE REVENUES 3	RESTORE AN ALLOT POSITION 4	TOTAL HOUSE CHANGES
Salaries and wages	(\$17,082)	—	—	—	—	(\$17,082)
Operating expenses	—	—	—	—	—	—
Equipment	—	—	—	—	—	—
City tax administration fees	—	—	—	—	—	—
Motor fuel sales tax grant	—	—	—	—	—	—

JOURNAL OF THE HOUSE

23rd DAY

HTC Fund					
Total all funds	\$17,092	\$276,892	\$216,000		\$15,000
Less estimated income				\$0	\$175,145
General fund	\$17,092	\$276,892	\$216,000		\$15,000
FTE	0.00	0.00	\$0	\$0	\$140,850
	0.00	0.00	0.00	1.00	1.00

* This amendment reduces from \$24,268 to \$7,175 the amount provided for a medical equity salary increase for the State Tax Commission. The amount included in this bill will provide for a monthly accrual of \$241 per month for the last 18 months of the biennium.

2. Remove funding for the general membership and the caucus program portion of the Multistate Tax Commission fees from operating expenses.

3. Funding is added for costs associated with membership in the Multistate Tax Commission, including membership in the audit program. A section is added providing for a Multistate Tax Commission fund consisting of collections of up to \$316,000 from the Multistate Tax Commission. The State Tax Commission is authorized to spend up to \$316,000 from the Multistate Tax Commission fund, and any remaining balance is transferred to the State general fund. Appropriations of the Tax Department indicate that membership in the Commission will result in additional revenues of \$316,000 for deposit in the Multistate Tax Commission fund for the 2001-03 biennium in excess of the amount included in the executive budget recommendation.

4. Remove an author if position but provides no funding.

REPORT OF STANDING COMMITTEE

HB 1014: Appropriations Committee (Rep. Timm, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (21 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1014 was placed on the Sixth order on the calendar.

Page 1, line 10, replace "2,574,768" with "2,948,096"

Page 1, line 11, replace "1,693,022" with "2,171,548"

Page 1, line 12, replace "881,746" with "776,548"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Protection and Advocacy Project - House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Protection and Advocacy services	\$2,574,768	\$273,328	\$2,848,096
Total all funds	\$2,574,768	\$273,328	\$2,848,096
Less estimated income	1,693,022	478,536	2,171,548
General fund	\$881,746	\$103,198	\$776,548
FTE	22.00	1.50	23.50

Dept. 360 - Protection and Advocacy Project - Detail of House Changes

	AGAINST MARKET EQUITY SALARY INCREASE 1	FUNDING SOURCE CHANGE 2	PROVIDE FUNDING FOR FTE 3	SOCIAL SECURITY ADMINISTRATION FUNDING 4	TOTAL HOUSE CHANGES
Protection and Advocacy services	\$2,347		\$42,973	\$233,000	\$273,328
Total all funds	\$2,347	\$0	\$42,973	\$233,000	\$273,328
Less estimated income	0	102,051	142,675	203,000	478,536
General fund	\$2,347	\$102,051	\$0	\$0	\$106,198
FTE	0.00	0.00	1.50	0.00	1.50

1. This amendment reduces from \$10,313 to \$7,965 the amount provided for a medical equity salary increase for the director. The amount included in this bill will provide for a monthly accrual of \$379 and a lump sum increase of \$379 for the last 18 months of the biennium.

2. Adjustment related to medical equity salary increase for the last 18 months of the biennium.

3. Provides federal funding for 1.5 FTE for the increased responsibilities associated with and to implement the protection and advocacy of individuals with mental illness (PMA) program.

4. This amendment is amended by \$233,000 to provide the agency with authority to accept and spend federal funds available from the Social Security Administration.

REPORT OF STANDING COMMITTEE

HB 1020: Appropriations Committee (Rep. Timm, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (19 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1020 was placed on the Sixth order on the calendar.

Page 1, line 10, replace "4,717,780" with "4,735,223"

23rd DAY

THURSDAY, FEBRUARY 8, 2001

403

Page 1, line 17, replace "1,398,844" with "1,381,401"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1020 - Historical Society - House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$4,717,780	\$17,443	\$4,735,223
Operating expenses	1,129,324		1,129,324
Capital improvements	1,129,324		1,129,324
Grants	1,129,324		1,129,324
Capital improvements - Fort Buford	445,596		445,596
Yellowstone-Massachusetts Union	3,543,180		3,543,180
Commission	4,727		4,727
Lewis and Clark Bicentennial	1,298,844	(17,443)	1,281,401
Total all funds	\$12,624,348	\$0	\$12,624,348
Less estimated income	5,984,946		5,984,946
General fund	\$7,039,402	\$0	\$7,039,402
FTE	56.00	(1.00)	55.00

Dept. 701 - Historical Society - Detail of House Changes

	REMOVE NEW FTE TRANSFER TO HISTORICAL SOCIETY	TOTAL HOUSE CHANGES
Salaries and wages	\$17,443	\$17,443
Operating expenses		
Equipment		
Capital improvements		
Grants		
Capital improvements - Fort Buford		
Yellowstone-Massachusetts Union	(17,443)	(17,443)
Commission	\$0	\$0
Lewis and Clark Bicentennial		
Total all funds	\$0	\$0
Less estimated income		
General fund	\$0	\$0
FTE	(1.00)	(1.00)

1. This amendment removes a one FTE historic site supervisor position included in the Schedule and Modern Budget Recommendations as part of the Lewis and Clark Bicentennial initiative. The Schedule and Modern Budget Recommendations include a general fund appropriation of \$17,443 to the Historic Society for the position. The position is transferred from the Lewis and Clark Bicentennial line item to the salaries and wages line item with the historic society funding schedule for position No. 52, a historical archaeologist (classified as a historic division director position which the agency has had difficulty filling).

REPORT OF STANDING COMMITTEE

HB 1021: Appropriations Committee (Rep. Timm, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (20 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1021 was placed on the Sixth order on the calendar.

Page 1, line 15, replace "2,17 - 070" with "2,008,000"

Page 1, line 18, replace "14,842,006" with "14,675,936"

Page 1, line 20, replace "7,445,036" with "7,278,936"

Page 1, line 23, replace "364,583" with "377,083"

Page 1, line 24, replace "364,583" with "377,083"

Page 2, line 1, replace "7,609,589" with "7,656,019"

Page 2, line 3, replace "15,206,589" with "15,053,019"

Page 2, replace lines 4 through 11 with:

"SECTION 2. FUNDING - INTERNATIONAL PEACE GARDEN AND THE INTERNATIONAL PEACE GARDEN FOUNDATION. The director of the parks and recreation department shall transfer from the amount appropriated in the International Peace Garden line item in subdivision 2 of section 1 of this Act a total of \$364,583 to

2001 SENATE APPROPRIATIONS

HB 1006

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1006

Senate Appropriations Committee

☐ Conference Committee

Hearing Date February 14, 2001

Tape Number	Side A	Side B	Meter #
Tape #1		x	12.3-50.9
Tape #2	x		0.0-6.1
Committee Clerk Signature <i>James R. Dittus</i>			

Minutes:

Senator Nething opened the hearing on HB1006 - Office of the State Tax Commissioner.

Rick Clayburg, State Treasurer presented the budget documentation (a copy of written testimony is attached). He introduced members of his staff.

Charles Krueger, State Supervisor of Assessments and the Director of the Property Tax Division of the Office of State Tax Commissioner presented testimony regarding the Homestead Property Tax Credit Program (a copy of his written testimony is attached).

Senator Holmberg: Table regarding eligible folks: as social security payments increase -- we continue to increase qualifying ceiling -- more elderly in state now; constant drop; need to look at income ceiling? Assist those who need help? Look at ceiling?

Charles Krueger: Approximate decrease: example 2nd to last page, 1995-99 15,500 limit; not increased until 2000 (less than 1% increase per yr.).

Senator Holmberg: If we raise level? Effect on the budget --tight? Take look for next year, present information to OMB -- suggest change in max. cap? Increase in income, expenses go up -- would you look at all this?

Charles Krueger: Can certainly look.

Senator Holmberg: Citizens over 50 -- would be better to keep them in their own homes rather than having them in assistance living?

Senator Solberg: What would 1 million state wide?

Charles Krueger: Believe slightly over 1 million --- look for exact number.

Senator Solberg: Satisfied with security when filing tax on line?

Rick Clayburg: Yes.

Senator Solberg: Marriage penalty tax cost?

Rick Clayburg: There are 109 marriage penalties -- 9 million adjustment.

Senator Andrist: Fee for electronic filing?

Rick Clayburg: No, current federal and state filing done at the same time. There is a charge by the third party when preparing one's tax forms -- we are looking at a computer program that would allow an individual to submit directly to the office at no charge.

Senator Thane: Reasonable, 4% okay?

Charles Krueger: 4% and 20% are reasonable. 20% still represents rent paid for property tax.

Senator Heitkamp: Hearing 1.4 million back? Why continue budget?

Rick Clayburg: Not sure where that 1.4 came from -- our projected amount is 150 thousand.

Senator Heitkamp: 50 thousand for study -- # of initiatives to study tax -- some done in that study, why wasn't it made available to legislators early in the session?

Rick Clayburg: Our objective the first part of the session was to get the report out -- additional meetings delayed the final decision; then problems with the printing -- poor quality and the end of January we returned it for reprinting. Hopefully we will have it available for the leadership next week.

Senator Heitkamp: Decoupling --- what feds do impact us -- important .that we get the information.

Rick Clayburg: I've testified at various committees regarding the report -- with the tax system this has taken time -- appropriate that it become available to legislators now, takes approximately one hour to read.

Terry Traynor (Lobbyist # 112), North Dakota Association of Counties, presented testimony on behalf of the county officials of ND, in support for the funding of the Homestead Tax Credit Program contained in HB1006 (a copy of his written testimony is attached).

No additional testimony; hearing closed by Senator Nething.

4-2-01 Full Committee Action (Tape 2, Side B, Metere # 1.8 - 9.2)

Senator Kringstad, Subcommittee Chair, reviewed the bill, testimony and the Subcommittee's recommendations. Amendments #18006.0201 were distributed and Senator Kringstad went through them; discussion on the amendments. Senator Kringstad moved the amendments be adopted; seconded by Senator Schobinger; discussion. Call for the vote: Voice Vote: Carried (Senator Heitkamp wished to have his no recorded).

Discussion on the bill as amended. Call for the vote: Roll Call Vote: Senator Kringstad moved a DO PASS AS AMENDED; Senator Tallackson seconded. Discussion; call for the vote: Roll Call Vote: 13 yes; 1 no; 0 absent and not voting.

Senator Kringstad accepted the floor assignment.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1006

Page 2, line 5, replace "21,962,476" with "22,262,476"

Page 2, after line 17, Insert:

"SECTION 4. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$300,000, or so much of the sum as may be necessary, to the state tax commissioner for the costs related to implementation of the provisions of House Bill No. 1399, for the biennium beginning July 1, 2001, and ending June 30, 2003."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Dept. 127 - State Tax Commissioner - Senate Action

This amendment provides an appropriation of \$300,000 from the general fund to the State Tax Commissioner for the costs related to implementation of the provisions of House Bill No. 1399, relating to the decoupling of the state income tax.

Date: 4-2-01

Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 1006

Senate Appropriations Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number 1800 (w.o. 201)

Action Taken As per amendment

Motion Made By Senator Kringstad Seconded By Senator Holmberg

Senators	Yes	No	Senators	Yes	No
Dave Nething, Chairman	✓				
Ken Solberg, Vice-Chairman	✓				
Randy A. Schobinger	✓				
Elroy N. Lindaas	✓				
Harvey Tallackson	✓				
Larry J. Robinson	✓				
Steven W. Tomac		✓			
Joel C. Heltkamp	✓				
Tony Grindberg	✓				
Russell T. Thane	✓				
Ed Kringstad	✓				
Ray Holmberg	✓				
Bill Bowman	✓				
John M. Andrist	✓				

Total Yes 13 No 1

Absent 0

Floor Assignment Senator Kringstad

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

REPORT OF STANDING COMMITTEE

HB 1006, as engrossed: Appropriations Committee (Sen. Nething, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). Engrossed HB 1006 was placed on the Sixth order on the calendar.

Page 2, line 5, replace "21,962,476" with "22,262,476"

Page 2, after line 17, insert:

"SECTION 4. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$300,000, or so much of the sum as may be necessary, to the state tax commissioner for the costs related to implementation of the provisions of House Bill No. 1399, for the biennium beginning July 1, 2001, and ending June 30, 2003."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Dept. 127 - State Tax Commissioner - Senate Action

This amendment provides an appropriation of \$300,000 from the general fund to the State Tax Commissioner for the costs related to implementation of the provisions of House Bill No. 1399, relating to the decoupling of the state income tax.

2001 HOUSE APPROPRIATIONS

CONFERENCE COMMITTEE

HB 1006

2001 HOUSE CONFERENCE COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1006

House Appropriations Committee

☒ Conference Committee

Hearing Date April 23, 2001

Tape Number	Side A	Side B	Meter #
04-23-01 tape #1	0 - 101		
Committee Clerk Signature <i>Robert Hall</i>			

Minutes:

The conference committee was called to order. Roll call was taken.

Sen. Kringstad: I think we just need to find out if there were any differences between the House and Senate prior to this. So we are just meeting and making this official.

Rep. Byerly: Other than the money for the decoupling, we are all in agreement.

The chairman closed the meeting on this bill.

2001 HOUSE CONFERENCE COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1006

House Appropriations Committee

☒ Conference Committee

Hearing Date April 26, 2001

Tape Number	Side A	Side B	Meter #
04-26-01 tape #1		0 - 159	
Committee Clerk Signature <i>Patricia Hall</i>			

Minutes:

The conference committee was called to order. Roll call was taken.

Sen. Kringstad: He got a memo from Curt Wolf (ITD) and he estimated \$300,000 to fix the old income tax system and he felt that might be a bit high, but there are too many unknowns. He suggested that we stay as is. There will be printing costs, but it was felt that this be addressed in the emergency commission.

Rep. Byerly: Moves that the House accede to the Senate amendment. Seconded by Rep. Huether.

Vote on motion : 5 yes, 0 no, 1 absent and not voting.

The chairman closed the meeting on this bill.

Date: 4-26-01
Roll Call Vote #

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. *HB 1006*

House Appropriations Committee

☐ Subcommittee on _____
or
☒ Conference Committee

Legislative Council Amendment Number _____

Legislative Council Amendment Number _____

Action Taken House accede to Sen. amendments.

Motion Made By Rep. Loperley Seconded By Rep. Huetten

[illegible]

'Total (Yes) 5 No 0

Absent

Floor Assignment Rep. Skaphis.

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

Insert LC: .

REPORT OF CONFERENCE COMMITTEE

HB 1006, as engrossed: Your conference committee (Sens. Kringstad, Schobinger, Tallackson and Reps. Skarphol, Byerly, Huether) recommends that the **HOUSE ACCEDE** to the Senate amendments on HJ page 1258 and place HB 1006 on the Seventh order.

Engrossed HB 1006 was placed on the Seventh order of business on the calendar.

2001 TESTIMONY

HB 1006

Department 127 - Tax Department
House Bill No. 1006

	FTE Positions	General Fund	Other Funds	Total
2001-03 Executive Budget	142.00	\$17,562,518	\$393,729	\$17,956,247
1999-2001 Legislative Appropriations	144.00	16,939,702	293,729	17,233,431
Increase (Decrease)	(2.00)	\$622,816	\$100,000	\$722,816

The 1999-2001 appropriation amounts include \$100,601 from the general fund for the agency's share of the \$5.4 million funding pool appropriated to the Office of Management and Budget (OMB) for special market equity adjustments for classified employees and \$5,722 from the general fund for the agency's share of the \$1.4 million funding pool appropriated to OMB for assisting agencies in providing the \$35 per month minimum salary increases in July 1999 and July 2000. The 1999-2001 appropriation amounts do not include \$100,000 of additional spending authority resulting from Emergency Commission action during the 1999-2001 biennium and \$60,000 of carryover authority from the 1997-99 appropriation.

Major Items Affecting Tax Department 2001-03 Budget

	General Fund	Other Funds	Total
1. Removes 1 FTE auditor II position in the income tax division.	(\$66,891)		(\$66,891)
2. Removes 1 FTE account technician II position in the controller's division.	(\$45,083)		(\$45,083)
3. Provides increased salaries and wages funding based on the Central Personnel Division's market study for elected and appointed officials (Tax Commissioner). The proposed increase is \$341.42 per month effective January 1, 2002. The total increase required for the biennium, including benefits, is \$7,176 or \$17,092 less than the executive recommendation.	\$24,268		\$24,268
4. Adds funding for temporary wages to retain qualified temporary employees during the peak tax season period.	\$153,882		\$153,882
5. Reduces funding for equipment due to fewer activities reflected in the department's information technology plan.	(\$108,500)		(\$108,500)
6. Reduces funding for operating expenses in the commissioner's division due to fewer activities in the department's information technology plan.	(\$297,240)		(\$297,240)
7. Reduces funding for operating expenses in the income tax division by eliminating two years of the Multistate Tax Commission audit program fees.	(\$270,450)		(\$270,450)

Major Legislation Affecting the Tax Department

Section 3 of House Bill No. 1006 includes the statutory changes necessary to increase the Agriculture Commissioner's salary as follows:

Annual salary authorized by the 1999 Legislative Assembly:

July 1, 1999	\$58,262
July 1, 2000	\$59,428
January 1, 2001	\$66,282

Proposed annual salary recommended in the 2001-03 executive budget:

July 1, 2001	\$68,277
January 1, 2001	\$72,374
July 1, 2002	\$73,821

House Bill No. 1076 allows the Tax Commissioner to furnish to the Unclaimed Property Division of the Board of University and School Lands, upon its request, a taxpayer's name, address, and federal identification number for the sole purpose of identifying the taxpayer as the owner of an unclaimed voucher authorized by the Tax Commissioner.

Senate Bill No. 2053 transfers the beer and wholesale liquor tax collection responsibilities from the State Treasurer to the Tax Commissioner.

Senate Bill No. 2064 allows the Tax Commissioner to disclose name and address information to the United States postal service for the sole purpose of obtaining proper and correct address information on that person.

Department 127 - Tax Department
House Bill No. 1006

	FTE Positions	General Fund	Other Funds	Total
2001-03 Schafer Executive Budget	142.00	\$17,562,518	\$393,729	\$17,956,247
1999-2001 Legislative Appropriations	144.00	16,939,702	293,729	17,233,431 ¹
Increase (Decrease)	(2.00)	\$622,816	\$100,000	\$722,816

2001-03 Hoeven Executive Budget	142.00	\$17,562,518	\$393,729	\$17,956,247
Hoeven Increase (Decrease) to Schafer	0.00	\$0	\$0	\$0

¹ The 1999-2001 appropriation amounts include \$100,601 from the general fund for the agency's share of the \$5.4 million funding pool appropriated to the Office of Management and Budget (OMB) for special market equity adjustments for classified employees and \$5,722 from the general fund for the agency's share of the \$1.4 million funding pool appropriated to OMB for assisting agencies in providing the \$35 per month minimum salary increases in July 1999 and July 2000. The 1999-2001 appropriation amounts do not include \$100,000 of additional spending authority resulting from Emergency Commission action during the 1999-2001 biennium and \$60,000 of carryover authority from the 1997-99 appropriation.

Major Schafer Recommendations Affecting Tax Department 2001-03 Budget

	General Fund	Other Funds	Total
1. Removes 1 FTE auditor II position in the income tax division.	(\$66,891)		(\$66,891)
2. Removes 1 FTE account technician II position in the controller's division.	(\$45,083)		(\$45,083)
3. Provides increased salaries and wages funding based on the Central Personnel Division's market study for elected and appointed officials (Tax Commissioner). The proposed increase is \$341.42 per month effective January 1, 2002. The total increase required for the biennium, including benefits, is \$7,176 or \$17,092 less than the executive recommendation.	\$24,268		\$24,268
4. Adds funding for temporary wages to retain qualified temporary employees during the peak tax season period.	\$153,882		\$153,882
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7. Reduces funding for operating expenses in the income tax division by eliminating two years of the Multistate Tax Commission audit program fees.	(\$270,450)		(\$270,450)

**Major Hoeven Recommendations Affecting Tax Department 2001-03 Budget
Compared to the Bill as Introduced (Schafer Budget)**

The Hoeven recommendation does not change the Schafer recommendation.

Major Legislation Affecting the Tax Department

Section 3 of House Bill No. 1006 includes the statutory changes necessary to increase the Agriculture Commissioner's salary as follows:

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July 1, 1999	\$58,262
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Senate Bill No. 2053 transfers the beer and wholesale liquor tax collection responsibilities from the State Treasurer to the Tax Commissioner.

Senate Bill No. 2064 allows the Tax Commissioner to disclose name and address information to the United States postal service for the sole purpose of obtaining proper and correct address information on that person.

House Bill No. 1341 transfers the duties of allocating the gross production tax revenues to political subdivisions from the State Treasurer to the State Tax Commissioner.

The North Dakota Office of State Tax Commissioner

Mission Statement

The mission of the Office of State Tax Commissioner is to fairly and effectively administer the tax laws of North Dakota

Vision Statement

The vision of the Office of State Tax Commissioner is to instill the highest degree of public confidence in our integrity and reliability by providing prompt, accurate and courteous service while promoting compliance with the tax laws of North Dakota

Guiding Principles

We treat our customers as we would want to be treated.

Customer service comes first. The public, other government officials and our coworkers are our customers. Conduct business in a courteous, dependable and professional manner. Anticipate the unexpressed needs of our customers.

We extend cooperation and assistance to fellow public servants.

Be consistent and accountable in our relationships with legislators, government officials and government personnel. Strive to earn respect for ourselves and elevate the public perception of all state employees.

We uphold the Taxpayer Bill of Rights.

Recognize the rights of taxpayers. Provide an equal and meaningful opportunity for taxpayers to be heard. Educate taxpayers on their responsibilities and rights under North Dakota tax law.

We make wise and prudent use of all resources.

Take seriously the responsibility the citizens of North Dakota have given us. Improve service through the effective use of technology and other resources.

We recognize employees are our biggest asset.

Encourage personal and professional growth. Recruit and select well qualified employees based on high standards. Recognize the achievements of employees.

We recognize each individual's contribution to the team.

Explore and implement leadership styles that encourage teamwork. Foster a work climate which builds on team strengths while encouraging individual initiative. Acknowledge all coworkers as members of the same team.

We value those with whom we work.

Communicate with our coworkers in an open, honest and courteous manner. Respect our differences and consider the views of the entire staff.



Office of State Tax Commissioner

Budget Presentation
January 11, 2001



Vision Statement

Office of State Tax Commissioner

- The Vision of the Office of State Tax Commissioner is to instill the highest degree of public confidence in our integrity and reliability by providing prompt, accurate and courteous service while promoting compliance with the tax laws of North Dakota.

January 11, 2001

Office of State Tax Commissioner



Agency Overview

- Primary Revenue-Collecting Agency for the State
 - 1999-01 Forecast for Total General Fund Collections \$1.575 billion.
 - 1999-01 Forecasts the Office of State Tax Commissioner will collect 87% or \$1.371 billion.

January 11, 2001

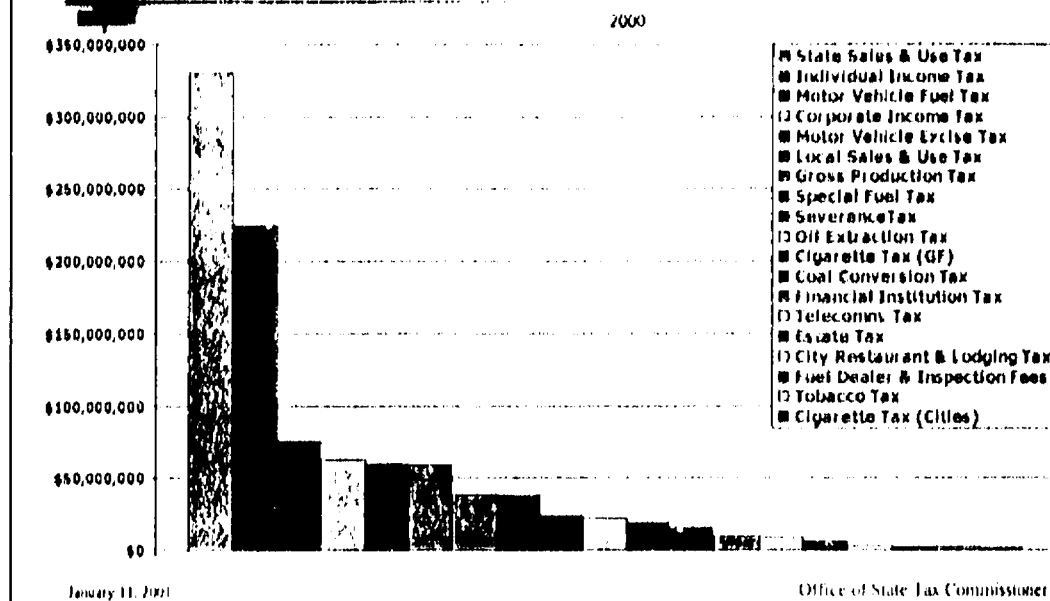
Office of State Tax Commissioner

The Office of State Tax Commissioner is the primary revenue-collecting agency for the State of North Dakota.

- 1999-01 Biennium Forecasts Total General Fund collections of \$1.575 billion.
- 1999-01 Forecasts the Office of State Tax Commissioner will collect 87% or \$1.371 billion.

FY 2000 Gross Collection Totals (Before Refunds)

Source: Office of State Tax Commissioner - Comparative Statement of Collections



Fiscal Year 2000 Collections
Totals (Before Refunds)

Tax Type	2000
State Sales & Use Tax	\$330,254,766
Individual Income Tax	224,333,904
Motor Vehicle Fuel Tax	75,186,789
Corporate Income Tax	63,028,419
Motor Vehicle Excise Tax	60,078,251
Local Sales & Use Tax	58,711,263
Gross Production Tax	38,464,671
Special Fuel Tax	37,312,123
Severance Tax	23,572,353
Oil Extraction Tax	22,033,671
Cigarette Tax (GF)	19,359,085
Coal Conversion Tax	15,387,068
Financial Institution Tax	9,658,183
Telecomm. Tax	8,627,127
Estate Tax	6,079,686
City Restaurant & Lodging Tax	2,904,573
Fuel Dealer & Inspection Fees	2,358,328
Tobacco Tax	1,983,222
Cigarette Tax (Cities)	1,414,712
Transmission Tax	410,582
Miscellaneous Remittances	99,044
Music & Composition Tax	78,211
Cigarette Tax (Tribe)	68,602
Sales & Use Cash Bond	28,050
Motor Fuel Cash Bond	4,500
Total	\$1,001,447,183

The graph does not include the
tax amounts listed for:

Transmission Tax, Misc.
Remittances, Music &
Composition Tax, Cigarette Tax
(Tribe), Sales & Use Cash
Bond, Motor Fuels Cash Bond



Office of State Tax Commissioner

■ 7 Divisions

- Commissioner's Division
- Legal Division
- Controllers Division
- Information Technology Division
- Sales & Special Taxes Division
- Income & Oil Taxes Division
- Property Tax Division

January 11, 2001

Office of State Tax Commissioner

The Office of State Tax Commissioner consists of seven separate divisions.

- Commissioner's Division — the administrative center of the department and includes four sections:
 - Administration-Responsible for the general administration of the Office of State Tax Commissioner and serves as the primary research center, manages the human resource and management planning functions, monitors the department performance management program and administers the internal audits.
 - Research & Statistics-Each year this section completes four revenue forecasts, responds to more than 130 fiscal note requests, prepares 13 statistical publications, and completes numerous ad hoc research projects. In addition, this function answers over 1,000 requests for research and statistical information each biennium.
 - Management, Planning & Personnel Human Resources-Administers the personnel services of the Office of State Tax Commissioners 144 authorized FTEs. This section also monitors the performance management program.
 - Internal Audit-The Internal Audit function performs more than 25 audits within the Office of State Tax Commissioner each biennium to determine compliance with policies and procedures and to monitor the efficiency of its divisions and sections. This function also acts as the Office of State Tax Commissioner's liaison with the Internal Revenue Service.
- Legal Division – provides legal services to the department and other agencies in state and local government on tax related matters. Each year, the Legal Division of the Office of State Tax Commissioner handles approximately 20 major cases, writes more than 15 Attorney General opinions, and more than 30 letter opinions. This division initiates approximately 150 legal actions and monitors about 130 bankruptcy cases involving unpaid tax liabilities per year. The division conducts approximately 35 administrative hearings annually (i.e. sales tax permit revocations, post-audit assessment challenges).

Divisions continued

- **Controller's Division** - Responsible for the accounting functions, provides staff services and collects delinquent taxes. This division consists of three sections:

1. **Accounting**-Prepares the department's executive budget request each biennium, maintains revenue and expenditure accounting records and procures goods and services to conduct the department's business. The revenue accounting functions certified and transferred in excess of \$907,235,000 during FY 1999 to General Funds and Special Funds.
2. **Accounts Receivable (Collections)**-Responsible for collecting the delinquent taxes owed the state. During the 1997-99 biennium, a total of \$41,691,917 was received in accounts receivable payments, of which \$8,312,654, or 20 percent of the total, was collected because of collection contact.
3. **Staff Services**-Processes all incoming and outgoing mail for the department. During the 1999 fiscal year, more than 132,000 sales tax returns, 326,000 individual income tax returns, 74,000 individual income tax withholding returns, and 11,900 corporate income tax returns were processed. In addition, in excess of 97,000 estimated individual and corporate income tax payments were processed. The Central Records repository houses more than 12,754 cubic feet of tax returns and related documents and the word processing function produces more than 111,300 pages of copy during each fiscal year.

- **Information Technology Division** - Having placed a growing importance and reliance on technology than during previous administrations, an Information Technology Division was created and implemented during July 2000. The Information Technology Division is responsible for leading the technology efforts of the department through increased oversight and guidance of projects that have been completed or are being developed. Each biennium data processing enters and verifies data from more than 1,500,000 documents. The Information Technology Division coordinates the department data processing and computer needs.

- **Sales & Special Taxes Division** - Responsible for overseeing the collections of sales, use, fuels, tobacco, and estate taxes. Also assists in the administration of motor vehicle excise tax. The division also administers the sales tax collections for over 85 cities and one county. The three sections in the division are:

1. **Sales Tax Compliance**-The net total collection from taxes administered by this division for 7/1/99 through 12/31/00 is \$497,676,759.15. More than 29,000 taxpayers are registered to collect and remit North Dakota sales and use taxes.
2. **Sales Tax Field Audit**-More than 1,000 audits of in-state and out-of-state business establishments result in approximately \$5.5 million in additional revenue each biennium.
3. **Motor Fuels & Estate Taxes**-The Sales & Special Taxes Division also administers the motor vehicle fuel, special fuels, liquefied petroleum and aviation fuel tax, which are collected from 800 licensees.

Divisions continued

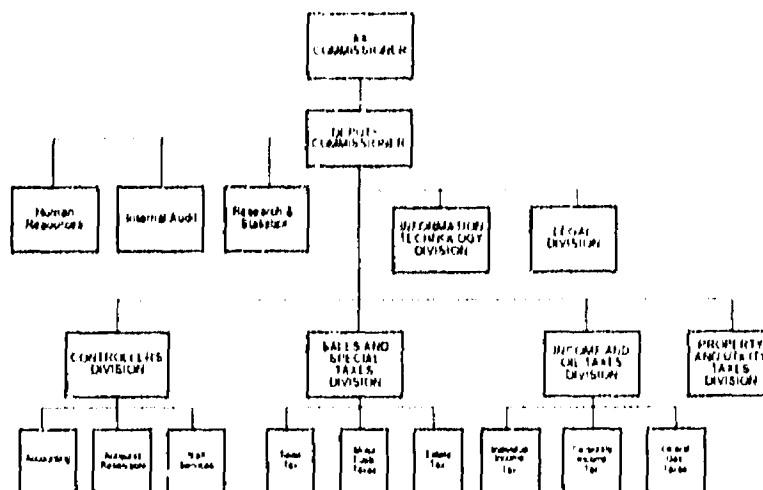
- **Income & Oil Taxes Division** - This division administers North Dakota's individual and corporate income taxes, as well as oil and gas taxes. General fund collections of corporate income tax, individual income tax, oil extraction tax and gross production tax exceeded \$613 million in the 1997- 99 biennium. Included in these general fund collections are audit- related collections of over \$32.1 million. The three sections in the division are:
 - **Individual Income Tax (compliance and audit, including withholding)**-During the previous biennium, federal audits, office audits, and compliance reviews conducted by the Individual Income Tax Section resulted in more than \$9.4 million in additional assessments for individual income taxes.
 - **Corporate Income tax (compliance and audit)**-Corporate income tax audit staff conducted 24 field audits and 614 in- office audits in the 97- 99 biennium, resulting in over \$28.8 million in additional assessments.
 - **Oil & Gas Tax (compliance & audit)**-During the 97- 99 biennium, the audit staff of the Oil and Gas Taxes section initiated 42 gross production and oil extraction tax audits and 1,141 compliance reviews that resulted in assessments of over \$3.9 million.
- **Property Tax Division** - This division works with local governments to maintain equalization of property assessments among the counties. The division administers the Homestead Credit Act and provides assistance to local governments, helping ensure the proper application of state property tax laws. Other sections in the division include the Utilities Tax Section which is responsible for assessing railroads, airlines and public utilities. The Property and Utility Taxes Division administers the state severance tax on coal and the coal conversion privilege tax on electrical generating plants and coal gasification plants. Total collections for the previous biennium were more than \$46 million in coal severance tax and over \$29 million in coal conversion tax.

This division also is responsible for providing instruction and monitoring the required certification of approximately 1,200 assessment officials. Annually, this division performs a sales ratio study, which compares true and full value of real estate with the sale price of properties that have been sold. More than 11,500 sales and appraisals were included in the 1999 study.

OFFICE OF STATE TAX COMMISSIONER

Organizational Chart

July 1, 2000



January 11, 2001

Office of State Tax Commissioner

Executive Budget Request

- Base Budget Preparation
 - Funded the Salary Administration Plan
 - Funded the Risk Management premium
 - Funded the increases in
 - Postage
 - Travel
 - Printing
 - ITD
 - Funded the IT Plan
- Process Improvements & Technical Advancements Adjustments to Base Budget

January 11, 2001

Office of State Tax Commissioner

The steps taken by the Office of State Tax Commissioner to provide for the hold even requirements were carefully evaluated. Our mission remains that of ensuring the department can continue to fairly and effectively administer the tax laws of North Dakota. The Office of State Tax Commissioner followed guidelines provided by OMB and the Governor to submit a hold-even budget. The following preparations were done:

The Office of State Tax Commissioner identified a base budget, adding all known cost increases such as:

- Funded the department's salary administration plan, including the 1% unfunded portion of the 1999 Legislatively mandated salary package.
- Funded the Risk Management premium.
- Funded the increases in postage, travel (gas, lodging, and airfare), printing and ITD issues.
- Funded the IT Plan which includes \$409,820 to be used for continued development of electronic filing options and other technological enhancements to fulfill necessary customer service needs.
- Process Improvements & Technical Advancements Adjustments to Base Budget
 - Examples include:
 - Reduced printing because of technological enhancements such as electronic filing and web site development.
 - Reduced postage due to direct deposit and on-line forms development.
 - Staff efficiency due to technical improvements.

Note: The Office of State Tax Commissioner is committed to responsible oversight and has consistently found savings due to process improvements and technical advancements. Since 1997 the department has eliminated ten positions and unfunded one positions for a budget reduction of \$637,683.

- ✓ 1997 - 2 positions = \$42,534
- ✓ 1999 - 7 positions = \$489,815
- ✓ 2001 - 2 positions = \$105,434

Executive Budget Request cont'd

- Eliminated or Unfunded:
 - Account Tech
 - Auditor (Request Reinstatement)
- Eliminated Multistate Tax Commission Audit Fees
- Underfunded Salary & Wage Line
- Total amount of reduction = \$375,884

January 11, 2001

Office of State Tax Commissioner

Once the adjustments were added, the Office of State Tax Commissioner determined the dollar amount over the hold-even requirement and identified cost-cutting measures which reduced its budget for the biennium as follows:

- For the third consecutive budget cycle the Office of State Tax Commissioner took a proactive approach and eliminated funding for one additional FTE and identified another position to be unfunded.
 - Eliminated Account Tech - \$42,158
 - Unfunded Auditor - \$63,276 (Request Reinstatement)
- Eliminated MTC Audit program fees - \$270,450. The MTC Audit program fees were moved to the optional adjustment section.
- Unfunded the Salary and Wage line by \$58,000
- Total reduction = \$375,884.



Optional Adjustments in Executive Budget Request

- Reinstatement of Multistate Tax
Commission Audit Fees

January 11, 2001

Office of State Tax Commissioner

- Requesting reinstatement of MTC.

- The MTC program initiates audits of multistate corporations, on behalf of the states in the compact. The pooled resources of these states allows the MTC to conduct audits we would normally be unable to conduct alone, because of limited time and resources. Historically the MTC has provided the Office of State Tax Commissioner a \$4 to \$1 return per dollar spent.

Note: It is not unique to have the MTC Audit Fees in the Optional Adjustment package. Seven of the last nine biennia, the Office of State Tax Commission has moved the MTC Audit Fees to the Optional Adjustment section of the budget.



Major Accomplishments

- Implemented New Validation System
- Implemented New Accounting System
- Implemented E-Filing
- Implemented Direct Deposit Program
- Established Withholding Telefile System
- Implemented Sales Tax Webfile System
- Enhanced Web Site to Include Applications
 - Sales Tax Permits
 - Withholding Accounts
 - Motor Fuels Permits

January 11, 2001

Office of State Tax Commissioner

The Office of State Tax Commissioner has placed a considerable emphasis on promoting efficiencies, improving customer service and pursuing technological advancements. The opportunities provided through increased utilization of technology positively affect the taxpayer as well as provide greater opportunities for the department to better utilize financial and physical resources.

- Implemented a new validation system and an automated, integrated accounting system.
- Implemented federal and state electronic filing for individual income tax returns.
 - Withholding income tax -- We began with the first quarter of 1999 with four accounts. As of 12/20/2000, we have 972 accounts. For the period 7/1/2000 through 12/20/2000, 4,488 electronic returns have been filed and electronically remitting \$20,253,898 in withheld income taxes.
 - Individual income tax -- We began participating in the Fed/State e-file program in 1999 (1998 form year) and received 13,822 electronic returns. For the 2000 filing season (1999 form year), we received 28,589 electronic returns, an increase of 107 % (14,767 more returns).
- Implemented a direct deposit program for individual income tax refunds that allows individual income tax filers to have their refunds deposited directly to their bank. For the 2000 filing season (1999 form year), we made 30,574 direct deposits (18% of total refunds).
- Set up the withholding telefile system allowing employers to file and pay quarterly withholding taxes by telephone.
- Implemented the sales tax webfile system allowing a taxpayer to file the sales tax return via the Internet and pay through the Automated Clearing House (ACH) credit or debit process, or with a paper check.
- Added to the Tax Commissioner's website the application process for sales tax permits, withholding accounts, and motor fuels permits.




Major Accomplishments (cont'd)

- Created Client/Server System for Oil & Gas Division
- Implemented Fuel Tax EDI
- Expanded LAN & WAN
- Standardized Computer Hardware/Software

January 11, 2001

Office of State Tax Commissioner

- Created a Client/Server system for the Oil and Gas Division to improve access to taxpayer submitted information. We started using the client/server program in August 2000. At the same time, we went to a new reporting system. Producers could request a waiver of their reporting requirements if they met certain conditions. We have issued 269 waivers. At the present time, we have approximately 60 taxpayers that file electronically and less than 25 that use paper.
- Fuel Tax EDI system – implemented a motor fuel EDI system that is currently available to all motor fuel licensed dealers, which allows a dealer to file their schedules of gallons received and dispersed electronically.
- Local Area Network (LAN) and Wide Area Network (WAN) – Sales tax field audit has continued to enhance its communication process by using the LAN/WAN system thereby insuring computer hardware and software compatibility, special hardware to accommodate flow of information, and additional software enabling secure and efficient flow of information to and from the Bismarck office and field audit staff.
- Standardized computer hardware/software – Department has standardized its computer hardware and software within the department to provide good customer service by providing for the efficient flow of information both internally and externally.



New Objectives

- Technology Issues
 - Electronic Document Management System (EDMS)
 - Partnership with ITD
 - Enhanced Customer Service
 - Improved Access To Taxpayer Documents
 - Faster Processing
 - Faster Refunds
 - Reduce Overtime

January 11, 2001

Office of State Tax Commissioner

- Late in the 1999-2001 biennium, the Office of State Tax Commissioner began an Electronic Document Management System (EDMS) project. The EDMS project is a partnership between ITD and the Office of State Tax Commissioner where we are sharing the initial purchase cost and have agreed to a set monthly operational cost. We believe that many other agencies will be using EDMS with the Optical Character Recognition (OCR)/Intelligent Character Recognition (ICR) capabilities in the near future. Once implemented, EDMS will offer many benefits to the customer and the agency alike.
 - The customer service we provide will be enhanced dramatically. Once implemented, several people will be able to view the file and returns simultaneously. This will eliminate the time spent looking for a file or waiting for a file to be pulled and hand-carried to the requestor. When a taxpayer calls with a question, we can retrieve the document within less than a minute and view it while still on the phone with the customer.
 - The EDMS will allow for faster processing of tax documents.
 - Refunds will be issued faster.
 - Overtime will be reduced and we expect to reduce the staff time required to move and store the paper.

New Objectives cont'd

- EDMS continued

- Reduce Number of Temporary Staff Hires
- Eliminates Storage Space Concerns

The inclusion of just one sheet of paper for 300,000 paper-filed Income Tax Returns requires an additional 96 linear feet of storage space!

- Adding EDMS Process By Tax Type
Individual Income Tax and Sales Tax
Other Tax Types added later

James D. Smith

Office of State Tax Commissioner

EDMS continued

- It is anticipated that the reduction in temporary workers required for the Individual Income Tax processing will pay for the system in less than two years. Additionally, the Office of State Tax Commissioner has encountered problems with finding staff to fill the temporary positions and EDMS will reduce the need to find and hire as many temporaries.
- The storage space savings will be significant also. *For example, the inclusion of just one sheet of paper for 300,000 paper-filed Income Tax Returns requires an additional 96 linear feet of storage space!* With EDMS, the requirements for physical storage space will be nearly eliminated. Electronic filing is our major goal because it will eliminate paper handling entirely. EDMS is an excellent solution for the Office of State Tax Commissioner as we know that we will continue to receive paper returns and this solution will stop paper at the mailroom!
- We will be adding the EDMS process by tax type within Office of State Tax Commissioner. The Sales Tax and Individual Income Tax will be completed first as these two tax types have the most paper documents. Our estimated numbers are derived from the count of returns received from October 1999 through September 2000. For Individual Income Tax (IIT), we received over 326,000 returns and for Sales and Use tax we received more than 132,000 returns. Sometime after June 2001, we will add Withholding to the imaging process. This will cover an additional 74,000 documents.



New Objectives cont'd

- ITD Mainframe Objectives
 - Eliminate Older Mainframe Applications
 - Rewrite Older Applications

January 11, 2001

Office of State Tax Commissioner

- Most of the Office of State Tax Commissioner's business applications were written for the mainframe-computing environment over 15 years ago. They are inefficient and must be rewritten to today's ITD standards. ITD intends to eliminate the older mainframe applications with new, redeveloped client/server applications. The Office of State Tax Commissioner has included the rewrite of several of these older applications in their IT Plan. The actual completion of the rewrites will depend on human resource availability within both ITD and the Office of State Tax Commissioner. Some projects we have planned for the next biennium may have to be moved to the 2003 – 2005 biennium.



Critical Issues Budget Highlights

- Restore MTC Funding
- Lease Funding/Space
- Restore Unfunded Auditor Position

January 11, 2001

Office of State Tax Commissioner

- Restore MTC funding.
- Funding the Attorney General's office lease funding so we can utilize the State Office Building -- \$47,000 for lease funding was removed from the Office of State Tax Commissioner's budget in anticipation of this move by the Attorney General's office. It must be restored if the Attorney General's office is not given enough to move out. It is anticipated that new efficiencies, i.e. scanning, will not eliminate the need for additional space to process the paper mail during our Individual Income Tax season. The State Office Building will provide the much needed space and additional storage space needed without the lease expense.
 - The Office of State Tax Commissioner leases space at the Gateway office building for processing of Individual Income Tax returns. In addition to the space leased at the Gateway building, we also utilize the Pioneer Room during April to provide us with sufficient space for processing. We are not able to rely on the ability to use the Pioneer Room because this space is not always available. The State Office Building would be reliable, allow us the much needed space and would provide for a single location during the entire processing season.
 - For the 2000 processing year, the Office of State Tax Commissioner employed 55 temporary staff located away from the capitol. Of this number, 27 were at the Gateway office space and 28 were later moved to the Pioneer Room during April.
- Restore the unfunded Auditor position.



Office of State Tax Commissioner

Budget Presentation before the
Senate Appropriations Committee

February 14, 2001

*Missing pages were
identical to those
of testimony 1-11-01*

Optional Adjustments in Executive Budget Request

- Multistate Tax Commission Audit Fees

February 14, 2001

Office of State Tax Commissioner

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Note: It is not unique to have the MTC Audit Fees in the Optional Adjustment package. Seven of the last nine biennia, the Office of State Tax Commission has moved the MTC Audit Fees to the Optional Adjustment section of the budget.

House Actions

- Provided for MTC funding
- Restored unfunded position
- Reduced funding for Temporary Wages

February 14, 2001

Office of State Tax Commissioner

The House made the following changes to the Office of State Tax Commissioner budget request:

- Added a section to create a Multistate Tax Commission fund. Allocations were provided to fund the costs associated with the MTC membership, nexus, and audit program fees.
- Restored the Auditor II position which remains unfunded.
- Reduced funding for Temporary Wages by \$78,882.



Budget Consideration

■ Lease Funding

February 14, 2001

Office of State Tax Commissioner

- Funding the Attorney General's office lease funding so the Office of State Tax Commissioner can utilize the State Office Building. Lease funding of \$47,000 was removed from the Office of State Tax Commissioner's budget in anticipation of the move by the Attorney General's office. The monies must be restored if the Attorney General's office is not provided the funding to move out.

Department 70 - Homestead Tax Credit
House Bill No. 1006

	FTE Positions	General Fund	Other Funds	Total
2001-03 Executive Budget	0.00	\$4,540,813		\$4,540,813
1999-2001 Legislative Appropriations	0.00	4,540,813		4,540,813
Increase (Decrease)	0.00	\$0	\$0	\$0

Major Items Affecting Homestead Tax Credit 2001-03 Budget

	General Fund	Other Funds	Total
1. Continues the homestead tax credit program at the present level of \$4,540,813.			

Major Legislation Affecting the Homestead Tax Credit

No major legislation has been introduced at this time affecting this agency.

Department 70 - Homestead Tax Credit
House Bill No. 1006

	FTE Positions	General Fund	Other Funds	Total
2001-03 Schafer Executive Budget	0.00	\$4,540,813		\$4,540,813
1999-2001 Legislative Appropriations	0.00	4,540,813		4,540,813
Increase (Decrease)	0.00	\$0	\$0	\$0

2001-03 Hoeven Executive Budget	0.00	\$4,540,813	\$0	\$4,540,813
Hoeven Increase (Decrease) to Schafer	0.00	\$0	\$0	\$0

Major Schafer Recommendations Affecting Homestead Tax Credit 2001-03 Budget

	General Fund	Other Funds	Total
1. Continues the homestead tax credit program at the present level of \$4,540,813.			

Major Hoeven Recommendations Affecting Homestead Tax Credit 2001-03 Budget
Compared to the Bill as Introduced (Schafer Budget)

The Hoeven recommendation does not change the Schafer recommendation.

Major Legislation Affecting the Homestead Tax Credit

No major legislation has been introduced at this time affecting this agency.

Department 70 - Homestead Tax Credit
House Bill No. 1006

	FTE Positions	General Fund	Other Funds	Total
2001-03 Schafer Executive Budget	0.00	\$4,540,813		\$4,540,813
1999-2001 Legislative Appropriations	0.00	4,540,813		4,540,813
Increase (Decrease)	0.00	\$0	\$0	\$0

2001-03 Hoeven Executive Budget	0.00	\$4,540,813	\$0	\$4,540,813
Hoeven Increase (Decrease) to Schafer	0.00	\$0	\$0	\$0

Major Schafer Recommendations Affecting Homestead Tax Credit 2001-03 Budget

	General Fund	Other Funds	Total
1. Continues the homestead tax credit program at the present level of \$4,540,813.			

Major Hoeven Recommendations Affecting Homestead Tax Credit 2001-03 Budget
Compared to the Bill as Introduced (Schafer Budget)

The Hoeven recommendation does not change the Schafer recommendation.

Major Legislation Affecting the Homestead Tax Credit

No major legislation has been introduced at this time affecting this agency.

Summary of Legislative Changes Resulting From First House Action

See Statement of Purpose of Amendment (attached).

STATEMENT OF PURPOSE OF AMENDMENT**House Bill No. 1006 - Funding Summary**

	Executive Budget	House Changes	House Version
Grants	\$4,540,813		\$4,540,813
Total all funds	\$4,540,813	\$0	\$4,540,813
Less estimated income	0	0	0
General fund	\$4,540,813	\$0	\$4,540,813
FTE	0.00	0.00	0.00
State Tax Commissioner			
Salaries and wages	\$12,950,176	(\$95,974)	\$12,854,202
Operating expenses	4,327,342	(44,881)	4,282,461
Equipment	235,000		235,000
City tax administration fees	50,000		50,000
Motor fuels federal grant	393,729		393,729
MTC fund		316,000	316,000
Total all funds	\$17,956,247	\$175,145	\$18,131,392
Less estimated income	393,729	316,000	709,729
General fund	\$17,562,518	(\$140,855)	\$17,421,663
FTE	142.00	1.00	143.00
Bill total			
Total all funds	\$22,497,060	\$175,145	\$22,672,205
Less estimated income	393,729	316,000	709,729
General fund	\$22,103,331	(\$140,855)	\$21,962,476
FTE	142.00	1.00	143.00

House Bill No. 1006 - Homestead Tax Credit - House Action**House Bill No. 1006 - State Tax Commissioner - House Action**

	Executive Budget	House Changes	House Version
Salaries and wages	\$12,950,176	(\$95,974)	\$12,854,202
Operating expenses	4,327,342	(44,881)	4,282,461
Equipment	235,000		235,000
City tax administration fees	50,000		50,000
Motor fuels federal grant	393,729		393,729
MTC fund		316,000	316,000
Total all funds	\$17,956,247	\$175,145	\$18,131,392
Less estimated income	393,729	316,000	709,729
General fund	\$17,562,518	(\$140,855)	\$17,421,663
FTE	142.00	1.00	143.00

Department No. 127 - State Tax Commissioner - Detail of House Changes

	Adjust Market Equity Salary Increase ¹	Reduce Funding for Temporary Wages	Reduce Funding for Multistate Tax Commission ²	Increase Special Funding From Audit Revenues ³	Restore an Auditor II Position ⁴	Total House Changes
Salaries and wages	(\$17,092)	(\$78,882)				(\$95,974)
Operating expenses			(\$4,881)			(\$4,881)
Equipment						
City tax administration fees						
Motor fuels federal grant						
MTC fund				316,000		316,000
Total all funds	(\$17,092)	(\$78,882)	(\$44,881)	\$316,000	\$0	\$175,145
Less estimated income	0	0	0	316,000	0	316,000
General fund	(\$17,092)	(\$78,882)	(\$44,881)	\$0	\$0	(\$140,855)
FTE	0.00	0.00	0.00	0.00	1.00	1.00

¹ This amendment reduces, from \$24,268 to \$7,176, the amount provided for a market equity salary increase for the State Tax Commissioner. The amount included in the bill will provide for a monthly increase of \$341 per month for the last 18 months of the biennium.

² Removes funding for the general membership and the nexus program portion of the Multistate Tax Commission fees from operating expenses.

³ Funding is added for costs associated with membership in the Multistate Tax Commission, including membership in the audit program. A section is added providing for a Multistate Tax Commission fund consisting of collections of up to \$316,000 from the Multistate Tax Commission. The State Tax Commissioner is authorized to spend up to \$316,000 from the Multistate Tax Commission fund, and any remaining balance is transferred to the general fund. Representatives of the Tax Department indicate that membership in this commission will result in additional revenues of \$316,000 for deposit in the Multistate Tax Commission fund for the 2001-03 biennium in excess of the amount included in the executive budget recommendation.

⁴ Restores an auditor II position but provides no funding.

Testimony Before the Senate Appropriations Committee

February 14, 2001

House Bill 1006

Charles Krueger, State Supervisor of Assessments

Chairman Nothing; Committee Members: My name is Charles Krueger. I am the State Supervisor of Assessments and the Director of the Property Tax Division of the Office of State Tax Commissioner. The Property Tax Division has the responsibility to administer the Homestead Property Tax Credit Program for qualifying senior citizens and disabled persons.

There are three parts to the property tax relief program. The first part offers a graduated reduction in the taxable value, and resulting taxes, of the qualifying applicant's homestead. The second part of the program makes a direct payment to qualifying renters to refund the difference when twenty percent of the rent, the portion representing property taxes, exceeds four percent of the applicant's annual income. The legislature has set four percent of the annual income as a reasonable amount of a property tax burden. The third part allows the recipient of a homestead tax credit to receive a credit for the annual installment of special assessments; however, a lien is placed upon the property for the amount of the credit plus interest at nine percent.

The legislature has fully funded the senior citizens' property tax credit since 1973. The general fund appropriation in the 1999 - 2001 biennium appears to be sufficient to meet the current needs of the programs.

House Bill 1006
Testimony of Charles Krueger
Page 2

The budget request for the 2001 - 2003 biennium concurs with the Governor's recommendation. The executive recommendation for 2001 - 2003 does not increase the general fund appropriation as authorized in the 1999 - 2001 biennium. The resulting budget appropriation of \$4,540,813 is expected to fully fund the homestead credit programs in the upcoming biennium.

If, however, the appropriation is not sufficient to fully fund the programs, there are two alternatives: first is to leave the program not fully funded and let the reimbursements to the political subdivisions be on a first-come, first-paid basis and a second is to seek a deficiency appropriation in the 2003 session.

The attached material gives a history of the homestead credit program, the number of homeowner and renter recipients since 1975, the total amount of payments made to homeowners and renters since 1975, and schedules used for determining homeowners credits.

This concludes my testimony. I will be happy to address any questions the committee may have.

HISTORY OF PROPERTY TAX CREDITS FOR NORTH DAKOTA SENIOR CITIZENS

Session Year	Description of Beneficiaries	Income Ceiling	Tax Relief Formula	Additional Provisions That Were Adopted
1969	Homeowners 35 years of age or older.	\$3,000 or less from all sources including the income of any dependent person.	50% reduction in assessed value of the homestead property up to a maximum of \$1,000.	
1973	Homeowners and renters 65 years of age or older.	\$3,500	Homeowners no change. When 20% of the annual rent exceeds 5% of the income a renter may receive a state refund for the difference, but limited to a maximum refund of \$100.	Provided a state appropriation of \$375,000 for a full state reimbursement for the loss of revenue to counties and other taxing districts, exclusive of any state levy, for the property tax credit program. Renters refund provision does not apply to rents or fees paid by person to licensed nursing home which is exempt from property tax.
1975	Homeowners or renters 65 years of age or older and any person who is permanently and totally disabled if certified by a physician.	\$5,000	Relief ranges from 100% reduction in assessed value if income is \$2,500 or less, to a 25% reduction if income is \$5,000 or less. Reduction in assessed value is limited and ranges from \$3,000 to \$500. No change in the maximum amount of refunds to renters.	Appropriated \$3,286,014 for 1975-77 for the renters and reimbursement to taxing districts.
1977	No change.	\$8,000	Relief ranges from 100% reduction in assessed value if income is \$3,500 or less, to a 20% reduction if income is \$8,000 or less. Reduction in assessed value is limited and ranges from \$4,000 to \$800. When 20% of the annual rent exceeds 4% of the income a renter may receive a state refund for the difference, but limited to a maximum refund of \$175.	For determining a person's income, applicants may deduct from their income the amount of medical expenses actually incurred by them or dependent and not reimbursed by insurance or other form of compensation. The term "medical expenses" has the same meaning as it has for state income tax purposes.

HISTORY OF PROPERTY TAX CREDITS FOR NORTH DAKOTA SENIOR CITIZENS

Session Year	Description of Beneficiaries	Income Ceiling	Tax Relief Formula	Additional Provisions That Were Adopted
1979	No change.	\$9,000	Relief ranges from 100% reduction in assessed value if income is \$4,500 or less, to a 20% reduction if income is \$9,000 or less. Reduction in assessed value is limited and ranges from \$4,000 to \$800. No change in the maximum amount of refund to renters.	Added provision that if the refund to a renter is less than five dollars, a minimum of five dollars would be refunded to the applicant.
1981	No change.	\$10,000	Relief ranges from 100% reduction in assessed value if income is \$5,500 or less, to a 20% reduction if income is \$10,000 or less. Reduction in assessed value is limited and ranges from \$4,000 to \$800. Renters refund limit increased to a maximum \$190 per applicant.	Added a provision which allowed a homestead credit for special assessments funded by the state for persons who qualified for the property tax credit. Any credits allowed would create a lien on the property to be repaid when the property next transferred at sale or death of the property owner. The lien would accumulate interest charge of 9% per year. Appropriated \$100,000 for the special assessment credit.
1983	No change.	No change.	Calculations are made on the basis of taxable value in place of assessed value. Benefits were not changed.	In addition to age or disability and income requirements, a homeowner may not, on the assessment date, have assets in excess of \$50,000 excluding the first \$80,000 value of the homestead. Added a provision which allowed transfer of property without repaying the lien for special assessments where the transfer occurred between spouses because of the death of one of them.

HISTORY OF PROPERTY TAX CREDITS FOR NORTH DAKOTA SENIOR CITIZENS

Session Year	Description of Beneficiaries	Income Ceiling	Tax Relief Formula	Additional Provisions That Were Adopted
1985	No change.	\$12,000	<p>Relief ranges from 100% reduction in taxable value if income is \$6,000 or less, to a 20% reduction if income is \$12,000 or less.</p> <p>Reduction in taxable value is limited, and ranges from \$2,000 to \$400.</p> <p>Renters refund limit increased to a maximum of \$210 per applicant.</p>	<p>Added provision which excluded any federal rent subsidy from the calculation of rent and income for renters, and that no refund will be made to persons who pay rent or fees for any living quarters, including a nursing home, which are exempt from taxation.</p> <p>Excluded the property tax credit for individuals living in a farm residence which is exempt from taxation. Also limited the total amount of homestead credit for special assessments to \$6,000 excluding the interest charged by the municipality levying the special, and provided that only the annual installment due would be allowed as a credit in any year.</p>
1989	No changes.	<p>\$13,000</p> <p>(Effective for tax year 1990)</p>	<p>Relief ranges from 100% reduction in taxable value if income is \$7,000 or less, to a 20% reduction if income is \$13,000 or less.</p> <p>Reduction in taxable value is limited and ranges from \$2,000 to \$400.</p> <p>Renters refund limit increased to a maximum \$230 per applicant.</p>	<p>Added provision allowing retention of property tax credits for property owned by persons confined to certain care facilities, provided the property is not rented to another person.</p> <p>Additional provision provided that all current benefits for the property tax credit cease upon death of the applicant and that the credit is prorated to the date of death.</p> <p>Changed the definition of assets to include anything of value currently owned by the applicant excluding the first \$80,000 value of the homestead, plus the value of any property divested within the last three years.</p>
1991	No change.	No change.	No change.	Changed provision to state that current benefits cease at the end of the taxable year of the death of the applicant.

HISTORY OF PROPERTY TAX CREDITS FOR NORTH DAKOTA SENIOR CITIZENS

Session Year	Description of Beneficiaries	Income Ceiling	Tax Relief Formula	Additional Provisions That Were Adopted
1993	No change.	\$13,500 (Effective for tax year 1995)	Relief ranges from 100% reduction in taxable value if income is \$7,500 or less, to a 20% reduction if income is \$13,500 or less. Reduction in taxable value is limited and ranges from \$2,000 to \$400. Renter's refund limit increased to a maximum \$240 per applicant.	Provided a definition of permanently and totally disabled similar to the definition used by Social Security Administration. Expanded the provision on homestead credit for special assessments levied by any taxing district.
1999	No change.	\$14,000 (Effective for tax year 2000)	Relief ranges from 100% reduction if income is \$8,000 or less, to a 20% reduction if income is \$14,000 or less. Reduction in taxable value is limited and ranges from \$2,000 to \$400. No change in the maximum amount of refund to renters.	

HOMESTEAD CREDIT PAYMENTS

HOMEOWNERS -

<u>Credit for Tax Year</u>	<u>Number Qualifying</u>	<u>Amount Paid</u>
1975	6,004	\$ 650,693
1976	6,738	691,592
1977	9,663	1,351,324
1978	10,736	1,556,881
1979	10,529	1,582,655
1980	10,633	1,881,602
1981	10,158	1,970,208
1982	9,411	1,886,433
1983	8,820	1,841,081
1984	8,206	1,818,526
1985	7,362	1,697,678
1986	7,567	1,987,970
1987	7,540	2,011,933
1988	7,546	2,142,139
1989	7,307	2,158,650
1990	7,188	2,336,992
1991	7,029	2,230,637
1992	6,743	2,181,292
1993	6,576	2,184,714
1994	6,376	2,159,466
1995	6,095	2,194,689
1996	5,680	2,072,141
1997	5,278	1,974,283
1998	4,943	1,852,124
1999	4,457	1,817,552

HOMESTEAD CREDIT PAYMENTS

RENTERS -

<u>Refund for</u> <u>Year of</u>	<u>Number</u> <u>Qualifying</u>	<u>Amount</u> <u>Paid</u>
1975	414	\$ 26,182
1976	508	37,367
1977	1,325	143,352
1978	2,301	292,458
1979	2,572	353,058
1980	2,594	365,696
1981	2,635	387,906
1982	2,664	414,429
1983	3,133	516,244
1984	3,068	519,667
1985	2,206	159,713
1986	1,994	161,905
1987	1,878	163,092
1988	1,881	163,357
1989	1,657	149,666
1990	1,601	149,705
1991	1,582	151,600
1992	1,534	155,205
1993	1,563	166,739
1994	1,626	175,554
1995	1,590	177,782
1996	1,499	166,841
1997	1,482	165,060
1998	1,454	173,370
1999	1,508	190,211

Schedules Used For Determining Homeowners Credits

<u>Effective for Tax Year</u>	<u>Income Levels</u>	<u>Percentage of Reduction</u>	<u>Maximum Reduction of Value Allowed</u>	
1976	\$ 0 - 2,500	100	\$ 3,000	
	2,501 - 3,500	75	1,500	
	3,501 - 4,500	50	1,000	*
	4,501 - 5,000	25	500	
1977-1979	\$ 0 - 3,500	100	\$ 4,000	
	3,501 - 4,500	80	3,200	
	4,501 - 5,500	60	2,400	*
	5,501 - 6,500	40	1,600	
	6,501 - 8,000	20	800	
1980	\$ 0 - 4,500	100	\$ 4,000	
	4,501 - 5,500	80	3,200	
	5,501 - 6,500	60	2,400	*
	6,501 - 7,500	40	1,600	
	7,501 - 9,000	20	800	
1981-1983	\$ 0 - 5,500	100	\$ 4,000	
	5,501 - 6,500	80	3,200	
	6,501 - 7,500	60	2,400	*
	7,501 - 8,500	40	1,600	
	8,501 - 10,000	20	800	
1984-1985	\$ 0 - 5,500	100	\$ 2,000	
	5,501 - 6,500	80	1,600	
	6,501 - 7,500	60	1,200	**
	7,501 - 8,500	40	800	
	8,501 - 10,000	20	400	
1986-1989	\$ 0 - 6,000	100	\$ 2,000	
	6,001 - 7,500	80	1,600	
	7,501 - 9,000	60	1,200	**
	9,001 - 10,500	40	800	
	10,501 - 12,000	20	400	
1990-1994	\$ 0 - 7,000	100	\$ 2,000	
	7,001 - 8,500	80	1,600	
	8,501 - 10,000	60	1,200	**
	10,001 - 11,500	40	800	
	11,501 - 13,000	20	400	
1995-1999	\$ 0 - 7,500	100	\$ 2,000	
	7,501 - 9,000	80	1,600	
	9,001 - 10,500	60	1,200	**
	10,501 - 12,000	40	800	
	12,001 - 13,500	20	400	

Schedules Used For Determining Homeowners Credits

<u>Effective for Tax Year</u>	<u>Income Levels</u>	<u>Percentage of Reduction</u>	<u>Maximum Reduction of Value Allowed</u>	
2000	\$ 0 - 8,000	100	\$ 2,000	
	8,001 - 9,500	80	1,000	
	9,501 - 11,000	60	1,200	* *
	11,001 - 12,500	40	800	
	12,501 - 14,000	20	400	

* Amounts are in assessed value

* * Amounts are in taxable value

**TESTIMONY TO THE
SENATE APPROPRIATIONS COMMITTEE**

Prepared February 14, 2001, by the
North Dakota Association of Counties
Terry Traynor, NDACo Assistant Director

CONCERNING HOUSE BILL NO. 1006

Chairman Nething and members of the committee, on behalf of the county officials of North Dakota, I am before you today to express their support for the funding of the Homestead Tax Credit Program contained in HB1006.

The property tax credits contained in this program are a critical element in North Dakota's efforts to allow the elderly and disabled to remain in their own homes. State and County government cooperate on numerous levels to serve this important part of our population, meeting their needs in a manner that is as economical as possible.

By making it feasible for this group of people to remain in their own homes, we reduce the number that move more rapidly into higher cost, group care facilities. The Homestead Tax Credit Program is a key element to this effort, and more importantly, it is essential to maintaining the quality of life for these North Dakota citizens.

Since the program was established, an adequate State appropriation has been provided to fund this State created tax credit, or deficiency appropriations were forthcoming when initial appropriations were insufficient. It is our sincere hope that this Legislature will continue this record of support for this important program.

Thank you Mr. Chairman and committee members for the opportunity to express the support of our Association.