

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1460

2001 HOUSE FINANCE AND TAXATION

HB 1460

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HIB 1460

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date February 7, 2001

Tape Number	Side A	Side B	Meter #
1	X		3,945
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

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

REP. SCOTT KELSH, DIST 11, SOUTHCENTRAL FARGO, Introduced the bill. Last session we passed the renaissance zone legislation, since then it has increased in popularity. It has gone from Fargo to four major cities in North Dakota and also smaller communities are taking an interest as well. This bill simply raises the tax credit limit or caps for renaissance zone funds from two and a half million to five million. This bill deals only with that portion of the renaissance zone issue. It is highly probable, with cities creating renaissance zones, there could be no monies available by the end of the year, since we will already have reached that cap. He submitted written testimony from Art Rosenberg, Dakota Renaissance. See attached copy.

REP. CARLSON Asked whether this has been covered in the revenue projections.

REP. KELSH Stated he did not know.

REP. CLARK How many communities have applied for the renaissance zone funds?

REP. KELSH Deferred the question to someone else.

REP. CLARK Stated Fargo has reached 1.6 million dollars, how much have other communities applied for?

REP. KELSH Stated there are still communities who are forming their own renaissance zones, and setting up their own venture funds.

REP. CLARK There is five million dollars worth of liabilities, how many have received tax credits?

REP. KELSH Also deferred that question to someone testifying later.

REP. WINRICH Related to testimony submitted by Art Rosenberg, the amendments which are described in there, are they for the senate bill?

REP. KELSH This is the same amendment that is waiting to be acted on.

REP. CARLSON In our bill we are waiting to raise it to five million, in the senate bill it is a trigger mechanism?

REP. KELSH Yes, Mr. Rosenberg, is also offering amendments with this bill as well.

REP. DAVID DROVDAL, ARNEGARD Testified in support of the bill. He stated his community is very interested in this project. They were concerned about the limit which was passed in the last session. They wanted to make sure there would be enough funds available.

RON RAUSHENBERGER, DIVISION OF COMMUNITY SERVICE, Testified in a neutral position. This was discussed on the senate IBL committee, and there is now an amendment involving the trigger. We need to clarify that there are two different parts of the renaissance, the renaissance corporation and the renaissance zone project. This two and a half million dollar cap,

or if it becomes five million, is on the fund's corporation only. There are also tax credits available on the zone project, each and every project. Those tax credits are unlimited. There are five cities right now who have approved plans, West Fargo, Fargo, Casselton, Valley City and Jamestown, there are two that are in the process right now; Bismarek and Grand Forks. The two and a half million that is available right now, there is some protected for smaller communities. For communities with a population from zero to five thousand, there is two hundred fifty thousand dollars earmarked for those. From the five thousand to thirty thousand population, there is one million dollars earmarked. From the thirty thousand and above population, there is 1.25 million earmarked.

REP. CARLSON Do you think more money is required to raise that limit?

RON RAUSHENBERGER We really don't have a graph on that. Some communities are going ahead with a renaissance zone project without a renaissance fund corporation. That will have some bearing.

REP. CLARK Do you know how many communities have a break down of the ones that have applied for credits?

RON RAUSHENBERGER I believe, three out of the five, which fit in the thirty and above population, Fargo, Grand Forks and Bismarek. Valley City and Casselton would be in the lower bracket.

REP. BRANDENBURG My concern too, is that this money will be used up and there won't be enough for the smaller communities.

RON RAUSHENBERGER That is very possible. This is still in its infancy, but there is a lot of interest.

DONNITA WALD STATE TAX DEPARTMENT, Testified in a neutral position. Addressed Rep. Clark's question regarding the number of credits claimed. So far, we have had

fourteen individuals who have claimed the credit for a total of three hundred ninety seven thousand five hundred, approximately 2.1 million dollars of credit remain.

REP. WINRICH The \$390,500, are those the credits that fall under this cap of the renaissance fund corporation credit?

DONNITA WALD Did't have that information.

REP. WINRICH How about the renaissance zone credit?

JOSEPH BECKER, STATE TAX DEPARTMENT, Responded stating that year 2000, is the first year these applications started to show up. They are not aware of how many have been finalized.

RICH GREY, DIVISION OF COMMUNITY SERVICES Answered, stating there are twelve projects right now. Two from Valley City, one from Casselton and the rest from Fargo. They are not all completed, and some have applied this past year to use the tax credits. That is the only track record available right now. It will take several sessions before we realize the impact on this, and as more projects are undertaken.

REP. SCHMIDT Asked if there was some sort of summary sheet available regarding the projects.

RICH GREY Stated he would provide that.

REP. HERBEL Asked if Mr. Grey would elaborate on some of the projects right now.

RICH GREY Typical projects are some new buildings. He gave an overview on what some of the communities were doing. He related to historical tax credits which some are applying for also.

REP. CARLSON Asked Rep. Kelsh to verify with the legislative council what level they have budgeted in for the next biennium. This is a significant change from two and a half to five million.

CONNIE SPRYNCZYNATYK, LEAGUE OF CITIES, Testified in support of the bill. Stated it would be a very good idea to keep the trigger alive. She stated the renaissance program is a very good one for the communities.

With no further testimony, the hearing was closed.

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House Finance and Taxation Committee
Bill/Resolution Number HB 1460
Hearing Date February 7, 2001

COMMITTEE ACTION 2-13-01, TAPE #1, SIDE B, METER #5400

REP. KELSH stated this fiscal note is in the governor's budget.

He went on to explain the administrative rule.

REP. CARLSON Reported on a personal experience where he had purchased land in Fargo, and later found out the land was in the renaissance zone.

REP. KELSH Made a motion to adopt the amendments which were submitted by Art Rosenberg in his testimony.

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

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

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

12 YES 3 NO 0 ABSENT

REP. RENNER Was given the floor assignment.

FISCAL NOTE

Requested by Legislative Council

04/04/2001

Bill/Resolution No.:

Amendment to: Engrossed
HB 1460

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.*

Engrossed HB 1460 with Senate Amendments increases the limitation on the aggregate amount of tax credits allowed for investments in Renaissance Fund Corporations and provides for repayment of tax credits in certain situations. The fiscal impact is unknown.

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
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Phone Number: 328-3402

Date Prepared: 04/05/2001

FISCAL NOTE
 Requested by Legislative Council
 01/23/2001

Bill/Resolution No.: HB 1460

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 1460 increases the limitation on the aggregate amount of tax credits allowed for investments in renaissance fund corporations. Although the provisions of the bill set the overall limit at \$5,000,000 it is unknown how much will be claimed in the 01-03 biennium.

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:	02/06/2001

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

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1460

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. Kelsh

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) 12 No 3

Absent 0

Floor Assignment Rep. Renner

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

REPORT OF STANDING COMMITTEE

HB 1460: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). HB 1460 was placed on the Sixth order on the calendar.

Page 2, line 14, remove the overstrike over "~~two~~", remove "~~five~~", remove the overstrike over "~~five hundred thousand~~", and overstrike "for all taxpayers in all"

Page 2, line 15, overstrike "taxable years" and insert immediately thereafter "Upon exhaustion of this limit, an additional two million five hundred thousand dollars in credits is available to renaissance fund organizations for investment in renaissance zones in which more than fifty percent of each qualifying organization's funds available for that renaissance zone have been invested"

Renumber accordingly

2001 SENATE FINANCE AND TAXATION

HB 1460

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1460

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date 2/28/01

Tape Number	Side A	Side B	Meter #
1	x		33.3-end
		x	0-26.2
3/7/01 - 1	x		33.1-end
2	x		0-4
Committee Clerk Signature <i>Lynelle G. Hight</i>			

Minutes:

Senator Urlacher: Opened the hearing on HB 1460, relating to the limitation on the total amount of tax credits for investments in renaissance fund corporations.

Representative Scot Kelsh: Co-sponsored the bill, testified in support. This bill provides that when the combined amount of the tax credit by all the renaissance zones venture funds in the state reach 2.5 million dollars, the cap triggers to 5 million. Provided that the Fund Corporation applying for the credit has more than 50% of its available funds invested in it. This is to address that fact that a number of cities are either waiting approval of a Renaissance Zone plan, or are expecting an interest of developing one of their own. It helps both small and large cities. Gives written testimony from Art Rosenberg, Executive VP of the Dakota Renaissance Venture Corp.

Senator Kroeplin: In visiting with Art, of the 1.6 million that they've accumulated, how much is invested?

Representative Scot Kelsh: According to the information I have, that is 1.6 million in cash. I don't know the percentage of investment that they have. I assume it's 50% or greater.

Connie Sprynczynatyk: ND League of Cities, testified in support.

Ron Rauschenberger: Division of Community Services, testified neutrally. I think it needs to be clarified that this bill will trigger the Renaissance Fund Corporation tax credit. There are also tax credits for the Renaissance Zone projects, those are unlimited, there is not a cap on those. There is a cap right now on the Renaissance Fund Corporation. They are two separate things.

Senator Kroeplin: Is the 2.5 million tax credits or is that cash?

Ron Rauschenberger: That is tax credit.

Senator Kroeplin: Is that a 50% split in theory?

Ron Rauschenberger: I think that's correct. The tax department can answer that.

Senator Christmann: Do have a feel for if people will take advantage of this?

Ron Rauschenberger: I think there's a lot of interest. It's hard to gauge.

Senator Kroeplin: How was it determined which categories the cities are in and what amount of credit was available to them? Is it based on population?

Rich Grey: In order to make sure every city had a fair chance, we sat down and decided administratively. It was in a meeting with Governor Schafer that we came up with that.

Senator Stenehjem: So there's administrative rules?

Rich Grey: When the program first came out, we were required to put the program together. So we set up the program's administrative guidelines, we created the three populations. Our office is not authorized to make administrative rules so we approached it as a program.

Senator Stenehjem: In these guidelines, is it possible that one city can gobble up the whole amount?

Rich Grey: Yes it is. One city could have a Renaissance Fund Corp. so successful that they could go after. By breaking it down into three population categories, we protected certain cities to have access to it but it's still a first come, first serve basis.

Senator Stenehjem: So the first one to start that corporation, is the first one to get the tax credits and when they're gone, they're gone. We've kind of got a little race going here.

Rich Grey: I think race is probably a good word for it. I think the system is set up right now where we're recognizing that most of the tax credits aren't going to be sought by anybody to the end year anyway.

Senator Stenehjem: If there's another 2.5 million put into this, is it going to be broke down the same way

Rich Grey: Our plans are to do that.

Senator Stenehjem: Really there's no money for investments, all it is is tax credit.

Rich Grey: The program is all about tax credits. The investment into a renaissance fund corporation is 50% tax credit on your investment.

Ron Rauschenberger: In regards to the race for the money, if the 2.5 million is used up, it does not stop development of renaissance zone projects.

Senator Christmann: What exactly is the money in the Renaissance Fund used for? Is it used to loan to businesses to get started or is just for infrastructure?

Rich Grey: Solely for the purpose of raising funds to invest in zone projects. Zone projects are either residential or commercial. They can invest their funds, they can do loans, grants, it's up to them how they want to invest their dollars in the projects.

Senator Christmann: It's only to help the business or homeowner? It's not for water, sewer, streets, etc.?

Rich Grey: As the law currently exists, infrastructure is identified as something they can make investments in. In SB 2033, the term infrastructure is removed.

Senator Kroeplin: They can only invest in Renaissance zones?

Rich Grey: Yes.

Senator Stenchjem: Let's say I had a house that was in a renaissance zone already and I want to remodel it, and they approve the project, under that I would be entitled to some sort of tax credit personally. Instead of going to the bank and borrowing money to do the project, I can go to the Fund Corp. and get money to do it?

Rich Grey: Right now, you wouldn't be able to rehabilitate your house and get a tax credit. That will be taken care of if SB 2033 goes through.

Senator Kroeplin: The Fund could either lend to a business or they could take an equity position in that business, would that be correct?

Rich Grey: That's exactly right.

Senator Stenchjem: Do you have any idea on the return on the investments?

Rich Grey: I have not talked to anybody about that. We don't know.

Connie Sprycyznatyk: Bismarck is approaching a Renaissance Fund Corp. cautiously. They are a community developing tool. Casselton is a good example of a city that needs this.

Senator Kroeplin: What's the population of Casselton?

Connie Sprycyznatyk: I think it's about 1800.

Senator Kroeplin: So it's very possible that Casselton could use up all the money very quickly.

Connie Sprycyznatyk: The rules of population are not in state law. I would suggest that they can be changed.

Senator Stenchjem: Are there any Renaissance Fund Corps. invested in renaissance zones yet?

Rich Grey: No, I'm not aware of any.

Senator Christmann: Why would a bank loan any money and then pay the financial institutions tax on the profits they make from their loan, to someone outside of a Renaissance zone, when they can loan that money to this fund and get a credit on their taxes?

Rich Grey: I'm not really sure how to answer that.

Connie Spryczynatyk: If a bank had to make a choice between making loans in a community and investing in a corporation, that corporation pool is pretty small. The renaissance zone is only 20 square blocks.

Donnita Wald: State Tax Dept. Banks have regulations as to where they can loan their money. They have to have so many loans, there's very tight regulations on where a bank can invest it's money. I don't think a bank can say they're not going to give individual loans anymore and throw it into the Renaissance fund.

Senator Stenehjem: Can a bank loan money to a Renaissance Fund Corp.?

Donnita Wald: They can't give them a loan, they can invest in it.

Ron Rauschenberger: The bank would have to invest the money and the Fund Corporation decides where it goes.

Senator Christmann: What if the banker is the head of the Renaissance Fund?

Ron Rauschenberger: He would have a vote.

Russ Staiger: Bis-Man Development Assoc., testified in support. We are the entity that will contract with the city of Bismarck for the establishment of the Renaissance Fund Corp. The banks cannot get a credit for a loan into a Renaissance project. The bank can't make equity investments. Whether the banker was the head of the venture fund is immaterial.

Senator Stenehjem: Who can set up a Renaissance Fund Corp.

Russ Staiger: It has to be at the request of the participating city. The city has to turn to some entity.

Rich Grey: You could create a corporation and go out and market yourself. A corporation contracts with the city.

Senator Christmann: Are there any regulations for the size or diversity of these boards?

Rich Grey: There are some.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion held 3/7/01. Meter number 33.1-end, Tape 1, Side B & 0-4, Tape 2, Side A.

Senator Stenehjem: Proposed amendment and explained it. What it says is if one of the Fund Corporations doesn't invest at least 80% of the money in renaissance zone, and in 10 years goes by and they take their money, they have to pay back the tax benefit that they got. They also have to give documentation to the Tax Dept.

AMENDMENT ACTION:

Motion made by Senator Stenehjem, Seconded by Senator Nichols, to move amendment numbered 10553.0201. Voice Vote taken. All in favor, amendment adopted.

Senator Kroeplin: Number of questions for Senator Stenehjem.

Discussion.

COMMITTEE ACTION:

Motion made by Senator Christmann for a DO PASS AS AMENDED & PLACED ON THE CONSENT CALENDAR, Seconded by Senator Stenehjem. Vote was 6 yeas, 0 nays, 0 absent and not voting. Bill carrier was Senator Kroeplin.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1460

Page 3, line 5, after "10." insert "If an investor redeems an investment more than ten years after the date of that investment in a renaissance zone corporation and at least eighty percent of that investment has not been invested by the renaissance zone corporation in zone projects or in financing zone projects, the credit under subsection 5 is disallowed for that investment and any credit previously taken by that investor with respect to that investment must be repaid. For purposes of this subsection, a renaissance zone corporation shall file a report with the tax commissioner by April first of each year showing the amount and date of receipt by the renaissance zone corporation of each investment by each investor and the date and amount of each investment by the renaissance zone corporation in zone projects or in financing zone projects. Investments received by the renaissance zone corporation are presumed to be invested by the renaissance zone corporation in zone projects or in financing zone projects in the order in which they were received.

11."

Page 3, line 7, overstrike "11." and insert immediately thereafter "12."

Renumber accordingly

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

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1460

Senate Finance and Taxation Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number 10553.0201

Action Taken Move Amendment (voice vote)

Motion Made By Stenehjem Seconded By Nichols

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 _____

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

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

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1460

Senate Finance and Taxation Committee

☐ Subcommittee on _____

or

☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS AS AMENDED 'S, REREFERRED TO APP.

Motion Made By Christmann Seconded By Stenehjem

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 Kroeplin

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

REPORT OF STANDING COMMITTEE

HB 1460: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1460 was placed on the Sixth order on the calendar.

Page 3, line 5, after the period insert "If an investor redeems an investment more than ten years after the date of that investment in a renaissance zone corporation and at least eighty percent of that investment has not been invested by the renaissance zone corporation in zone projects or in financing zone projects, the credit under subsection 5 is disallowed for that investment and any credit previously taken by that investor with respect to that investment must be repaid. For purposes of this subsection, a renaissance zone corporation shall file a report with the tax commissioner by April first of each year showing the amount and date of receipt by the renaissance zone corporation of each investment by each investor and the date and amount of each investment by the renaissance zone corporation in zone projects or in financing zone projects. Investments received by the renaissance zone corporation are presumed to be invested by the renaissance zone corporation in zone projects or in financing zone projects in the order in which they were received.

11."

Page 3, line 7, overstrike "11." and insert immediately thereafter "12."

Renumber accordingly

2001 SENATE APPROPRIATIONS

HB 1460

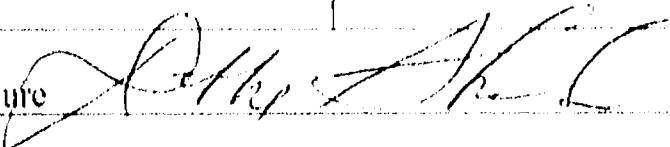
2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1460

Senate Appropriations Committee

☐ Conference Committee

Hearing Date March 27, 2001

Tape Number	Side A	Side B	Meter #
1	X		23.1-43.3
Committee Clerk Signature 			

Minutes:

Senator Solberg opened the hearing on HB 1460.

Representative Scot Kelsch, District 11, spoke favor of the bill. Explained the bill and the concerns with exhausting funds without automatically raising cap. There are safeguards with the money not being invested. This bill will help small and large cities. I respectfully ask for the committee's do pass recommendation on this bill.

Senator Holmberg: The most recent fiscal note is dated 1/23/01; is there anything in the House or Senate amendment that would change that fiscal note in your opinion.

Representative Kelsch: No. The original bill started out where it would automatically raise the cap from \$2.5 to \$5 million. The House side added an amendment with a trigger mechanism if the \$2.5 cap is reached and the Senate provisions.

Senator Tomac: The reason the bill is here because we are appropriating \$2.5 million more to the renaissance zone, is that correct?

Representative Kelsch: If we need to with the trigger.

Art Rosenberg, Dakota Renaissance Venture Corp., spoke on the bill. The fiscal impact is unknown at this time because we don't know if we are going to use the money. We don't have many renaissance zones in place right now nor have any of the other communities started. Hopefully we can jump start this program by providing tax credits. We want to protect the general fund by making sure that if a fund had to invest greater than 50% of the money first before they were eligible to get more tax credits. Have the program start with a positive fashion than coming back here.

Senator Heitkamp: The fiscal note, I've seen a number of the renaissance proposals go forward and it sounds like you have made progress setting one up in the eastern part of the state, my question is with this tax break not sure of the return to the state and what it is going to cost.

Art Rosenberg: Exemptions and credits involved with this process and activity has to occur to find out when things will happen and get a better handle on it. Now we have 10 projects started. Next session we could look at 15 projects to see what is happening.

Senator Heitkamp: You mentioned quantified and that is a concern I have. If hard work pays off, tax credits kick in, and know exactly what the costs are, is there some way to gauge whether or not this is a success or whether we are just giving tax breaks to individuals who don't want to live in a house anymore don't mind moving into a condo in certain part of town and selling the house for profit. There has to be some gain to the state as whole and I fear looking at the fiscal notes is we don't know what we are getting back.

Art Rosenberg: We look at it the same as economic development program. With incentives to the community with the projects, will create the extra bonus to get them to do a building.

Financial decision have to be made and this is a bonus.

Senator Heitkamp: Any tracking of the gains?

Art Rosenberg: We are tracking, and we will having a stronger track of these projects next session.

Senator Robinson: How many finished and operating by next session in 2003?

Art Rosenberg: The zones are operating and some fund money in most of them except Valley City. I truly believe that by next session the \$2.5 million will be exhausted.

Senator Thane: Was is the failure rate of investments in renaissance zones? Some figures available with percentage for tax credits, any idea?

Art Rosenberg: Investments are difficult, but we project one out of every two will fail or 50% to some extent. Some to payback, some successful and some very successful and this with standard investment capital. This is high risk money but we are trying to get North Dakotans to invest in ND. This is a great benefit to encourage them to invest.

Ron Rothenberger, Director of the Division of Community Services, and we feel that the \$2.5 million dollars additional credits are not necessary. Explanation, the \$1.6 million invested the credits are 50% or \$800,000 of the initial \$2.5 million are now used up. Also the credit involved in the fund are separate from the credit involved in the renaissance project and I think that will clarify it a bit. This is the cap on the zone fund projects but no cap and no limit for the renaissance zone project, that is unlimited and depends on how many cities, projects and so forth are done, no cap what so ever on those credits on that end.

Senator Grindberg: Do you voice your opposition in the House and the Senate?

Ron Rothenberger: Yes, I provided the Senate the same type of information I did hear. This is not in the Governor's budget and that is the biggest reason and unknown factor of the amount of credits involved in the renaissance zone project with no cap.

Senator Grindberg: You said there is \$800,000?

Ron Rothenberger: No, if there is \$1.6 million invested in the fund that would mean \$800,000 in credits, 50% credit.

Senator Bowman: Are you opposed to the bill or the amendments?

Ron Rothenberger: We are opposed to the additional \$2.5 million tax credit. We also think there is a problem with the amendment regarding the 80%, an administrative problem.

Senator Heitkamp: Do you worry about benefits with this renaissance project and who will benefit?

Ron Rothenberger: There are 6 renaissance projects now, there will be more than one renaissance corporation. This is a financing tool for investment if they choose or conventional financing. An avenue of funding.

Senator Tomag: Two options, as an individual invest renaissance either invest directly which is unlimited in tax credits or the subdivision can go through a fund to allow them to entice but limited with the credits, can explain?

Ron Rothenberger: The renaissance zone project a person having to lease or leasing a building will receive tax credits for that activity, nothing to do with the fund whatsoever. If the fund becomes involved with in one of those projects and invests, that is fine because they received tax credits for investing in this fund and the ability to invest if they asked to. The renaissance zone project can go forward without a fund in place by using conventional financing or an investment mechanism tool.

With no further testimony the hearing was closed on HB 1460.

Tape #1, Side A, meter 43.3.

4-2-01 Full Committee Action (Tape # 2, Side B, Meter # 15.0-27.6)

Senator Nething reopened the hearing on HB1460 - Limitation on the total amount of tax credits for investments in renaissance fund corporations.

Senator Grindberg, Subcommittee Chair, led the discussion on the bill and testimony; as well as the Subcommittee's findings. The Subcommittee's recommendations were in amendments 10553.0203. Discussion on the amendments.

Senator Grindberg moved to adopt the amendments; Senator Andrist seconded. Discussion; call for the vote: Voice Vote carried.

Discussion on the bill as amended. Call for the vote: Roll Call Vote: 12 yes; 2 no; 0 absent and not voting.

Senator Grindberg accepted the floor assignment.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1460

Page 2, line 14, after the comma insert "an initial limit of"

Page 2, line 15, after "this" insert "initial", replace "two" with "one", and remove "five hundred"

Page 2, line 16, remove "thousand", replace "to" with "for investments in", and after "organizations" insert "for taxable years beginning after December 31, 2000,"

Page 2, line 17, replace "investment in renaissance zones in which" with "investments permitted under this chapter if", replace "fifty" with "sixty-five", and replace "each qualifying" with "the"

Page 2, line 18, remove "available for that renaissance zone" and after "invested" insert "as permitted under this chapter or the organization is established after the exhaustion of the initial limit. Upon exhaustion of the initial limit, an additional one million five hundred thousand dollars in credits is available for investments in renaissance fund organizations for taxable years beginning after December 31, 2002, for investments permitted under this chapter if more than sixty-five percent of the qualifying organization's funds have been invested as permitted under this chapter or the organization is established after the exhaustion of initial limit"

Renumber accordingly

Date: 4-2-01

Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 1460

Senate Appropriations Committee

- ☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number 1259.2, 1275

Action Taken Referenced
On Pass in Committee

Motion Made By Senator Grindberg Seconded By Senator Grindberg

Senators	Yes	No	Senators	Yes	No
Dave Nething, Chairman	✓				
Ken Solberg, Vice-Chairman	✓				
Randy A. Schobinger	✓				
Elroy N. Lindaus		✓			
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 12 No 2

Absent 0

Floor Assignment Senator Grindberg

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

REPORT OF STANDING COMMITTEE

HB 1460, as engrossed and amended: Appropriations Committee (Sen. Nething, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1460, as amended, was placed on the Sixth order on the calendar.

In addition to the amendments adopted by the Senate as printed on page 890 of the Senate Journal, Engrossed House Bill No. 1460 is further amended as follows:

Page 2, line 14, after the comma insert "an initial limit of"

Page 2, line 15, after "this" insert "initial", replace "two" with "one", and remove "five hundred"

Page 2, line 16, remove "thousand", replace "to" with "for investments in", and after "organizations" insert "for taxable years beginning after December 31, 2000,"

Page 2, line 17, replace "investment in renaissance zones in which" with "investments permitted under this chapter if", replace "fifty" with "sixty-five", and replace "each qualifying" with "the"

Page 2, line 18, remove "available for that renaissance zone" and after "invested" insert "as permitted under this chapter or the organization is established after the exhaustion of the initial limit. Upon exhaustion of the initial limit, an additional one million five hundred thousand dollars in credits is available for investments in renaissance fund organizations for taxable years beginning after December 31, 2002, for investments permitted under this chapter if more than sixty-five percent of the qualifying organization's funds have been invested as permitted under this chapter or the organization is established after the exhaustion of initial limit"

Renumber accordingly

2001 HOUSE FINANCE AND TAXATION

CONFERENCE COMMITTEE

HB 1460

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1460 Conf

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date APRIL 11, 2001

Tape Number	Side A	Side B	Meter #
1	x		34
Committee Clerk Signature <i>Janie Stein</i>			

Minutes:

REP. BRANDENBURG, CHAIRMAN OF CONFERENCE COMMITTEE Called the committee meeting to order.

DONNITA WALD, ATTORNEY FOR THE STATE TAX DEPARTMENT, Appeared to explain the problems the tax department had with the Senate amendments. She stated that the trigger is based on taxable years, and their question is, whose taxable years. She stated the amendment should say "calendar" years.

SEN. GRINDBERG Explained what the Senate was trying to do with their amendments. He stated they were trying to do a couple of things with the amendments, one is, as I understand what has gone on the last two years, is raising money, and there is 2.5 million available now, and what will be raised today and by the end of 2001, that number will be 1.8 - 1.9 million area. That has been estimated by the one individual who is doing the work, as we all know, Art Rosenberg.

He stated as he understood the bill as it came to the Senate, and discussing it with other interested cities, Bismarck, for example, was interested in starting another fund. It is important to recognize that there are two aspects to renaissance zones. The actual twenty contiguous blocks and the efforts that go into individual cities and the fund, which is a venture fund. Since Bismarck wanted to start a second fund, our thinking was, was to allow the credits to grow, but really look at the realistic picture, as far as what was needed. So, we pared that back to one million dollars, this coming biennium, to allow that to spread to grow, then allow it to grow to a full five million dollars in the next biennium. That was the thinking in appropriations. The other thing was change the fifty percent to sixty five percent. As I understand, sixty five percent of those funds need to be invested in renaissance zone projects to trigger the additional tax credit. That is what we were trying to accomplish, and then stay within the budget. He also stated that the second fund is already started.

DONNITA WALD Intervened stating that the bill that passed last session allowed two and a half million dollars in tax credits in renaissance funds for corporations. This bill, what it says is, after - it should be December 31, 2000, if more than sixty five percent of the organization funds have been invested, another one million dollars in credit is available, for a total of three and a half million, then after 2002, if you meet the sixty five percent qualifier, then there is another one and a half million that will be available for a total of five million dollars. I think everybody is scared that Fargo will be eating up all of these credits, or the ones that are on board first, will be eating up the credit, so there wouldn't be tax credits available if Bismarck would want to start corporations.

REP. DROYDAL Stated he had understood that there were different levels for different sized communities. Fargo, for instance, couldn't use the credit for Watford City.

DONNITA WALD Answered stating what DCS did, they divied up the two and a half million, and said that cities of more than thirty thousand are to take 1.25 million of the credit. Gave an example of how this could work.

SEN. GRINDBERG Gave an example of a fund in Fargo, and an example of how it is managed.

DONNITA WALD Stated that the committee should look at SB 2033 which is also relating to renaissance corporations, she felt the bills should be married together.

REP. BRANDENBERG Related back to the proposed amendment of changing the taxable years to calendar years.

DONNITA WALD Stated it has to be done, otherwise they won't know what the starting point is.

She went through the amendments correcting the places where there would be administration problems if the amendments stayed that way.

SEN. STENEHJEM Explained what his intent was in the amendment Ms. Wald was correcting. He stated, it was his understanding that certain people would make investments in the renaissance zone corporation, are they the ones that will get the tax credit for the dollars they invest?

DONNITA WALD Stated, the investor gets the tax credit.

SEN. STENEHJEM The intent in the amendment was to protect the fund, if someone comes in and invests money, or sets up his own corporation and invests money, he could get a fifty percent

tax credit and never ever invest in the renaissance zone, and in ten years take his money out, plus interest, and what did you do, nothing. That is how this was drafted. He was also of the understanding that the tax department would do an audit.

DONNITA WALD Stated the tax department did not have audit authority.

SEN. STENEHJEM Stated the intent was that if money was invested, then an investment in a project needed to be made.

DONNITA WALD Related to the fact that if the renaissance fund manager just sits on the money and doesn't invest it, as a third party, you would be penalized because the manager can't do his job.

SEN. STENEHJEM Stated his concern was with the renaissance zone corporation, he wants to make sure they are going to invest the money in a renaissance zone.

DONNITA WALD Stated that the amendment would penalize the investor who has no idea what is happening.

Committee members had a lengthy discussion and several questions to Donnita Wald trying to come up with different ideas to amend the bill to protect everyone involved. Some of the committee members felt that they couldn't get too restrictive. Committee members requested that Donnita Wald try to draft amendments in regard to their concerns.

The meeting was adjourned until the amendments were drafted.

CONFERENCE COMMITTEE 4-16-01, TAPE #1, SIDE A, METER # 4400

REP. BRANDENBURG Called the conference committee meeting to order with one member absent.

SEN. STENEHJEM Presented a new set of amendments.

DONNITA WALD, ATTORNEY FOR THE STATE TAX DEPARTMENT, Explained the amendments to committee members.

She stated the biggest change is for Page 3 on Line 5, at the bottom of the amendment. She stated this will provide a clawback provision. The renaissance fund organization shall secure an annual report prepared by an independent accounting firm. That report will state whether or not fifty percent of its investment, that was received after December 31, 2000, has been invested in legal investments. In addition, if that corporation is four years old, and has not met that fifty percent threshold, then the organization cannot accept any new investments until it meets that fifty percent threshold or if the city finds good cause that that threshold can't be met with a small organization and a small city. This will be a mechanism in place to make sure those renaissance funds are using the money.

REP. BRANDENBURG Asked, who will pick the audit?

DONNITA WALD That is up to each renaissance fund organization.

SEN. STENEHJEM Stated the shareholders will require an audit anyway, that is part of how the corporations work. The whole intent of this section is to simply see that the renaissance fund corporation is actually investing the money in a renaissance zone.

DONNITA WALD Stated that the Securities Department would also be involved, the organizations have to be incorporated for four years.

REP. DROYDAL Related to the word "qualifying investments", what does that mean?

DONNITA WALD Stated they mean the gross investments minus their operating expenses.

REP. BRANDENBURG Stated that she said fifty percent, he thought they were looking at sixty five percent.

DONNITA WALD That is for the credit limit for the trigger. That is two different things.

REP. DROVDAL Related to the gross investments minus operating expenses, each year, that could mean if the company loses money, that could be a less and less amount in order to make that fifty percent, is that not correct?

DONNITA WALD I think you are looking at the wrong end of the financial statement. They will be getting investments, and then you have your operating expenses, we are not taking into account the income that is thrown back in.

REP. DROVDAL These records are going to be reported to the tax commissioner and the city and whatever, are they public records?

DONNITA WALD We discussed that, and it would be open records, in the hands of the city, DCS and in the tax department's hands.

SEN. KROEPLIN Related to page 3, line 5, regarding the governing body of the city having control whether they get to do more investments or not, shouldn't that be the department of services, or someone other than the city?

DONNITA WALD I think the whole purpose of the renaissance is local control, that is why it says that.

SEN. KROEPLIN I don't think it should be the city that governs that portion of it. He felt the city had a self invested interest.

BILL WOCKEN, CITY OF BISMARCK Gave an account of how the fund would work with the city as the governing body. It is usually the cities project, that's why they need to be involved. The city has to report to community services, to DCS and the legislature.

REP. DROVDAL Asked about net investments and accumulative investments.

BILL WOCKEN Net investments is the term that is used, but the requirements of the fifty percent has to be put on for the four years of operation. You have to take a look after those four years to see where those investments stand.

REP. DROVDAL Where does the cumulative come in?

BILL WOCKEN I guess I am looking at the amendment and since there is a reporting requirement every year, even the first year of operation. Referred to the sixth line of the amendment which talked about the audit report. He stated, if the corporation has not invested fifty percent of its net investments after one year, two years, or three years, it is not a problem, although it is still reportable. After the fourth year, then the fifty percent requirement kicks in.

REP. KELSH Asked why the four years?

BILL WOCKEN Just pulled it out of the air like the fifty percent was. It could be any other figure.

SEN. STENEHJEM Commented on how he perceived this would work.

He stated the city will be watching to make sure the corporation is putting the money in the zone, it still has to be reported to the Division of Community Services, they report it to the budget section of the legislature, and if there is a problem, it will have to be corrected.

DONNITA WALD Related back to Rep. Drovda's questions regarding the cumulative situation. She stated if they had some bad years, they wouldn't need the fifty percent threshold, so she felt that maybe there should be a four year average of the annual investment. You could have an annual report, then after the four years, have a statement saying that the four year average is more than fifty percent. She offered to draft new amendments to this effect.

SEN. KROEPLIN Questioned whether the rest of the bill met with everyone's approval.

The conference committee meeting was adjourned to the next day, while new amendments were being drafted.

CONFERENCE COMMITTEE, 4-18-01, TAPE DID NOT RECORD.

REP. BRANDENBURG called the conference committee meeting to order with all members present. He presented some amendments to the committee. After reviewing the amendments, Donnita Wald of the State Tax Department, stated the language did not work relating to the four year extension.

BILL WOCKEN, CITY ADMINISTRATOR FOR THE CITY OF BISMARCK Also remarked that he was not sure what the effects of the amendment would do.

SEN. STENEHJEM Presented another amendment #10553.0206, for committee members to review.

SEN. GRINDBERG Made a motion that the Senate recede from its amendments and that the amendment #10553.0206 be adopted.

REP. DROVDAL Second the motion. **MOTION CARRIED 6 YES 0 NO**

SEN. STENEHJEM Made a motion for a **DO PASS AS AMENDED.**

REP. DROVDAL Second the motion. **MOTION CARRIED 6 YES 0 NO**

SEN. STENEHJEM Requested that Sen. Grindberg have the floor assignment.

Meeting was adjourned.

Roll Call Vote #

HB 1460

Committee

Subcommittee on

X

10553. 0206

Do Pass as amended

Rep. Drouda

[illegible]

0

0

Sen Grindberg

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

REPORT OF CONFERENCE COMMITTEE

HB 1460, as engrossed: Your conference committee (Sens. Stenehjem, Grindberg, Kroeplin and Reps. Brandenburg, Drovdal, S. Kelsh) recommends that the **SENATE RECEDE** from the Senate amendments on HJ page 1290, adopt amendments as follows, and place HB 1460 on the Seventh order:

That the Senate recede from its amendments as printed on page 1290 of the House Journal and pages 890 and 1133 and 1134 of the Senate Journal and that Engrossed House Bill No. 1460 be amended as follows:

Page 2, line 14, after the comma insert "an initial limit of"

Page 2, line 15, after "this" insert "initial", replace "two" with "one", and remove "five hundred"

Page 2, line 16, remove "thousand", replace "to" with "for investments in", and after "organizations" insert "for taxable years beginning after December 31, 2000,"

Page 2, line 17, replace "investment in renaissance zones in which" with "investments permitted under this chapter if", replace "fifty" with "sixty-five", and replace "each qualifying" with "the"

Page 2, line 18, replace "funds available for that renaissance zone" with "net investments received" and after "invested" insert "as permitted under this chapter or the organization is established after the exhaustion of the initial limit. Upon exhaustion of the initial limit, an additional one million five hundred thousand dollars in credits is available for investments in renaissance fund organizations for taxable years beginning after December 31, 2002, for investments permitted under this chapter if more than sixty-five percent of the qualifying organization's net investments received have been invested as permitted under this chapter or the organization is established after the exhaustion of the initial limit"

Page 3, line 5, after the period insert "A renaissance fund organization shall secure an annual audit of its financial records, prepared by an independent certified public accounting firm in accordance with generally accepted auditing standards. The audit report must include a statement of the percentage of annual net investments received by the organization after December 31, 2000, which have been invested by the organization in investments permitted under this chapter. If the audit report shows that less than fifty percent of such net investments have been so invested during the previous four years and the organization has been incorporated for four years or more, that organization may not accept any new investments until the governing body of the city in which the organization was established determines that good cause exists for the failure to reach that level of investment or until a subsequent audit report shows that fifty percent or more of such net investments have been so invested. A renaissance fund organization shall file a copy of each audit of its financial records under this subsection with the governing body of the city in which it was established, the division of community services, and the tax commissioner. The division of community services shall provide an annual report to the budget section of the legislative council showing the conclusions of audit reports filed under this subsection."

11."

Page 3, line 7, overstrike "11." and insert immediately thereafter "12."

Renumber accordingly

Engrossed HB 1460 was placed on the Seventh order of business on the calendar.

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE) - 420

07398

(Bill Number) HB 1460 (, as (re)engrossed):

Your Conference Committee

For the Senate:

SEN. STENEHJEM

SEN. GRINDBERG

SEN. KROEPLIN

For the House:

REP. BRANDENBURG

REP. DROVDAL

REP. S. KELSH

☐ recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)
the (Senate/House) amendments on (SJ/HJ) page(s) _____

☐ and place 1460 on the Seventh order.

☒ adopt (further) amendments as follows, and place 110553.0506
7 on the Seventh order:

☐ having been unable to agree, recommends that the committee be discharged
and a new committee be appointed.

((Re)Engrossed) _____ was placed on the Seventh order of business on the
calendar.

DATE: 4/18/01

CARRIER: _____

LC NO. _____ of amendment

LC NO. _____ of engrossment

Emergency clause added or deleted _____

Statement of purpose of amendment _____

(1) LC (2) LC (3) DESK (4) COMM.

2001 TESTIMONY

HB 1460

Submitted
by Rep. KUSH

**Testimony Presented on HB 1460
to the
House Finance and Taxation Committee
Rep. Al Carlson, Chairman**

By

Art Rosenberg

February 7th, 2000

Mr. Chairman and Members of the Committee:

I am Art Rosenberg, Vice President of the Dakota Renaissance Ventures Corporation. I ask for your support for House Bill 1460 to increase the amount of tax credits available for Renaissance Fund Corporation.

Dakota Renaissance Ventures Corporation is North Dakota's first Renaissance Fund Corporation. We operate through agreements with the cities of Fargo, West Fargo, Casselton, Valley City and Jamestown. We have over 25 investors and \$1.6 million in capital. We are the state's first early stage venture capital corporation. Our fund is focused on investing new technology companies.

Since the corporation was created we have reviewed over 60 business concepts. There is a need for venture capital, especially in the early stage development of a company. This is an important tool to improve the downtown central business districts and the cities Renaissance Zones.

The Renaissance Zone program provides communities with the opportunity to identify an area in the downtown and apply to receive a zone. The zone will allow business and property owner's incentives to improve property and expand or create business operations. The zone program provides income and property tax exemptions for qualifying projects. The Renaissance Fund Corporation can be created or contracted by a community to make equity investments in companies located in Renaissance Zones.

HB 1460 increases the tax credits from \$2.5 million to \$5 million for all the Renaissance Zones in the state. Currently there are several communities that are in the process of applying for a Renaissance Zone and will be trying to create a venture fund. It is anticipated with the four major cities and several other larger communities receiving approval. The money will be exhausted by the end of the year. Several communities will miss out on the tax credits and the opportunity to create a venture fund.

The return on this investment by the state is substantial. This program is not a grant, nor is it straight general fund investment. It allows an organization to be formed to make investments in Renaissance Zones and providing investors in the organization a fifty

percent income tax credit that can be carried forward for five additional tax years. The organization will take the funds and invest in companies in Renaissance Zones. The state receives two dollars of capital in businesses for one dollar of credit. The investments by the organization is usually not the only investor, many investments have other investors. The venture fund generally owns 25-40% of the investment company. This allows for other funding through financial institutions, leasing companies and other investors. This program provides in investment necessary to create several new high paying jobs in the primary sector.

Understanding the situation the legislature is in every year with funding programs. I would propose a trigger mechanism for the additional \$2.5 million in capital. No fund could use the additional money until the first \$2.5 million was exhausted and the corporation had invested greater than fifty percent (50%) of its fund.

The amendment would be the following:

*adopted
amend.*
Page ² 7, line ¹⁴ 4, overstrike "for all taxpayers in all taxable"

Page 7, line ¹⁵ 5, overstrike "years" and insert immediately thereafter" However, upon exhaustion of this limit, an additional two million five hundred thousand dollars in credits is available to renaissance fund organizations for investment in renaissance zones in which more than fifty percent of each qualifying organization's funds available for that renaissance zone have been invested"

Renumber accordingly

**Testimony on HB 1460
To the
Senate Finance and Taxation Committee
Sen. Urlacher, Chairman**

By

Art Rosenberg

February 28th, 2001

Mr. Chairman and Members of the Committee:

I am Art Rosenberg, Vice President of the Dakota Ventures Renaissance Ventures Corporation. I ask for your support for House Bill 1460 to increase the amount of tax credits available for the Renaissance Fund Corporation.

Dakota Renaissance Ventures Corporation is North Dakota's first Renaissance Fund Corporation. We operate through agreements with the cities of Fargo, West Fargo, Casselton, Valley City, and Jamestown. We have over 25 investors and \$1.6 million in capital. We are the state's first early stage venture capital corporation. Our fund is focused on investing in new technology companies.

Since the corporation was created we have reviewed over 60 business concepts. There is a need for venture capital, especially in the early stage development of a company. This is an important tool to improve the downtown central business districts and the cities' Renaissance Zones.

The Renaissance Zone program provides a community with the opportunity to identify an area in its downtown and apply to receive a zone designation. The zone will allow business and property owners incentives to improve property and expand or create business operations. The zone program provides income and property tax exemptions for qualifying projects. The Renaissance Fund Corporation can be created or contracted by a community to make equity investments in companies located in Renaissance Zones.

HB 1460 provides that should the combined total of all Renaissance Zone Funds within the state reach the current \$2,500,000 cap, it would trigger the cap to \$5,000,000 for all Renaissance Zones in the state. Currently, there are several communities that are in the process of applying for a Renaissance Zone and will be trying to create a venture fund. With the four major cities and several other larger communities receiving approval, the money may be exhausted by the end of the year. Several communities could miss out on the tax credits and the opportunity to create a venture fund.

The return to the state on this investment is substantial. The program is not a grant, nor is it a straight general fund investment. It allows an organization to be formed to make investments in Renaissance Zones and provides investors in the organization a fifty percent income tax credit that can be carried forward for five additional tax years. The organization will invest the funds in

companies in Renaissance Zones. The state receives two dollars of capital in businesses for one dollar of credit. The investments by the organizations are usually not the only investor; many investments have other investors. The venture fund generally owns 25-40% of the investment company. This allows for other funding through financial institutions, leasing companies, and other investors. This program provides an investment necessary to create several new high-paying jobs in the primary sector.

Understanding the situation the legislature is in every session with regard to funding programs, I believe the trigger mechanism is the best solution for the additional \$2,500,000 in capital. No fund could use the additional money until the first \$2,500,000 was exhausted and the corporation had invested greater than 50% of its fund. I believe it will have a small impact on this biennium because of the requirements to access the additional capital.

Thank you for your time this morning. I apologize for being unable to testify in person. Please feel free to call me if you have any questions. My office phone number is 701-237-6132 and my mobile phone is 701-261-9396.

I hope this helps you better understand the situation and that the committee recommends passage of House Bill 1460.