

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1381

2001 HOUSE FINANCE AND TAXATION

HB 1381

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1381

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 31, 2001

Tape Number	Side A	Side B	Meter #
1		X	1,820
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

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

REP. SCOTT KELSIL, DIST. 11, SOUTH CENTRAL FARGO, Introduced the bill as the prime sponsor. It was only after I got into this committee, that I realized I was in a long line of people who are asking for tax credits. This bill was introduced to help a number of sectors of our economic infrastructure. This bill will extend an income tax credit to any employer who either provides child care facilities on site or otherwise pays the cost of an employee's child care burden. It will make it a little easier to recruit and retain employees by giving them an option of offering this as a perk. It also helps our economic development organization recruit and retain businesses to our state by giving them another tool or incentive by which to attract them. It eases the burden of child care costs on those employees. It helps increase the quality of child care, by making more money available to providers who are then able to recruit and keep quality staff. Section 1 of the bill gives the tax credit of twenty five percent of the employee's net cost of

operating a child care program, used primarily by dependent's of the taxpayer's employees or fifty percent of an employer's net cost of any monetary, in kind contribution toward child care. This also includes two or more employers who jointly contribute in the manner described. This helps our goal, by keeping young people in our state.

REP. DROYDAL Currently, the expenses for providing day care, that is a legitimate deduction on the internal revenue code, isn't it?

REP. KELSH To the best of my knowledge, it is.

DON MORTON, GREAT PLAINS, Testified in support of the bill. Gave a background of what is happening at Great Plains as far as creating a business climate that is so favorable. We have two thousand key members around the world, one thousand, which are located in Fargo, those thousand key members represent two hundred forty seven small towns within our state. Over ninety percent of our employees are North Dakota natives. On December 21, Microsoft announced their intention to acquire Great Plains. The chairman of the board decided that Great Plains should be acquired by Microsoft, so we agreed to be acquired. We are excited about this and I think the state of North Dakota should be very excited also. Microsoft bought us for one reason, and that is to help their top line growth. They are a very good business model and generate lots of cash. They have forty billion in cash. Our charge is to provide growth. Great Plains, currently, is a three hundred million dollar company. Microsoft will make the investments for us to grow. It is bills like this that help that very favorable business climate. One of the things we want to do at Great Plains, we have a sizable campus on the south side of Fargo, we just completed our second building, and will start our third soon. We voice a strong support for this bill.

REP. CLARK What is the average age of your employees?

DON MORTON Average age is thirty two years old.

PAUL WOHNOUTKA, EIDE BAILLEY, ALSO A REPRESENTATIVE OF GNDA,

Testified in support of the bill. We feel there is a need to free up employees for the work field.

The cost of day care now days is astronomical, some families are paying eight hundred to one thousand dollars per month for day care. This bill will help employers to either provide day care in their facility or those that donate to a day care center can get a credit on their tax return. There are so many businesses now, who are operating in a Sub Chapter S Corporation status, or various types of partnerships, and being taxed on individual returns. As such, it is felt to have it as a credit on the individual short form. Otherwise, it really eliminates a lot of employers out of the credit, so it doesn't give them an incentive to help with the child care situation.

JOSEPH BECKER, STATE TAX DEPARTMENT, appeared to answer questions.

Stated it can be used on the long and short forms.

REP. CARLSON There are various entities where the taxes flow to the individual's form, is that why the short form for the individual is included?

JOSEPH BECKER No, I think an employer can use it as a credit, but some employers will be in the form of a partnership or other pass through entity, they don't pay a tax. There is a provision to let that flow through to the owners who are taxpayers.

REP. CARLSON They own the business, but they aren't filing as a business, and are letting it flow through to their personal income tax?

JOSEPH BECKER The employer could be a partnership, that entity is the employer, but partnership does not file an income tax return, because that entity does not pay an income tax.

That income that they receive, flows through to their owners, and hence, there is a provision here that will allow this credit to be computed, but then it will flow through to the owners. The owners will then claim it on their perspective returns.

REP. CARLSON Is that common or uncommon?

JOSEPH BECKER That is very common.

REP. CARLSON With the credit there is a cap which does not exceed twenty thousand dollars, but yet, we have a fiscal note that says it is undeterminative. Why would this be undeterminative?

JOSEPH BECKER I don't have a handle on that at all. I guess we don't know who would take advantage of this.

REP. GROSZ Going back to the past records, on an S Corporation, where there is double taxation, do you only take credits as a S Corporation level and not through shareholders?

JOSEPH BECKER A regular corporation would pay taxes and his credit would then be paid by the corporation, an S Corporation is a pass through entity like a partnership, therefore, that entity does not pay.

DAVID MARTIN, PUBLIC AFFAIRS MANAGER OF THE CHAMBER OF

COMMERCE, FARGO/MOORHEAD Testified in support of the bill. See attached written testimony.

JACK MC DONALD, REPRESENTING THE YMCA'S OF NORTH DAKOTA, Testified in support of the bill. See attached written testimony.

KURT CRUEN, OWNER OF A DAY CARE CENTER, GRAND FORKS, Testified in support of the bill. We are a for-profit center, which means we only collect income from the

cushion that come there through the parents. We also are not available for the food program, or the foster grandparents program or any outside sources whatsoever, other than the income we derive from the tuition of the parents. He stated he helped put together the finishing touches of this bill. He stated he is in favor of the bill because child care issues are affecting employers' abilities to recruit and retain a qualified workforce. That is also a qualified workforce in the day care industry as well. This child care tax credit would create a partnership between private and public entities and address these issues. This bill also equates it out to whether it is a large child care facility or a small child care facility or a home based day care facility. These monies would become available to everyone. It lessens the burden of worry of the parent who has a child in child care. As far as the fiscal note, it will be very minimal.

BARB ARNOLD TANGESDAL, NORTH DAKOTA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, Testified in support of the bill. See attached written testimony.

LINDA REINICKE, PROGRAM DIRECTOR FOR CHILD CARE RESOURCE & REFERRAL IN WESTERN NORTH DAKOTA Testified in support of the bill. See attached written testimony.

JIM OLIVER, EXECUTIVE DIRECTOR OF THE WAHPETON CHAMBER OF COMMERCE Testified in support of the bill. Stated he has been involved with the child care issues in his town for the last four years. It isn't going away. This bill in the last session, if it would have passed, would have made a difference of a new child care facility in their community.

REP. KELSH Stated that when the bill was drafted, there was some language that needed to be incorporated, so he had amendments drafted to fix it.

PAUL WOHNOUTKA Explained what the amendment would do. Instead of allowing a credit up to fifty percent of the taxpayer's tax liability, they wanted to insert twenty five percent for the tax liability.

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House Finance and Taxation Committee

Bill/Resolution Number HB 1381

Hearing Date January 31, 2001

With no further testimony, the hearing was closed.

COMMITTEE ACTION 2-13-01, TAPE #1, SIDE A, METER #5417 TO SIDE B

REP. KELSH Presented amendments which would replace the number 50 with 25, it removed

Lines 17 to 19. Rep. Kelsch gave an overview of the bill again.

JOSEPH BECKER, STATE TAX DEPARTMENT Appeared to answer questions. He stated he did not know what the fiscal effect would be because it would depend on how many people used this tax credit.

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

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

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

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

8 YES 7 NO 0 ABSENT

REP. WINRICH Was given the floor assignment.

FISCAL NOTE

Requested by Legislative Council

01/23/2001

Bill/Resolution No.: HB 1381

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.*

HB 1381 provides income tax credits to employers for contributions or support of childcare programs.

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 of HB 1381 cannot be determined.

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:	01/30/2001

Date: 2-13-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1381

House FINANCE & TAXATION Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number 10199.0202

Action Taken Do Pass as amended

Motion Made By Rep. Winrich Seconded By Rep. Schmidt

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN		<input checked="" type="checkbox"/>	NICHOLAS, EUGENE	<input checked="" type="checkbox"/>	
DROVDAL, DAVID, V-CHAIR		<input checked="" type="checkbox"/>	RENNER, DENNIS	<input checked="" type="checkbox"/>	
BRANDENBURG, MICHAEL		<input checked="" type="checkbox"/>	RENNERFELDT, EARL		<input checked="" type="checkbox"/>
CLARK, BYRON	<input checked="" type="checkbox"/>		SCHMIDT, ARLO	<input checked="" type="checkbox"/>	
GROSZ, MICHAEL		<input checked="" type="checkbox"/>	WIKENHEISER, RAY		<input checked="" type="checkbox"/>
HERBEL, GIL		<input checked="" type="checkbox"/>	WINRICH, LONNY	<input checked="" type="checkbox"/>	
KELSH, SCOT	<input checked="" type="checkbox"/>				
KROEBER, JOE	<input checked="" type="checkbox"/>				
LLOYD, EDWARD	<input checked="" type="checkbox"/>				

Total (Yes) 8 No 7

Absent 0

Floor Assignment Rep. Winrich

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

REPORT OF STANDING COMMITTEE (410)
February 14, 2001 9:26 a.m.

Module No: HR-27-3281
Carrier: Winrich
Insert LC: 10199.0202 Title: .0300

REPORT OF STANDING COMMITTEE

HB 1381: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (8 YEAS, 7 NAYS, 0 ABSENT AND NOT VOTING). HB 1381 was placed on the Sixth order on the calendar.

Page 1, line 12, replace "fifty" with "twenty-five"

Page 2, line 9, replace "fifty" with "twenty-five"

Page 2, remove lines 17 through 19

Page 2, line 20, replace "5" with "4"

Renumber accordingly

2001 TESTIMONY

HB 1381

**Testimony by
David Martin
Chamber of Commerce of Fargo Moorhead
before the
House Finance and Taxation Committee
on
Wednesday, January 31, 2001
regarding**

House Bill 1381: ...relating to an income tax credit for employers for contributions or support for child care programs for dependents of employees...

Mr. Chairman and members of the Committee, my name is David Martin, and I am the Public Affairs Manager for the Chamber of Commerce of Fargo Moorhead. We are the oldest and largest local chamber of commerce in North Dakota, with more than 1,600 member firms that collectively employ more than 66,000 people in our region. Our mission is unifying and advancing business and community interests in our region.

We supported a bill similar to House Bill 1381 in the 1999 legislative session, and we support this bill this year for the same reasons. We believe that adequate, affordable and available child care continues to be an important business and community interest in North Dakota. We also believe the provisions of this bill will benefit employers and employees, children, child care programs and communities throughout the entire state of North Dakota.

Adequate, affordable and available child care is a precious, limited and expensive commodity in North Dakota and other states. It is costly for child care providers to operate quality programs, and it is costly for parents to purchase child care so that they can work or attend school. The average cost of child care exceeds \$ 300. per child per month in our state, a cost that can easily consume up to 25 per cent of a family's monthly income. In addition, part-time, odd-hour and infant-toddler care are difficult to find in the state, and provider turnover is quite high.

Statistics show that nearly 90 percent of parents with children under age 12 work outside the home. Statistics show that there are nearly 100,000 children in North Dakota who are or would normally be enrolled in child care programs if such programs were available and affordable. The state has just over 2,000 licensed child care providers, with a capacity to care for 28,000 children. With a median family income of \$ 30,000., a family of four could expend 25 percent of their monthly family income for child care costs alone.

House Bill 1381 creates an income tax credit for employers who provide a child care program for children of their employees. This incentive could help employers statewide to attract and retain workers in a state with a declining pool of available workers. At the same time, the provisions of this bill could help to create additional child care opportunities for families with young children. This seems like a potential benefit for employers, employees, children and communities statewide.

Our Chamber and the business community appreciate your consideration regarding this important bill, and hopes that your committee will give HB 1381 a "Do Pass" recommendation. Thank you.

January 31, 2001

HOUSE FINANCE & TAXATION COMMITTEE HB 1381

REPRESENTATIVE CARLSON AND COMMITTEE MEMBERS:

My name is Jack McDonald. I am appearing today on behalf of the YMCAs of North Dakota. We strongly support HB 1381 and urge your favorable consideration.

Day care needs are growing in North Dakota beyond anyone's comprehension. In Bismarck, the YMCA is about to complete a multi-million dollar addition to its building primarily designed for day care for infants and toddlers as well as other youngsters. We had a waiting list for enrollment before we even started construction.

This type of legislation has been successful in other states. It proves helpful to employers, since it makes it easier for them to recruit and keep a happy, productive workforce. It helps families, since it allows varied work schedules. And, it helps children who find a better and more structured care environment than simply having a babysitter coming into the home.

The Tax Department was unable to produce a fiscal note because of the uncertainties involved with this proposal. I don't believe you will see a mad rush of employers using this tool. Rather, it will be used selectively as employers see how it will assist them and their employees.

This passed the House last session, and then was re-considered and barely lost. We hope you give it another chance with a favorable "do pass" from this committee.

If you have any questions, I'd be glad to try to answer them. THANK YOU FOR YOUR TIME AND CONSIDERATION.

To: Representative Al Carlson, House Finance and Taxation Committee

From: Barb Arnold-Tengesdal

Date: January 31, 2001

Re: Testimony in Support of HB 1381

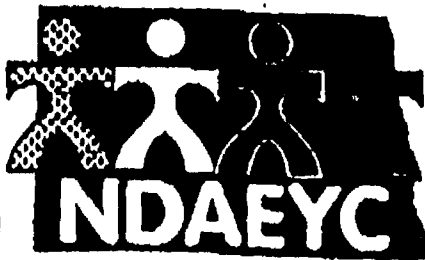
This bill would help working families.

I am a parent of two children, a four-year-old and an infant 10 months old. I am primarily a stay at home mother, but do have several part-time jobs that help our family income significantly. I pay an average of \$450 per month for 10 days of care for two children. The fee is \$3 per hour for the first child, \$2 per hour for the second child. This is higher than typical fee's in the surrounding area, but we have had the same caregiver for the past three years and think her degree and on-going training warrants paying the extra for quality. I also know how hard it is to find child care - especially part-time care and for an infant.

Without child care, I could not work. I do not have grandparents, aunts, uncles, or siblings who could help me out. Paying for child care takes a significant portion of my income. This bill addresses the needs of working families and helps employers begin to make efforts within the local communities to address child care issues. I believe it is this kind of forward thinking that will keep families with young children in our state. It's this kind of workforce support that makes living in North Dakota a viable option for families.

I strongly urge your support of HB 1381.

Barb Arnold-Tengesdal
1123 Hillside Terrace
Bismarck, ND 58501



Barb Torgeson #1381

North Dakota Association for the Education of Young Children

To: Al Carlson, Chairman, House Finance and Taxation Committee
From: Judy Milavetz, President-Elect, North Dakota Association for the Education of Young Children
Date: January 31, 2001
RE: Testimony in support of HB 1381

Judy Milavetz

The North Dakota Association for the Education of Young Children strongly urges your support of HB 1381 to address critical child care and workforce challenges in our state. HB 1381 offers a cost-effective means to ease current workforce shortages, while positively impacting economic development, early education, family self-sufficiency, and future workforce development.

Studies substantiate the role that child care plays in bolstering the workforce, particularly in helping families attain self-sufficiency. Research by the National Conference of State Legislatures determined lack of access to child care to be a serious impediment for single parents leaving welfare. (NCSL, 1998) A report by the federal JOBS program found that parents with poor quality child care were more likely to terminate employment than those with good quality care. (Financing Child Care, The David and Lucile Packard Foundation, 1996) HB 1381 would provide parents greater access to quality child care at affordable prices.

Over the last several years, North Dakota has simultaneously maintained low unemployment and one of the highest rates of working mothers in the nation. As a result, availability of suitable child care has become a crucial issue for many young families making employment decisions. In a recent local study, 16.1% of the parents surveyed indicated that it was difficult to find child care. In-depth interviews confirmed the extreme challenges faced by many families in obtaining safe, reliable care for their children. (Child Care Arrangements in Grand Forks, 2000)

Investment in child care has proven advantages to the labor force that extend beyond those individuals who are directly receiving benefits. Analysts estimate \$3 billion in annual nationwide business losses due to absenteeism, turnover, and lost productivity related to child care disruptions. (Colorado Commission on Child Care Financing, 1995) In one study, 25% of mothers of children under 12 had experienced child care breakdowns in just a three month period of time. (Legislator's Guide to Child Care Policy, 1997) Approximately half the parents interviewed in a local survey reported that child care problems had created some problems for them in their workplace. (Child Care Arrangements in Grand Forks, 2000) The U.S. Department of the Treasury purports that public-private initiatives promote quality, affordability, and availability of child care not only for a particular group of employees, but for the broader community. (Investing in Child Care, 1998) HB 1381 gives incentives for businesses to make this commitment to North Dakota's children and families.

Provision of high quality child care offers extensive savings for all taxpayers. The groundbreaking Perry Preschool Project cites a \$7.16 return on the dollar, realized through lower rates of delinquency, special education, school drop-outs, unemployment, social welfare, and crime. (Significant Benefits, High Scope Press, 1993) The Abecedarian Project demonstrated that children in high quality child care beginning in infancy achieved greater academic success through age 21. (Early Learning, Later Success, 2000) These results have been echoed in another ongoing child care study, which has additionally noted that programs able to access extra resources devote them to improving quality of services. (Cost, Quality, and Outcome Study, 1995)

In summary, HB 1381 would provide benefits that reach beyond direct consumers of child care. As economists have noted, the child care market cannot operate on a normal supply and demand basis due to the high cost of services relative to parent income. (Financing Child Care, The David and Lucile Packard Foundation, 1996) Attracting employer support would maximize the use of public funding. As you make tough decisions on allocation of resources, please consider the significant economic, social, and educational rewards from investing in child care and workforce development.

Comments of Linda Reinicke
House Finance and Taxation Committee
Regarding House Bill 1381
January 31, 2001

Chairman Carlson and Members of the Committee:

I am Linda Reinicke, Program Director for Child Care Resource & Referral in western ND. I represent the statewide network of Child Care Resource & Referral agencies. Child Care Resource & Referral (CCR&R) services are located in non-profit agencies and are funded by the Department of Human Services (Federal Child Care Development Fund), foundation grants, and community resources. Lutheran Social Services is the host agency for CCR&R in western ND and my employer.

Child Care Resource & Referral 1) helps parents find child care 2) supports the start-up of center and home-based child care businesses 3) trains child care providers 4) and works with employers and communities to address their child care needs. Our work with parents, providers, and communities affords us a comprehensive picture of the availability of child care throughout the state. We see HB 1381 as an asset to building the supply of child care, and we voice our support of the bill.

Based on our work with parents and providers, we see these challenges:

- Good infant care is limited. CCR&R had 2,412 requests from parents looking for infant care, birth to two years (the total number of children we served was 5,762). New moms going to work have a difficult time finding licensed child care, and many of the infant care arrangements are not high quality leading to disruptions during work time and possible breakdowns in the care arrangements.

- Care, which is out of the normal parameters (8:00-5:00, Monday through Friday, for a full-time child), is limited. Parents working late-hour shifts at nursing homes or weekends at local convenience stores are presented with few or no options for good licensed care.
- Building and maintaining the supply of child care to meet the demand is difficult. With 83% of ND's mothers with young children working outside the home, going to child care (e.g. grandmas, neighbors, unregulated care, and regulated care) is the norm for 80,000 children. There are approximately 1,700 state-licensed child care programs with the capacity to care for 28,000 children. In 2000, 348 providers, one fifth of the providers in ND, closed their businesses. During that same time period 281 new providers opened their businesses. However, the net loss was -67 providers and a loss of 677 spaces in the state's licensing capacity.

Obviously, employer support of child care is not the only answer to the challenges of the child care industry, but our experience with employers and communities is that businesses are interested in supporting the child care needs of their employees and they do make an impact. We have seen:

- Reliastar of Minot build on-site child care for their employees.
- Jamestown businesses donate supplies, equipment and cash to child care programs.
- Main street businesses in Parshall convert a vacant house owned by the city into a child care facility.

- Fargo and Grand Forks employers work with CCR&R to conduct workplace seminars on understanding the child care market and to provide enhanced referrals improving employees' ability to find child care.

This bill would encourage businesses to work with existing providers, parents, and community resources to address local child care issues. We urge your support of Bill and your support of childcare.