

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1041

2001 HOUSE FINANCE AND TAXATION

HB 1041

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1041

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 16, 2001

Tape Number	Side A	Side B	Meter #
1	x	x	4011 ONLY PARTIALLY RECORDED
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. AL CARLSON, CHAIRMAN Opened the hearing.

LIEUTENANT GOVERNOR, JACK DALRYMPLE, Gave comments regarding the bill.

He stated the Governor feels the state of North Dakota would be well served to have a bill for investment tax credit. It would be a benefit to get North Dakota investors to work locally instead of stocks, and shares, etc., in other areas. Seed capital is the beginning for other investments. He felt there would need to be some language added in order to work with the short form tax return. He stated they had some language prepared which would take care of that.

REP. RICK BERG, DIST. 45, Testified in support of the bill. He stated the bill has been on the books since 1993, and no one has used it. This tax credit is given to someone who will start a new business. He presented amendments to the committee for the bill.

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House Finance and Taxation Committee

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JENNIFER CLARK, LEGISLATIVE COUNCIL Gave an explanation of the bill. She gave an explanation of all of the changes which were made to the bill. She stated this bill has not been used, so no track record is available.

CAROL TWO EAGLES, REPRESENTING GRASS ROOTS PEOPLE'S DEVELOPMENT Testified in support of the bill. She said we should support anything that encourages small businesses. She believes in the Mom and Pop type businesses.

STEVE EGELAND, ECONOMIC DEVELOPMENT ASSN. OF NORTH DAKOTA

Testified in support of the bill. See attached written testimony.

REP. CARLSON Stated, by making this simpler, it will be more user friendly

STEVE EGELAND Yes, we need to make this law more visible.

REP. WINRICH Related to page 2, line 13, regarding the lower threshold, he asked if it would have a negative impact.

STEVE EGELAND You could work with a ten thousand dollar investment or a five thousand dollar investment. He stated his dealings were with five hundred thousand dollar businesses.

DALE ANDERSON, GREATER NORTH DAKOTA ASSOCIATION, Testified in support of the bill.

BILL BUTCHER, NFIB, Testified in support of the bill. See written testimony.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 2-7-01, Tape #1, Side B, Meter #5522

Committee members discussed HB 1041, HB 1291, and HB 1413. These bills were all relating to seed capital investment tax credits on the short form. Committee members were discussing amending one bill to include some of the other bills.

REP. HERBEL Made a motion for a **DO NOT PASS**.

REP. RENNER Second the motion. **MOTION CARRIED**

15 YES 0 NO 0 ABSENT

REP. KELSH Was given the floor assignment.

FISCAL NOTE

Requested by Legislative Council

12/14/2000

Bill/Resolution No.: HB 1041

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 1 of HB 1041 allows the seed capital investment tax credit to be claimed on the short form, Form 37-S. This credit is currently available on the long form only. There is no information available to determine to what degree the credit will be utilized on the short form and/or the potential fiscal impact.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, 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 Department
Phone Number:	328-3402	Date Prepared:	01/12/2001

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

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1041

House FINANCE & TAXATION Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Rep. Herbel Seconded By Rep. Renner

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN	✓		NICHOLAS, EUGENE	✓	
DROVDAL, DAVID, V-CHAIR	✓		RENNER, DENNIS	✓	
BRANDENBURG, MICHAEL	✓		RENNERFELDT, EARL	✓	
CLARK, BYRON	✓		SCHMIDT, ARLO	✓	
GROSZ, MICHAEL	✓		WIKENHEISER, RAY	✓	
HERBEL, GIL	✓		WINRICH, LONNY	✓	
KELSH, SCOT	✓				
KROEBER, JOE	✓				
LLOYD, EDWARD	✓				

Total (Yes) 15 No 0

Absent 0

Floor Assignment Rep. Kelsh

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

REPORT OF STANDING COMMITTEE (410)
February 8, 2001 8:47 a.m.

Module No: HR-23-2673
Carrier: S. Kelsh
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

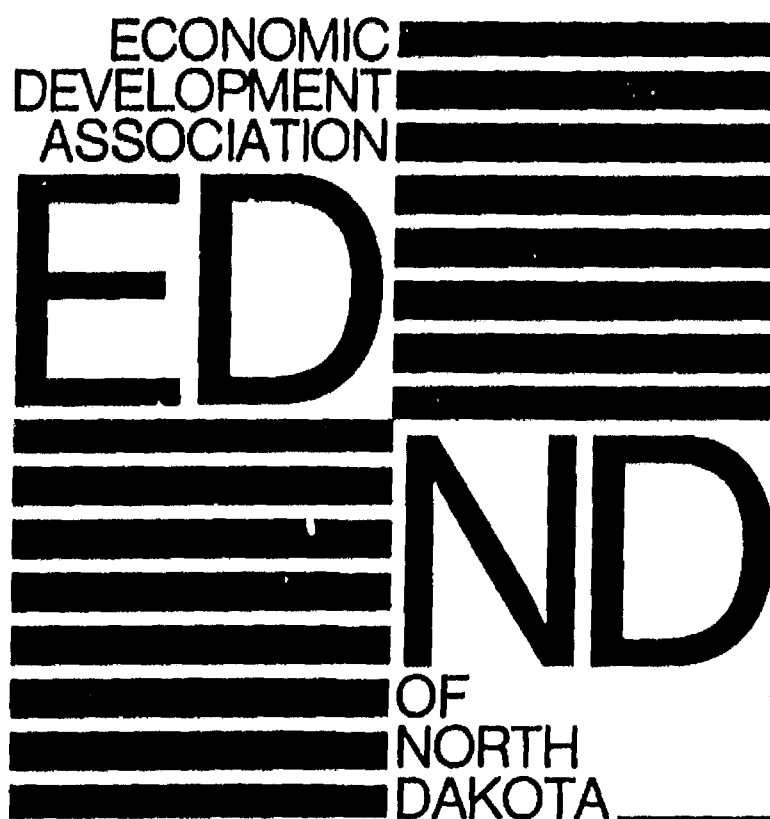
HB 1041: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends DO NOT PASS (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1041 was placed on the Eleventh order on the calendar.

2001 TESTIMONY

HB 1041

Steve Ferguson
Feb 1999

*E*CONOMIC *D*EVELOPMENT ASSOCIATION OF *N*ORTH *D*AKOTA



"VISION FOR THE NEW MILLENNIUM"

January, 2001

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA

"EDND'S VISION FOR THE NEW MILLENNIUM"

Goal #1 - 25,000 new primary sector jobs will be created in ND between 2000 and 2005

Goal #2 - ND's per capita income will be at least 93% of the national average by 2005

To achieve these goals, a clear definition of economic development must be understood. Economic development is a process - not an event - where public policy and the free enterprise intersect to generate "Primary Sector" growth that creates better jobs and personal wealth creation resulting in a higher standard of living for every member of the State.

The new millennium is bringing new economic development trends which the State of North Dakota needs to recognize and adjust to in order to capitalize on existing and future economic opportunities. These trends include:

- Globalization
- Technology & Telecommunications
- Regionalism
- Sustainable Development & Financial Commitment
- Workforce Development

The purpose of the Economic Development Association of North Dakota (EDND) vision is to develop a realistic approach for EDND, the State Legislature and the citizens of North Dakota to follow for understanding and promoting a positive economic future for the State. The following are specific issues that EDND recommends the State of North Dakota address and incorporate into a solid and comprehensive legislative strategy and vision for North Dakota.

- 1.) **Establish a North Dakota Department of Commerce structure.** State agencies who play a particularly active role in promoting economic development in North Dakota would come together under the umbrella of one public/private agency allowing them to function together with a shared strategic plan maximizing each others strengths. This issue is currently being explored by the Interim Commerce & Labor Committee. Agencies to be considered for inclusion in the Department of Commerce would include:

- ND Department of Economic Development & Finance
- ND Tourism Department
- ND Department of Community Services
- ND Labor Department
- ND Workforce Development Council

2.) Economic Development finance and incentive programs. The State of North Dakota must continue to provide finance and incentive programs to support future business start-up, expansion and recruitment projects. The following are existing programs the EDND supports remaining intact and funded at the suggested levels.

- ND PACE - Leave the program as is presently structured -- \$6,600,000
- AG-PACE - Leave the program as is presently structured -- \$1,500,000
- North Dakota Development Fund - Keep the program in place while keeping the regional rural development portion of the fund in place -- \$5,000,000
- Community Development Block Grant Program - Leave the program as is presently structured.
- Renaissance Zones - Recommend the following enhancements to the program.
 - Increase the tax credits available for Renaissance Venture Corporations and additional \$2,500,000
 - Allow the income and property tax exemption for renovation of currently owned residential property if it meets the minimum criteria.
- Corporate Income Exemptions - Leave the program as is presently structured
- Property Tax Exemptions - Leave the program as is presently structured
- Sales & Use Tax Exemptions on Manufacturing & Processing Equipment
 - Maintain the program as is presently structured to provide the exemption for primary sector manufacturing and processing companies. Recommend expanding the exemption to be applied to primary sector information processing companies as well. Such companies make up one of North Dakota's primary targeted industries and the State of North Dakota is not affording these businesses an equal opportunity to benefit from the Sales & Use Tax Exemption on Manufacturing & Processing Equipment as it is presently structured. Recommend that the exemption be expanded to be applicable to equipment within North Dakota based primary sector information processing companies. This equipment would include phone switches, WAN & LAN equipment, PBX equipment, servers, storage equipment, etc. It would not include desktop hardware and/or peripherals.

In order to attract and develop new companies that will compete in today's changing economy, new programs need to be established. Such programs would include:

- Investment Capital Fund - Recommend the establishment of a public/private risk investment fund aimed at providing start-up capital for entrepreneurial business. Targeted at e-commerce, information technology, and advanced technology companies.

- **Speculative Building Program** - Recommend the establishment of a speculative building finance program. The program would encourage private sector investment in speculative commercial buildings for primary sector business use. The program would offer a two-year waiver of property taxes and special assessments as long as the buildings constructed meet with the approval of the community and local development corporations. The Bank of North Dakota would provide participation loans to private developers to finance the speculative building on a short-term basis offering a two year window of no principle or interest payments on the permanent financing. If within this two year period the developer sells the building for a non-primary sector use, the developer would be required to repay the value of the incentives including the value of the tax exemption received up to the point of sale.

3.) **Workforce Development.** Despite North Dakota's declining population, the State is realizing a growth in new jobs being created and total statewide employment. This has begun to create a shortage of workers in the State. To support continued growth, the State of North Dakota must continue to support workforce development, training, and recruitment programs. Existing programs that have been extremely successful (although underfunded) that must be continued and funded at higher levels include:

- **Workforce 2000** - Restore to a higher level of funding and reinstate the original intent of the "New Job Definition" so retraining and upgrading for existing employees qualify. Restrict assistance to primary sector jobs only. -- \$2,500,000
- **New Jobs Training Program** - Maintain the program as presently designed.
- **Workforce Training Initiative** - Support the Workforce Training Initiative passed by the 1999 legislative session. The quadrant workforce training initiative offices would be supported through a combination of public/private funding sources.

Other workforce training programs/initiatives that warrant consideration based upon the growing demand for skilled workers include:

- Development of a state supported labor recruitment program
- Development of an incentive program for college graduates to stay and work in ND
- Explore a low interest mortgage rate program that would attract employees back to North Dakota working in targeted industries.
- Direct the ND University System to be strengthen and/or develop program offerings that are flexible, responsive and relevant to statewide economic development targeted industries and emerging industries. "Supplying Tomorrow's Workforce".

4.) **Economic Development Marketing, Public Relations & Education.** North Dakota is well known to the world as a tourist destination. However, it is virtually unknown as a destination for primary sector business operations and investment. To realize earlier stated goals, the State of ND must successfully start-up new companies, expand existing companies and recruit outside companies through a well defined strategy that would include:

- Develop and adequately fund a business attraction marketing program to bring more primary sector employment into ND. -- \$2,000,000 minimum appropriation.
- Locate & promote venture capital investment into North Dakota businesses
- Maintain programs like the Manufacturers Extension Partnership program to assess the needs of ND businesses and inform them of opportunities to support their continued growth.
- Promote entrepreneurship offerings taking place statewide.
- Support educational programs targeted at promoting professionalism and skills development for in-state economic development professionals.

5.) **Technology Infrastructure Development.** Development and implementation of a statewide plan connecting all of North Dakota with a replete fiber optics and broad bandwidth network is a necessity for North Dakota to compete in the ever-expanding worldwide marketplace. The sooner North Dakota (state-wide) is more completely connected to the rest of the world, the quicker the State can begin to reap the rewards of new growth that will follow.

6.) **Agriculture Support & Development.** Regardless of the huge strides the State of North Dakota has made to diversify its economy, agriculture still remains one of our most vital industries. Every effort must be made at the state level to continue to support existing programs as they presently exist and to consider developing new programs that have the capacity to support the shift in our State from a commodity producing State to a food producing State.

- Support the Ag Products Utilization Commission at its current level of funding (i.e. with rural gas tax funding).
- Support the Beginning Farmer Loan Program as is presently structured.
- Support the Ag Mediation & Adult Farm Management Program as is presently structured.



NORTH DAKOTA

**Testimony of Bill Butcher, State Director, National Federation
of Independent Business (NFIB) in support of HB 1041**

NFIB represents approximately 3000 small business owners throughout North Dakota.

Positions on issues before the Legislature taken by NFIB are determined entirely by member ballots.

A State Ballot was distributed in December 2000 and one of the issues presented in that ballot was whether or not those engaged in the development or expansion of primary sector businesses should be allowed to offer potential private investors tax credit incentives. That issue directly relates to HB 1041.

The result of the survey of NFIB members was that over 66% favored the implementation of such incentives while slightly over 20% were opposed. The remainder were undecided.

With a 66% approval rating, NFIB is obligated to take a position strongly favoring this bill.

It is recognized that the offering of such tax incentives will significantly affect state revenues during the upcoming biennium, but we believe that North Dakota has a crying need for more private capital investment, especially for start-up ventures.

NFIB/North Dakota strongly urges support of HB 1041!