

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1052

2001 HOUSE FINANCE AND TAXATION

HB 1052

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1052

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 30, 2001

Tape Number	Side A	Side B	Meter #
1	X		43
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. AL CARLSON, CHAIRMAN Opened the hearing and read the fiscal note.

SEN. RANDY CHRISTMANN, DIST. 33, Introduced the bill. Gave the rationale behind the bill. He stated that last session, they settled for a little compromise instead of eliminating the tax, they cut it in half for a period of twenty seven months. The fiscal note is technically accurate, but the fact is, we have been dealing with half that amount for the last two years. We had this bill in the interium taxation committee. We did a study of the problems in the ag industry, this was one of the solutions, the committee came up with. We looked at it as a hardship for the farmers who are struggling the most.

REP. JOHN NELSON, DIST. 7, Testified in support of the bill. With the reduction in the tax from last session, it did help some of those implement dealers and farmers and ranchers along the borders, in the sales of machinery and machinery parts. The bill you see today, is what we wanted two years ago.

JOHN WALSTAD, ATTORNEY WITH LEGISLATIVE COUNCIL, Appeared in a neutral position. Explained what the bill did. He was also the attorney for the interium committee. See the Report of the North Dakota Legislative Council, fifty seventh legislative assembly, 2001, see page 353. Mr. Walstad explained all sections of the bill. He stated that the fiscal note estimate in 1999, has tracked pretty close to what the numbers are now.

LIEUTENANT GOVERNOR JACK DALRYMPLE, Appeared to give a couple of observations regarding the bill. He stated, we have allowed this exemption for the last two years. He gave a couple of reasons why we should do this. One is, agriculture is still the number one industry in North Dakota. We are all very dependant in North Dakota, of how agriculture fares. We all know, at the present time, that things are not going well. We have a tremendous number of farmers struggling to stay in business. Setting public policies for these things is very difficult. There is always going to be the case where people are prospering in spite of difficult times. At least one third of the farmers in North Dakota are seriously considering to discontinue to farm. The other reason I wanted to give you, we want to show some good faith here in terms of public policy. We recognize the problem and want to do our share. You will see many, many bills before this legislature which are designed to help agriculture in North Dakota. If you feel that you can only vote for one piece of legislation, I would like you to prioritize this bill as the one you will support. This is real money for the farmers. It is the one bill which is fairly spread over the entire population of North Dakota.

BOB LAMP, NORTH DAKOTA IMPLEMENT DEALERS ASSOCIATION, Testified in support of the bill. See attached written testimony and a handout relating to farm machinery sales showing the percent of change from the same quarter in prior years.

MIKE WEISENBERGER, GRAND FORKS, Testified in support of the bill. He stated he

was a manager and co-owner of Reiten & Young International in Grand Forks. It is a farm equipment dealership which employs twenty three people, handles Case, IH and New Holland lines of farm equipment as well as International trucks. He stated he is in his second year of managing, but has been an owner for ten years, but been in the business for twenty two years. This bill is very important to the dealership and the customers. Today's sales tax rates in North Dakota, which apply to farm equipment, are very different to those of the neighboring states and Canada.

My dealership is ten blocks from the Red River. I currently have to collect sales tax in North Dakota at the rate of 1 1/2% on used equipment and 3% on new equipment. Across the river in Minnesota, there is no sales tax under repair parts and no sales tax on used equipment or new equipment. We have customers in both states. Those North Dakota or Minnesota farmers who farm land side by side in either state, are subject to identical tax rates in many areas of their production. Fertilizer is not taxed in either state. The seed is not taxed in either state, nor are herbicides, insecticides or fungicides. Farm equipment expenses are a different scenario. Regardless of where the farm is located, the North Dakota resident is at a one and a half percent disadvantage in regard to repair parts purchased, used equipment purchased and even used equipment rented. That one and a half percent disadvantage doesn't mean the North Dakota farmer can rent land any cheaper or pay less for his farm labor. Like the farmers, the dealers also struggle with the sales tax issue. As a border dealer, I lose business daily, to Minnesota dealers because of the sales tax differences. Currently, used equipment sold at a farm auction, is not subject to sales tax. This tax exemption bill will not single handedly turn things around for our

farmers or implement dealers, however, this tax relief will result in a direct savings to our producers. Today, the average age of a farm tractor in the United States is said to be nineteen years old. Nineteen year old tractors require repair parts. This tax exemption will help those most in need of relief.

RAY ANDERSON, ROSS, ND, Testified in support of the bill. Stated he has been an implement dealer in Ross, ND, since 1971. His father started the business in 1946. He stated he supports the bill for three reasons. He stated it would have been a lot easier if we would have had zero percent tax on used equipment and parts two years ago, now, we have to break down all of our sales into one and a half percent, three percent, five percent and zero percent. If we have a city sales tax, we need to break that down also. From that, we need to break it down to retail sales, government sales, Montana sales, out of state sales and on and on. For those people who have computers that break this down, it would be nice to do, but I don't have that, so I have to break it down manually.

The number two reason, is our area is in an economic depression. This past year, in northwestern North Dakota, we saw a disaster in small grains. We saw farmers sell their grain for as little as seventy cents per bushel. We saw some farmers have their crop harvested and in the bin and the elevator man told them it was worth nothing at all. A lot of grain was sold for less than one dollar and fifty cents per bushel. In November of 2000, President Clinton was suppose to sign a bill which was supposed to help those people in our area who had quality problems. I called Senator Dorgan's office and talked to his ag man there. I asked him when do we expect this money to be in the farmer's hands. This was considered an emergency bill signed in November of 2000, he said it would probably be in May or June, which is too late for this spring's seeding

season. We have farmers who have not paid their bills from last fall, I am one of those on the receiving end. When the farmers go under, we also have implement dealers, hardware stores, seed plants and others who depend on a customer base.

Number three, the reduction of used equipment and repair parts would level the playing field with others in our business. We have neighboring states who do not charge sales tax on machinery or repair parts. Customers have been known to drive to those areas, just to make those purchases of used equipment and repair parts. I know according to state law, when they bring this stuff back into the state where it is supposed to be used, it is supposed to be reported. I don't know how many really do. The only case is, where they come across the Canadian border, they have to report those sales. We need to compete with out of state sellers, who do not pay to our state's economy.

REP. RENNERFELDT Are your Canadian sales pretty well dried up?

RAY ANDERSON Right now, our sales are really slow, mainly because of the difference in money. We have a lot of people who are going into Canada to buy because of the difference in the dollar.

DALE ANDERSON, GREATER NORTH DAKOTA ASSOCIATION, Testified in support of the bill. GNDA is the principal advocate for change in North Dakota. As an organization of over one thousand members, our membership is a cross section including farmers and farm equipment dealers. This bill is a winner for five reasons: 1. It is a positive impact on farmers, 2. It helps the dealers move their product, 3. It puts North Dakota dealers on a more level playing field, 4. It brings farm machinery in line with tax policy in other parts of the food chain, 5. The estimated impact of 2001-2003 blennium is reasonable.

KEN JUNKERT, REPRESENTING AG COMMISSIONER ROGER JOHNSON, Testified

In support of the bill. See attached written testimony from Roger Johnson.

MARK SITZ, FARMER AND REPRESENTING NORTH DAKOTA FARMERS UNION,

Testified in support of the bill. Also supported this measure in 1999, and it has helped the producers out there. This is real money to producers of North Dakota. I am a little hesitant to admit I am one of those farmers who has a nineteen year old tractor.

RICK CLAYBURGH, STATE TAX COMMISSIONER, Testified in support of the bill.

One of the things we want to be careful of is supporting exemptions in the state. This is one of the issues you will be reading about in our tax study which is being printed right now. Currently, the one and a half percent rate on used farm machinery and repair parts, does create a tremendous burden on the implement dealers in the state. We have not created a separate form, we have tried to maintain the original form because of the sunset. Secondly, it deals with that equalization of breaks. We see a tremendous amount of activity crossing the state borders. It is a difficult issue to deal with. Any time tax policies dictate what consumers do, we have an imbalance and is something that needs to be addressed. This is the major reason I support this legislation. From the standpoint of Canada, because people have to fill out a duty report, we do get that information from customs. We do have a fair amount of audit activity which occurs along the Minnesota border, where we deal with implement dealers or other types of taxpayers, when we get that information, we will assess North Dakota taxpayers. It also deals with simplification of rates and the zero burdens, as was pointed out, when you purchase machinery at an auction, it is not subject to sales tax in North Dakota, which is a competitive force against implement dealers in the state.

JOHN WALSTAD Addressed a portion of the bill which relates to trade-in credit. Under existing law, by definition in the sales tax law, which is not in this bill, when you bring in an item and trade it in on a new purchase, and that new purchase is taxable, you subtract the value of the trade-in from the price of the new purchase, to determine your tax liability. That applies if the item traded in will be subject to sales tax when it is sold. At the one and a half percent rate, no problem. When there is no tax, there is no trade in.

BRIAN KRAMER, NORTH DAKOTA FARM BUREAU Testified in support of the bill.

See attached written testimony.

HARLAN FUGLESTEN, GOVERNMENT RELATIONS DIRECTOR FOR THE NORTH

DAKOTA ASSOCIATION OF RURAL ELECTRIC COOPERATIVES, Testified in support of the bill.

BILL BUTCHER, STATE DIRECTOR OF NATIONAL FEDERATION OF

INDEPENDENT BUSINESS, Testified in support of the bill. We have been supportive of this type of legislation over the years, we feel the legislation of last session has worked and is necessary to an industry who has a great need.

ROD BACKMAN, OFFICE OF MANAGEMENT & BUDGET, Appeared to give comments regarding the bill. He stated when it comes time to balance the budget, they have an issue with the constitution, which requires that the budget be balanced. The fiscal note shows a 9.7 million dollar impact. The Governor has included 5.5 million of that in his budget. The shortfall is not 9.7, it is the difference between that and 5.5 million. I have some amendments which would change the effective date to December 31, 2002, to balance the budget. It leaves

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House Finance and Taxation Committee

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the one and a half percent rate in effect for eighteen months, then the last quarter of the biennium, it will drop the rate to zero. The sole reason for doing that was to balance the budget.

REP. SCHMIDT If auctioneers sell machinery on a consignment basis, the sales tax is collected?

ROD BACKMAN I am not aware of that.

REP. WINRICH We had some data about the effect of lowering the one and a half percent, and apparently that spurred sales a little bit, won't this delay some of that, and you probably won't make up the 5.5 million you are looking for?

ROD BACKMAN That is possible, 5.5 million came from the original fiscal note we were working from for three fourths of the biennium. Obviously, there may be other factors, besides that.

GARY KNUTSON, NORTH DAKOTA AGRICULTURE ASSOCIATION Testified in support of the bill. They have four hundred members who are short line, crop production, and dealers as well, and all support the bill. If nothing else, it may move some used equipment which helps keep the doors open.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 2-5-01, Tape #2, Side B, Meter #2056

REP. RENNERFELDT Presented amendments to the committee which would cut the sales tax on farm machinery. After reviewing the amendments, committee members agreed there would need to be additional amendments.

The bill will be acted on at a later date.

COMMITTEE ACTION 2-6-01, tape #1, Side B, Meter #2800

REP. RENNERFELDT Presented amendments to the committee member.

JOHN WALSTAD Explained what the new amendments would do. The amendments do a combination of two things. It delays the exemption for used farm machinery, used irrigation equipment and farmer's repair parts. This sales tax exemption would not become effective until January 1, 2003. Until that time, the one and a half percent rate that is in effect right now, would be extended. The other thing that is done, is, anything that is exempt from sales tax, does not qualify for a trade-in allowance. If the personal property traded in is used farm machinery or used irrigation equipment, then the trade-in credit will apply for the value of that trade-in.

A revised fiscal note was submitted to the committee, however, after reviewing it, committee members felt the fiscal note was in error.

Because of the questions regarding the revised fiscal note, committee members wanted to wait to do action on the bill until their questions were answered regarding the fiscal note.

COMMITTEE ACTION 2-7-01, Tape #1, Side B, Meter 2480

REP. RENNERFELDT Presented amendments plus a new fiscal note. The amendment related to Sec. 3, regarding the trade-in sales tax, the next part of the amendment was the effective date to June 30, 2002.

JOHN WALSTAD Appeared before the committee to answer questions regarding the prepared amendments plus the fiscal note.

REP. RENNERFELDT Made a motion to adopt the amendments as presented.

REP. RENNER Second the motion. **MOTION CARRIED BY VOICE VOTE.**

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House Finance and Taxation Committee

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REP. RENNER Made a motion for a **DO PASS AS AMENDED.**

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

13 YES 2 NO 0 ABSENT

REP. RENNER Was given the floor assignment.

FISCAL NOTE

Requested by Legislative Council
02/09/2001

Bill/Resolution No.:

Amendment to: HB 1052

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			(\$6,710,000)	(\$580,000)		
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.*

Engrossed HB 1052 extends the 1.5% sales tax rate on used farm equipment and repair parts until 6/30/02, exempts those sales effective 7/1/02, and continues the trade-in allowance.

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.*

The fiscal impact to the state general fund and the state aid distribution fund of HB 1052 First Engrossment is estimated to be -\$7,290,000 for the 01-03 biennium.

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
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Phone Number: 328-3402

Date Prepared: 02/12/2001

FISCAL NOTE
Requested by Legislative Council
02/01/2001

REVISION

Bill/Resolution No.: HB 1052

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			(\$6,730,000)	(\$500,000)		
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.*

HB 1052 provides a sales and use tax exemption for used farm machinery and repair parts. Current law taxes these items at 1.5%, but this reduced rate sunsets at the close of the 99-01 biennium, and thereafter, imposes a 3% tax. This fiscal note, therefore, computes the effect of the exemption from a 3% tax rate. HB 1052 also removes the trade-in allowance for new farm machinery sales.

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.*

The original fiscal note computed only the fiscal impact of the elimination of the tax on used equipment and repair parts (estimated at -\$9.72 million for the 01-03 biennium). The bill also removes the trade-in allowance for new equipment sales. The removal of the trade-in allowance increases the 3% tax on new equipment and is expected to increase revenues by \$4.23 million for the 01-03 biennium. Demand for new equipment could fall, however, by an estimated 10% as farmers will seek the preferential tax treatment and buy used equipment, or buy new equipment tax free in neighboring states. This drop in demand for new equipment, taxed at 3%, is estimated to reduce revenues by -\$1.83 million. The revised fiscal impact of HB 1052 is -\$7.32 million: -\$9.72 million due to the elimination of the tax on used farm equipment and repair

parts; +\$4.23 million tax on the value of the discontinued trade-in allowance (at 3%); and -\$1.83 million due to the drop in demand from the loss of the trade-in allowance. (Note: Some industry experts estimate the drop in sales of new equipment could reach 25% or more. A 25% drop in in new sales would result in a revenue loss of -\$2.75 million more than the amount shown here.)

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:	02/05/2001

FISCAL NOTE
 Requested by Legislative Council
 12/14/2000

Bill/Resolution No.: HB 1052

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			(\$8,940,000)	(\$780,000)		
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.*

HB 1052 provides a sales and use tax exemption for used farm machinery and repair parts. Current law taxes these items at 1.5%, but this reduced rate sunsets at the close of the 99-01 biennium, and thereafter, imposes a 3% tax. This fiscal note, therefore, computes the effect of the exemption from a 3% tax rate.

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.*

HB 1052 is expected to reduce State General Fund and State Aid Distribution Fund revenues by -\$9.72 million during the 01-03 biennium.

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:	01/17/2001

Date: 9-6-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1052

House FINANCE & TAXATION Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as amended

Motion Made By Rep. Renner Seconded By Rep. Brandenburg

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) 13 No 2

Absent 0

Floor Assignment Rep. Renner

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

REPORT OF STANDING COMMITTEE

HB 1052: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1052 was placed on the Sixth order on the calendar.

Page 1, line 4, after "reenact" insert "subsection 3 of section 57-39.2-01 and"

Page 1, line 7, remove "and" and after "date" insert "; and to provide an expiration date"

Page 1, after line 8, insert:

"SECTION 1. AMENDMENT. Subsection 3 of section 57-39.2-01 of the North Dakota Century Code is amended and reenacted as follows:

3. "Gross receipts" means the total amount of sales of retailers, valued in money, whether received in money or otherwise. Provided, discounts for any purposes allowed and taken on sales are not included, nor is the sale price of property returned by customers when the full sale price is refunded either in cash or by credit. Provided, further, when tangible personal property is taken in trade or in a series of trades as a credit or part payment of a retail sale taxable under this chapter, if the tangible personal property traded in will be subject to the sales tax imposed by this chapter when sold, will be subject to the motor vehicle excise tax imposed by chapter 57-40.3, or if the tangible personal property traded in is used farm machinery or used irrigation equipment, the credit or trade-in value allowed by the retailer are not gross receipts. Provided, further, on all sales of retailers, valued in money, when the sales are made under a conditional sales contract, or under other forms of sale wherein the payment of the principal sum is to be extended over a period longer than sixty days from the date of sale that only the portion of the sale amount shall be accounted for, for the purpose of imposition of tax imposed by this chapter, as has actually been received in cash by the retailer during each quarterly period as defined herein. When a farm machine is purchased as a replacement for machinery which was stolen or totally destroyed, a credit or trade-in credit is allowed in an amount equal to the compensation received for the loss from an insurance company. The purchaser shall provide the seller with a notarized statement from the insurance company verifying that the original farm machine is a total loss and indicating the amount of compensation. The notarized statement must be retained by the seller to verify the amount of credit or trade-in credit allowed. "Gross receipts" also means, with respect to the leasing or renting of tangible personal property, the amount of consideration, valued in money, whether received in money or otherwise, received from the leasing or renting of only tangible personal property the transfer of title to which has not been subjected to a retail sales tax in this state. For the purpose of this chapter, gross receipts shall also include the total amount of sales of every clerk, auctioneer, agent, or factor selling tangible personal property owned by any other retailer."

Page 1, line 11, overstrike "2001" and insert immediately thereafter "2002"

Page 3, line 9, overstrike "2001" and insert immediately thereafter "2002"

Page 5, line 3, overstrike "2001" and insert immediately thereafter "2002"

Page 6, line 28, overstrike "2001" and insert immediately thereafter "2002"

REPORT OF STANDING COMMITTEE (410)
February 8, 2001 10:55 a.m.

Module No: HR-23-2700
Carrier: Renner
Insert LC: 10146.0104 Title: .0200

Page 8, line 10, replace "This Act is" with "Sections 2 and 4 of this Act are"

Page 8, line 11, after the period insert "Sections 1 and 3 of this Act are effective for taxable events occurring after June 30, 2002."

Renumber accordingly

2001 SENATE FINANCE AND TAXATION

HB 1052

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1052

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date 3/6/01

Tape Number	Side A	Side B	Meter #
1	x		26.1-end
		x	0-14.5
3/7/01 - 2	x		5-7.8
Committee Clerk Signature <i>Lynelle M. Kraft</i>			

Minutes:

Senator Urlacher: Opened the hearing on HB 1052, relating to a sales and use tax exemption and imposition of sales tax on sales of used farm machinery, farm machinery repair parts, and used irrigation equipment used exclusively for agricultural purposes.

Senator Christmann: Testified in support. Gives history of the bill. I sponsored a bill to completely eliminate the sales tax on farm parts and on used farm equipment. To me at the time, it was an important issue for our implement dealers, especially those along the borders where they're at a real competitive disadvantage, and for the farmers and ranchers in the state. Because of the fiscal note primarily, we settled for half a bundle last session, we cut the sales tax from 3% down to 1 1/2% and put a two year limit on it with the plan to revisit it this year. The Taxation Interim Committee looked at the issue and studied it some more and made the recommendation to eliminate the sales tax as of this summer when the legislation would go into effect. The House Tax Committee, in recognition of our current financial difficulties, held that implementation date

off for another year. As the bill reads now, we would continue with the 1 1/2% rate until the summer of 2002, and then it would be completely eliminated. This is a way to help farmers and ranchers who are struggling, without a big administrative cost. Every dime that the state loses, stays right in the pockets of the farmers and ranchers. This helps those who really need it the most.

Bob Lamp: ND Implement Dealers Assoc., testified in support. Written testimony attached. Also provides handout and explains it. Handout attached. Foremost it's a producer bill, but it's also important to our dealers.

Senator Urlacher: Is there a tax on labor?

Bob Lamp: No, service labor is not taxed. Actually, I don't think any labor is taxed.

Representative Jon Nelson: Testified in support. I worked on this two years ago with Senator Christmann. The fiscal note is big, that's why the House amended it to wait 12 months to totally eliminate it. I think when it's all said and done, that money will be reinvested back into the economy of ND.

Senator Nichols: Are you suggesting that we should get rid of the 1 1/2% now instead of what was done in the House?

Representative Jon Nelson: Not this year, it would be next year when this would be implemented. That was the concession that was made in the House.

Rick Clayburgh: State Tax Commissioner, testified in support. We do believe there was a positive impact from reducing the rate from 3 to 1 1/2%. We would believe it would continue with taking it down to 0. I don't think it's a good tax policy when the policy dictates consumer choice and options. The fiscal note dealt with the sunset clause.

Senator Nichols: You feel this 6.7 million fiscal note applies when we're looking at the revenue forecast?

Rick Clayburgh: Yes.

Senator Nichols: Is there a way to project numbers on sales if this bill is passed?

Rick Clayburgh: We can't say that the sales numbers are based solely on the reduction in tax.

Clare Carlson: Representing the Governor's Office, testified in support. The money will get turned around and put back into economy. I have four points: First, Ag is our number one industry, and our state is dependent on the success or failure of that industry. Secondly, the Ag economy is in financial stress and this can help in some small part. Third, it's our chance to show good faith with the Ag community saying that we know there's a problem and we're willing to step up and do our part. Fourth, it brings us up with surrounding states in the equipment sales area.

Brian Kramer: ND Farm Bureau, testified in support. There's been a number of things mentioned this morning that we totally agree with. During the last legislative session that move the tax from 3% to 1 1/2%, we had a number of phone calls from people who said that it was a good piece of legislation and they want to see it moved down to 0. The Governor's budget was put together recognizing that we would remove the sales tax completely at the conclusion of this session.

Mike Weisenberger: Reiten & Young International in Grand Forks, testified in support. Reiten and Young is a farm equipment dealership. This bill is important to dealerships and farming customers. Our business is very close to MN, and farmers can go there so get equipment without paying taxes.

Senator Urlacher: I know it isn't going to save everybody, but when we're talking about a \$75,000 used airseeder, we're talking about some bucks. The cost is a factor, a much larger factor than it used to be.

Senator Nichols: What about Canadian sales? In your case, is there an effect on you or not as much as the others?

Mike Weisenberger: We don't see the Canadian thing as much as MN.

Ray Anderson: Anderson Equipment in Ross, testified in support. Any dollar that leaves a community does not have the turn over effect. We need to keep our dollars in our small communities. If we are serious about helping the agriculture economy, now is the time to do it. Others signed the roster in support.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion held 3/7/01. Meter number 5-7.8, Tape 2, Side A.

COMMITTEE ACTION: 3/7/01

Motion made by Senator Christmann for a DO PASS & REREFFERED TO APPROPRIATIONS, Seconded by Senator Wardner. Vote was 6 yeas, 0 nays, 0 absent and not voting. Bill carrier was Senator Christmann.

Date: 3/7/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1052

Senate Finance and Taxation Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS & Referred to App.

Motion Made By Christmann Seconded By Wardner

Senators	Yes	No	Senators	Yes	No
Senator Urlacher-Chairman	✓				
Senator Wardner-Vice Chairman	✓				
Senator Christmann	✓				
Senator Stenehjem	✓				
Senator Kroeplin	✓				
Senator Nichols	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Christmann

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

REPORT OF STANDING COMMITTEE (410)
March 7, 2001 5:37 p.m.

Module No: SR-39-5054
Carrier: Christmann
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1052, as engrossed: Finance and Taxation Committee (Sen. Urlacher, Chairman)
recommends DO PASS and BE REREFERRED to the Appropriations Committee
(6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1052 was
rereferred to the Appropriations Committee.

2001 SENATE APPROPRIATIONS

HB 1052

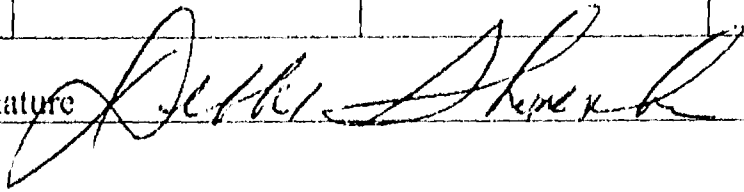
2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1052

Senate Appropriations Committee

☐ Conference Committee

Hearing Date March 19, 2001

Tape Number	Side A	Side B	Meter #
I	X		0.0-10.0
Committee Clerk Signature 			

Minutes:

Senator Nething opened the hearing on HB 1052.

Lt. Governor Jack Dalrymple, made a few comments on the bill. The Governor's office included this bill and funding in their budget. The problems with agriculture today this is an effective way to help with the producers. The original bill called for implementation for 18 months down the road. The House amendment pushed it up to June 30, 2001, giving it a fiscal impact of \$1.2 to \$1.4 million in added costs. The effective date is a policy decision but will create more money in the next 12 months. Side A, meter 2.9

Senator Randel Christmann, District #33, testified in favor of the bill. This bill will help both the implement dealers and the farmers and ranchers. The fiscal interim tax commission wanted effective date immediately. Fiscal note will take consideration of this. This is needed for declining sales in the state and helps offset losses.

Robert Lamp, North Dakota Implement Dealers Association, summarized the bill (testimony attached). Also attached is a graph on farm machinery sales and the percentage of changes in same quarters of prior years along with the economic impact of ND franchised farm equipment dealers. This bill will be one of the best things today for the agriculture business.

Senator Grindberg: Do you have any data on if farmers are buying equipment/parts over the Internet today?

Robert Lamp: I'm not sure on any data. Most farmers who need these parts need them quickly. Right now they can go to either Minnesota or Montana and buy them with being taxed. No I don't believe this is an issue right now.

Senator Thane: Do you have any figures on how much inventory the agricultural dealers carry?

Robert Lamp: No, not exactly but I can tell you that used inventory is a big problem and the markets are slim. With no further testimony, the hearing was closed on HB 1052. Tape #1, Side A, meter 10.0.

4-17-01 Full Committee Action (Tape #3, Side A, Meter No. 22.3 - 35.4 -2 of 2 bills)

Senator Nething reopened the hearing on HB1052. Senator Nething distributed copies of proposed amendments (10146,0201), and led the review and discussion on them. Senator Solberg moved the amendments be adopted; seconded by Senator Thane. Discussion; call for the vote: Roll call vote: 8 yes; 6 no; 0 absent and not voting. Adoption of amendments carried.

Discussion on the bill, motion DO PASS AS AMENDED by Senator Solberg; second by Senator Andrist. Discussion; call for the vote: 11 yes; 3 no; 0 absent and not voting.

Senator Nething will carry the amendment on the floor; Senator Christmann the floor assignment of bill.

10146.0201
Title.

Prepared by the Legislative Council staff for
Senator Nething
March 29, 2001

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1052

Page 2, line 21, replace "2002" with "2003"

Page 4, line 14, replace "2002" with "2003"

Page 6, line 9, replace "2002" with "2003"

Page 8, line 3, replace "2002" with "2003"

Page 9, line 17, replace "2002" with "2003"

Renumber accordingly

Date: 4-17-01

Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. LB 1052

Senate Appropriations Committee

☐ Subcommittee on _____

or

☐ Conference Committee

Legislative Council Amendment Number 10146.0201

Action Taken Amend. adopted

Motion Made By Senator Solberg Seconded By Senator Thane

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. Heitkamp		✓			
Tony Grindberg	✓				
Russell T. Thane	✓				
Ed Kringstad	✓				
Ray Holmberg	✓				
Bill Bowman		✓			
John M. Andrist	✓				

Total Yes 8 No 6

Absent 0

Floor Assignment Senator

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

Date: 4-17-01

Roll Call Vote #: 2

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 1052

Senate Appropriations Committee

☐ Subcommittee on _____
or

☐ Conference Committee

Legislative Council Amendment Number 1046.0201

Action Taken As passed as amended

Motion Made By Senator Solberg Seconded By Senator Christmann

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. Heitkamp		✓			
Tony Grindberg	✓				
Russell T. Thane	✓				
Ed Kringstad	✓				
Ray Holmberg	✓				
Bill Bowman		✓			
John M. Andrist	✓				

Total Yes 11 No 3

Absent 0

Floor Assignment Senator Nething in Absence

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

Christmann in full

REPORT OF STANDING COMMITTEE

HB 1052, as engrossed: Appropriations Committee (Sen. Nething, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (11 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1052 was placed on the Sixth order on the calendar.

Page 2, line 21, replace "2002" with "2003"

Page 4, line 14, replace "2002" with "2003"

Page 6, line 9, replace "2002" with "2003"

Page 8, line 3, replace "2002" with "2003"

Page 9, line 17, replace "2002" with "2003"

Renumber accordingly

2001 TESTIMONY

HB 1052

NORTH DAKOTA IMPLEMENT DEALERS ASSOCIATION

1411 32nd St SW • PO Box 2524 • Fargo, ND 58108-2524

Phone (701) 293-6822 • FAX (701) 293-6824



SUMMARY SHEET FOR HOUSE BILL 1052

BOARD OF DIRECTORS:

MARC TAYLOR
President
Mandan
683-9864

DAVE MEYER
1st Vice President
Lisbon
683-4000

BRUCE UGLEM
2nd Vice President
Northwood
687-6116

ROBERT L. LAMP
Executive Vice President
Fargo
293-6822

RON MOTL
Milnor
427-5224

LEONARD MCQUIRE,
Bottineau
228-3733

JOHN SCHABERT
Dickinson
226-6123

RAY ANDERSON
Ross
755-3244

DAN ANDERSON
Cavalier
265-4977

DAN BUTLER
Fargo
298-1700

MIKE WEISENBERGER
Grand Forks
776-8111

FRAN ROMSDAL
Jamestown
252-7030

GARY HANSON
Grafton
352-3600

DARRELL LARSON
Wahpeton
642-9266

DON OPPERGARD
National Director
Park River
284-6316

- This bill provides a sales tax exemption for the purchase of used farm machinery and repair parts.
 - This bill will have the most immediate and broad-based effect on the agricultural economy in North Dakota.
 - This bill will have a positive effect not only on the producers who are farming the land but also on farm equipment dealers and other agribusinesses up and down main street.
 - This bill does not involve any administrative cost for implementation. Every dollar of tax relief will go directly to the consumer of used equipment and repair parts.
 - There is absolutely no cost to the state of North Dakota and no tax benefit to the consumer until an investment is made in used machinery and/or repair parts. This exemption does not cost the state one penny until dollars are turned in our economy.
 - North Dakota's farm equipment dealers are faced with an inventory problem with used equipment. This sales tax exemption will not only help dealers sell their used equipment inventory but will help them sell more new machinery since they will again have a market for their trade-ins. And remember, new equipment will still be taxable.
 - This exemption will put North Dakota dealers and producers on a level playing field with most other states and Canadian provinces. With the exception of South Dakota (which does not impose an income tax), every other state in the central corridor exempts farm machinery and repair parts.
1. Minnesota imposes no sales tax on new or used machinery or repair parts.
 2. Montana does not impose a sales tax.
 3. Manitoba and Saskatchewan do not impose a sales tax on farm machinery or repair parts.

(Continued...)

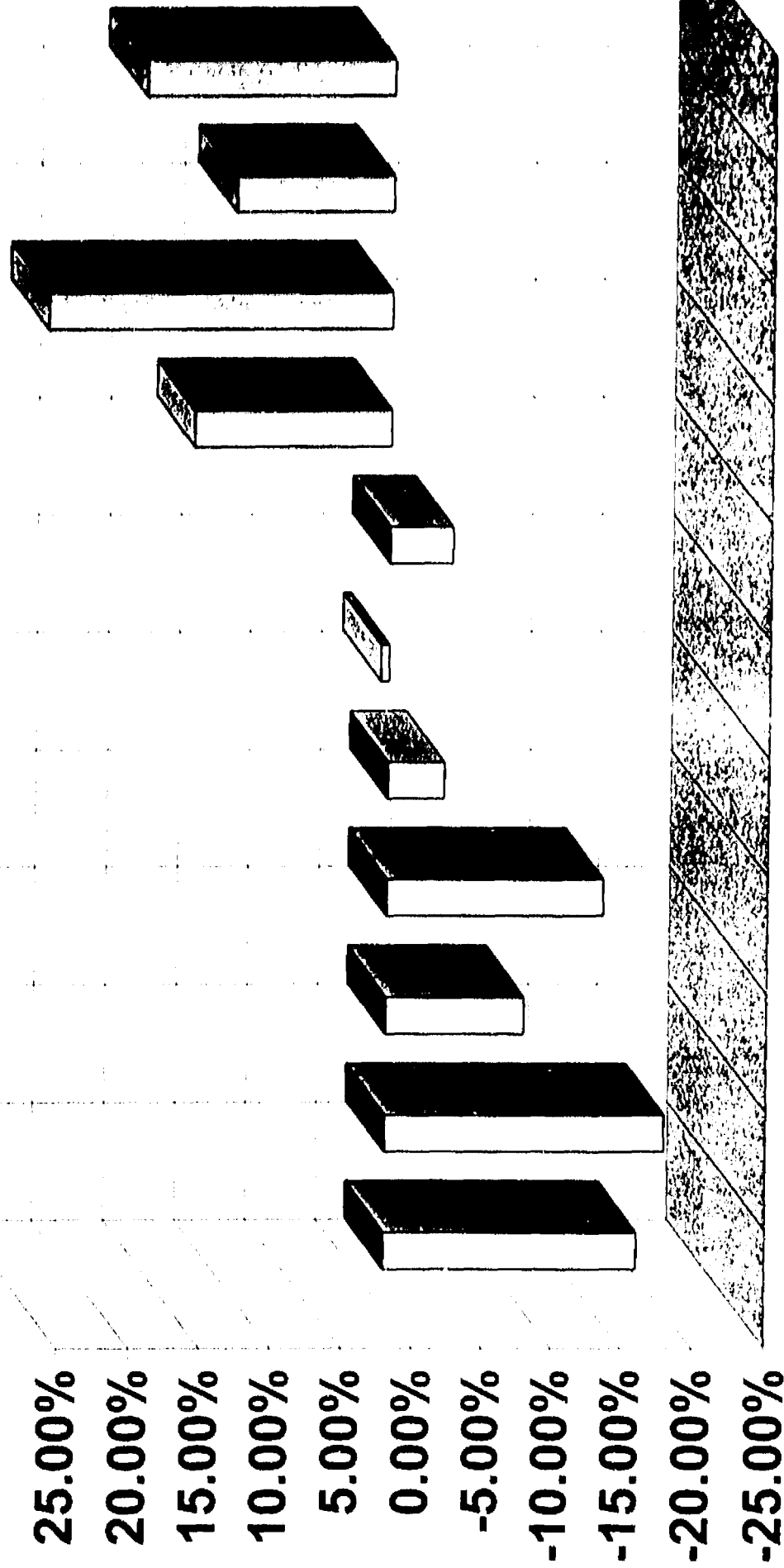
- Other states and provinces are aggressively using their sales tax advantage to solicit North Dakota producers to make their major purchases out of state.
- This exemption will also put dealers on a level playing field with farm auctions which are exempt from sales tax. Where is the equity in a producer being able to purchase equipment at auctions without paying sales tax but the same purchase at a farm equipment dealership is taxable?
- A 1½% price differential is a significant cost to the producer when you consider the high cost of farm equipment. 1½% of a \$50,000 piece of farm machinery equals \$750 which is certainly an incentive for a producer to buy outside of North Dakota or not at all.
- Farm machinery is an integral link in the food chain. No other input items in the food chain are taxed. Commercial fertilizers, fungicides, herbicides, feeds and seeds used for agricultural purposes are not taxed. Even food itself is not taxed when purchased by the end consumer. Shouldn't farm equipment be given the same consideration?
- This bill will be especially important to struggling YOUNG farmers who want desperately to stay on the farm. By specifically applying to used machinery and repair parts, this bill is designed to help those most in need of relief.
- While there is a significant fiscal impact with the passage of this bill, we must consider the fiscal impact to North Dakota if legislation to help producers and dealers is not enacted. The potential loss of producers and dealers could very easily overshadow this fiscal note. The loss of farmers, businesses and their employees could have a huge impact on who will be left to pay North Dakota's corporate, sales, income and property taxes. The ripple effect of little or no action could be far reaching.
- North Dakota's agricultural economy needs your support of this bill.

For more information or any questions on this bill contact:

Robert L. Lamp
North Dakota Implement Dealers Association

Farm Machinery Sales

% Chg from Same Qtr in Prior Year



98:1 98:2 98:3 98:4 99:1 99:2 99:3 99:4 00:1 00:2 00:3

Bob Lamp - H1B 1-52

Taxable Sales and Purchases of Farm Machinery
Percent Change from Same Quarter in Prior Year

1998:01:00	-18.13%
1998:02:00	-20.01%
1998:03:00	-9.90%
1998:04:00	-15.57%
1999:01:00	-4.00%
1999:02:00	0.57%
1999:03:00	-4.44%
1999:04:00	13.86%
2000:01:00	24.18%
2000:02:00	11.06%
2000:03:00	17.46%

ECONOMIC IMPACT
OF
NORTH DAKOTA'S
FRANCHISED FARM EQUIPMENT DEALERS

- There are **140** franchised farm equipment dealerships in North Dakota.
- Dealers average **\$5.5 million** in annual retail sales per dealership.
- Dealers generate over **\$770 million** in annual retail sales statewide .
- Over **2,500** people statewide are employed by franchised farm equipment dealerships.
- The average dealership employee earns **\$31,000** per year.
- The average annual payroll per dealership is **\$550,000**.
- Dealership payroll statewide is over **\$77 million** annually.
- Dealers statewide pay over **\$15 million** in payroll taxes and employee benefits annually.
- Dealers spend nearly **\$5.5 million** per year in advertising.
- In addition to time and talent, ND's franchised farm equipment dealers contribute over **\$1.5 million** annually to charitable and civic concerns.

COMMISSIONER OF AGRICULTURE
ROGER JOHNSON



PHONE (701) 328-2231
(800) 242-7535
FAX (701) 328-4567

DEPARTMENT OF AGRICULTURE
State of North Dakota
600 E. Boulevard Ave. Dept. 602
Bismarck, ND 58505-0020

**Testimony of Roger Johnson
Agriculture Commissioner
House Bill No. 1052
House Finance and Tax Committee
Fort Totten Room
January 30th, 2001**

Chairman Carlson and members of the House Finance and Tax Committee, I am Agriculture Commissioner Roger Johnson. I am here today in support of HB 1052, which will provide a sales and use tax exemption for used farm machinery, farm machinery repair parts, and used irrigation equipment used exclusively for agricultural purposes.

As you know, farmers and ranchers in North Dakota have been experiencing very difficult economic times in recent years. Our two largest agricultural industries - wheat and cattle - have brought low and negative returns to producers in recent years, although cattle prospects have been better the past two years. The average net return per acre of wheat has been negative for three years in a row.

Low prices continue to plague most agricultural commodities. HB 1052 will help producers reduce production expenses and increase their net return margins. HB 1052 is one step in the direction of increasing net farm income and creating prosperous family farms.

Chairman Carlson and committee members, I urge a do pass on HB 1052. I would be happy to answer any questions you may have.



State Headquarters:
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PO Box 2064
Fargo, ND 58107
701-298-2200 • 1-800-367-9868

Government and Media Relations office:
4023 State St
PO Box 2793
Bismarck, ND 58502
701-224-0330 • 1-800-932-8869

North Dakota Farm Bureau

www.ndfb.org

NORTH DAKOTA FARM BUREAU

TESTIMONY ON

HOUSE BILL 1052

Chairman Carlson and members of the House Finance and Tax Committee, my name is Brian Kramer. I am here representing the 26,000 member families of North Dakota Farm Bureau. We support House Bill 1052. The bill completes the process started last session. The compromise was to reduce the tax at that time and completely eliminate sales tax on used machinery and repair parts this session. We agreed to that compromise and now support this legislation that fulfills the agreement.

When we visited this issue last session, many of our members were skeptical of the benefits of that reduction. It is amazing how several of those same members now comment positively about that reduction and call for the removal of the remaining one and one-half percent. In fact, that idea was wholeheartedly approved as a priority issue for North Dakota Farm Bureau.

The arguments for removal of this sales tax are as valid today as they were last session. The farm economy is still depressed. The implement dealers are still struggling. Neighboring states are still at a competitive advantage because they do not charge this sales tax.

Elimination of the sales tax on used machinery and repair parts may be even more pertinent today. Farm input costs continue to rise. Petroleum prices are skyrocketing and with that petroleum-based fertilizer and chemical prices are continuing to escalate.

One future. One voice.

According to our calculations, the average farmer experienced a savings of about \$141 per year with the reduction to one and one-half percent sales tax. That would translate to \$282 per year with the elimination. This is not the salvation of the farm, but it does provide a measure of relief to those farm folks who are hard pressed to meet family living expenses, provide health care, or other important needs. It will show support to our number one industry in the state in a manner easily recognized.

It will provide a level playing field for implement dealers that are in direct competition with neighboring states. Implement dealers face the same dilemma as farmers. They are totally dependent on the farm economy and the variables that affect it. Agriculture producers rely on a readily available, accessible supply of repair parts and supplies. If an implement dealer closes that business, the producers in that business area are negatively impacted. It is not merely an inconvenience. They have to travel farther, expending more time and money to get the parts they need.

HB 1052 is recommended to you by the Interim Tax Committee and is fully supported by North Dakota Farm Bureau. We encourage you to give this bill a "Do Pass" recommendation.

Thank you. I would try to answer any questions you may have.



RICK CLAYBURGH
COMMISSIONER

STATE OF NORTH DAKOTA

OFFICE OF STATE TAX COMMISSIONER

STATE CAPITOL, 600 E. BOULEVARD AVE., DEPT. 127, BISMARCK, NORTH DAKOTA 58505-0599

701-328-2770

FAX 701-328-3700

Hearing/Speech Impaired 800-368-6848 (TTY Relay North Dakota)

<http://www.state.nd.us/taxdpt>

MEMORANDUM

TO: Rep. Rennerfeldt

FR: Kathryn L. Strombeck

RE: Fiscal Impact of Amendments to HB 1052

DT: February 7, 2001

Amendments to HB 1052 that tax used farm machinery and repair parts at 1.5% for the first year of the 01-03 biennium, exempt used farm machinery and repair parts and continue to allow a trade-in allowance for the second year of the 01-03 biennium, is expected to reduce biennial revenues by \$7,290,000. This would impact both the State General Fund (-\$6,710,000) and the State Aid Distribution Fund (-\$580,000).

Please contact me if you have any questions or comments. My phone number is 328-3402.