

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2033

2001 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2033

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2033

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date January 17, 2001.

Tape Number	Side A	Side B	Meter #
1		x	49.6 to end
2	x		0 to 42.2
(Feb/06/01) 2		x	3.8 to 40.3
(April 03/01) 1		x	0.9 to 8.0
(April 04/01) 1	x		0 to 7.6
Committee Clerk Signature <i>Doris E. Pérez</i>			

Minutes:

The meeting was called to order. All committee members present. Hearing was opened on SB 2033 relating to renaissance zone contribution use.

Jennifer Clark, ND Legislative Council, neither for nor against, to explain interim committee report. Intention: clarify language, repeal renaissance zone contribution use section; clarify development plan; allow the creation of a statewide renaissance zone fund corporation.

Ron Rauschenberg, DCS, neutral.

Richard Gray, Division of Community Services Director. Written testimony attached including proposed amendments. Amendments address: definition of renaissance zone, taxes, permission to change parts of the zone if no activity takes place and regarding the amount of tax exemptions granted.

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Senate Industry, Business and Labor Committee

Bill/Resolution Number SB 2033

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Robert Stein, City of Fargo Senior Planner, in support of Gray's amendment. Written testimony attached.

Art Rosenberg, Dakota Renaissance Venture Corp., Written testimony attached, including 3 proposed amendments regarding property taxes and venture capital organization.

Senator Krebsbach: I would like to see the portion of the bill regarding contiguous blocks be amended to provide more flexibility.

Senator Mutch: I think all of you should get together and come up with one set of amendments on which all of you agree.

Hearing closed.

February 06, 2001. Tape 2-B-3.8 to 40.3

Committee reconvened. All members present.

Richard Gray distributed amendments agreed on by all. We tried to meld ideas and compromised on things such as the lease issue, added definitions and language.

Senator Klein: This amendment supercedes all the previous ones.

Senator Every: Motion to adopt amendments. **Senator Krebsbach**: Seconded.

Roll call vote: 7 yes; 0 no. Motion carried.

Senator Mathern: Motion: pass as amended. **Senator Krebsbach**: Second.

Roll call vote: 7 yes; 0 no. Motion carried. Floor assignment: **Senator Mathern**.

April 03/01, Tape 1-B-0.9 to 8.0

Representative Rick Berg, District 45, There were numerous meetings with all concerned parties. There were two amendments, we adopted Rep. Severson's. More controversial was allowing a renaissance fund that could invest in any company in a zone or another company in another zone, consensus is this is a terribly difficult issue.

Representative Dale Severson, District 23. Addressed the amendment regarding income tax credit for communities with under 2500 population. Provides opportunities for rural ND small towns to provide added source of revenue. Biggest concern was double dipping. We worked hard on that language so once a project and investors have been determined, only one can take the deduction. That has to be determined right upfront, either the business is taking the deduction or the investor and that is capped over two years.

Discussion held.

Ron Rauschenberger, DCS, Removed the statewide renaissance zone fund organization not established by a city was removed because we were concerned with a statewide renaissance zone fund. That was changed to a renaissance zone fund corporation established by a city. None of the renaissance zone credits are allowed to roll over on the other income. Those were the two main concerns the rest was cleanup language.

Committee requested additional time to study amendments.

April 04/01, Tape 1-A- 0 to 7.6

Committee reconvened. All members present. Discussion held regarding communities of less than 2500 and the long range effect of the credits.

Senator Klein: My concern is whether the House amendments maintained the integrity of the

Page 4

Senate Industry, Business and Labor Committee
Bill/Resolution Number SB 2033
Hearing Date January 17, 2001

bill.

Op 14/01
Ron Rauschenberger, DCS. A lot of it is cleanup, everything has been worked out very well. Everything got tweaked pretty good and I think the bill is very workable for all of ND. The tax department also worked with us.

Senator Klein: Motion to concur with House amendments. **Senator Mathern:** second.

Discussion held.

Roll call vote: 7 yes; 0 no. Motion carried. Floor assignment : **Senator Mathern.**

FISCAL NOTE
Requested by Legislative Council
02/13/2001

Bill/Resolution No.:

Amendment to: SB 2033

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.*

SB 2033 First Engrossment expends the tax credit provisions relating to renaissance zones. 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
Phone Number:	328-3402	Date Prepared:	02/14/2001

FISCAL NOTE

Requested by Legislative Council

12/14/2000

Bill/Resolution No.: SB 2033

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.

SB 2033 expands the existing tax credit provisions for certain participants in Renaissance Zones. The fiscal impact of these provisions 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
Phone Number:	328-3402	Date Prepared:	01/16/2001

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL 2033

Page 6, line 24, after "investment" insert "If the cost of a new business purchase or expansion of an existing business, approved as a zone project, exceeds seventy-five thousand dollars, and the business is located in a city with a population of not more than two thousand five hundred, an individual taxpayer may, in lieu of the exemption provided in subsection 2, elect to take an income tax exemption of up to two thousand dollars of personal income tax liability as determined under section 57-38-29 or 57-38-30.3. The election must be made on the taxpayer's zone project application. The election is irrevocable and binding for the duration of the exemptions provided in subsection 2 or 3. If no election is made on the zone project application, the taxpayer is only eligible for the exemption provided in subsection 2" and remove the overstrike over the period

Page 6, line 25, remove the overstrike over "4:"

Renumber accordingly

Handwritten signature

10144.0301
Title.

Prepared by the Legislative Council staff for
Senator Grindberg
January 15, 2001

PROPOSED AMENDMENTS TO SENATE BILL NO. 2033

Page 1, line 3, after the second "sections" insert "40-63-05,"

Page 5, line 17, after "purchases" insert "improves, enters a new lease," and overstrike "leases" and insert immediately thereafter "continues an existing lease of"

Page 5, line 19, after "purchase" insert "improvement."

Page 5, line 20, after the period insert "For purposes of this subsection, an improvement must equal or exceed fifty percent of the property tax value of the property before the improvement."

Page 5, after line 20, insert:

"SECTION 5. AMENDMENT. Section 40-63-05 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-63-05. Property tax exemptions.

1. A municipality may grant a partial or complete exemption from ad valorem taxation on single-family residential property, exclusive of the land on which it is situated, located in a zone project if the property ~~was purchased~~ is owned and used by an individual for the individual's primary place of residence. An exemption granted under this subsection may not extend beyond five taxable years following the date of ~~acquisition purchase or improvement.~~
2. A municipality may grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements ~~purchased~~ owned by a business for any business purpose, excluding investment, as part of a zone project. An exemption granted under this subsection may not extend beyond five taxable years ~~beginning in the year of the investment~~ following the date of purchase or improvement.
3. A municipality may grant a partial or complete exemption from ad valorem taxation on all buildings, structures, fixtures, and improvements to residential or commercial property located in a zone project if the property ~~was purchased~~ is owned and used solely for investment purposes. An exemption granted under this subsection may not extend beyond five taxable years following the date of ~~acquisition purchase or improvement.~~
4. For purposes of this section, an improvement must equal or exceed fifty percent of the property tax value of the property before the improvement.

Renumber accordingly

10144.0302
Title.

Prepared by the Legislative Council staff for
Senator Grindberg
January 15, 2001

PROPOSED AMENDMENTS TO SENATE BILL NO. 2033

Page 1, line 4, remove "and" and after "40-63-09" insert ", and 40-63-10"

Page 2, line 11, overstrike "corporation" and insert immediately thereafter "organization"

Page 2, line 17, overstrike "corporation" and insert immediately thereafter "organization"

Page 4, line 14, overstrike "corporation" and insert immediately thereafter "organization"

Page 6, line 1, overstrike "corporation" and insert immediately thereafter "organization"

Page 6, line 3, overstrike "corporation" and insert immediately thereafter "organization" and
overstrike "such a corporation" and insert immediately thereafter "the organization"

Page 6, line 4, overstrike "corporation" and insert immediately thereafter "organization"

Page 6, line 6, replace "corporation" with "organization"

Page 6, line 8, remove "3," and overstrike "The purpose of a renaissance fund corporation is
solely to raise funds to be used"

Page 6, line 9, overstrike "to make investments in zone projects"

Page 6, line 14, overstrike the period

Page 6, line 15, remove the overstrike over "3," overstrike "corporation" and insert immediately
thereafter "organization", and overstrike ", including"

Page 6, overstrike line 16

Page 6, line 17, overstrike "liability companies, trust, corporations, nonprofit organizations, and
public entities" and insert immediately thereafter "and to potential zone projects"

Page 6, line 21, overstrike "corporation" and insert immediately thereafter "organization"

Page 6, line 25, overstrike "corporation" and insert immediately thereafter "organization"

Page 6, line 29, overstrike "corporation" and insert immediately thereafter "organization"

Page 6, line 30, overstrike "corporation" and insert immediately thereafter "organization"

Page 7, line 6, overstrike "corporation" and insert immediately thereafter "organization"

Page 7, line 7, overstrike "corporation" and insert immediately thereafter "organization"

Page 7, line 8, overstrike "dividends" and insert immediately thereafter "distributions"

Page 7, line 11, overstrike "dividend" and insert immediately thereafter "distribution"

Page 7, line 12, overstrike "corporation" and insert immediately thereafter "organization"

Page 7, line 15, overstrike "If an investment in a renaissance fund corporation which is the basis for a credit"

Page 7, overstrike lines 16 through 22

Page 7, line 23, overstrike "10." and overstrike "corporation" and insert immediately thereafter "organization"

Page 8, after line 9, insert:

"SECTION 8. AMENDMENT. Section 40-63-10 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-63-10. Pass-through of tax exemption or credit. A partnership, subchapter S corporation, limited partnership, limited liability company or any other pass-through entity that purchases or leases property in a renaissance zone for any business purpose, invests in a historic preservation or renovation of property within a renaissance zone, or invests in a renaissance fund ~~corporation~~ organization must be considered to be the taxpayer for purposes of any investment limitations in sections 40-63-04, 40-63-06, and 40-63-07, and the amount of the exemption or credit allowed with respect to the entity's investments must be determined at the pass-through entity level. The amount of the total exemption or credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the pass-through entity."

Renumber accordingly

10144.0303
Title:Prepared by the Legislative Council staff for
Senator Grindberg
January 15, 2001

PROPOSED AMENDMENTS TO SENATE BILL NO. 2033

Page 7, line 4, overstrike "for all taxpayers in all taxable"

Page 7, line 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

Post-It™ brand fax transmittal memo 7671 # of pages > 4

To: <u>ACT Rasmussen</u>	From: <u>Tony Grindberg</u>
Co.	Co.
Dept.	Phone #
Fax # <u>208-7819</u>	Fax #

February 6, 2001

PROPOSED AMENDMENTS TO SENATE BILL NO. 2033

Page 1, line 3, remove "and", remove "subsection 2 of section", and replace the second "sections" with "40-63-05,"

Page 1, line 4, remove "and" and after "40-63-09" insert ", and 40-63-10"

Page 2, line 11, overstrike "corporation" and insert immediately thereafter,

Page 2, line 12, after the overstruck comma insert "organization" and after the period insert "If a city is not ready to commit to establishing a renaissance fund organization, the city may indicate in the renaissance zone application the city's desire to submit a plan for approval at a later date."

Page 2, line 17, overstrike "corporation" and insert immediately thereafter "organization"

Page 2, line 18, after the period insert:

"Lease" means the lease of space in a building in a designated renaissance zone by a new business moving into the zone or by an existing zone business expanding in the zone, and the continuation of a lease of an existing zone tenant in a building rehabilitated as an approved zone project. For existing zone tenants expanding in the zone, the term does not include existing leased space.

5."

Page 2, line 22, overstrike "5." and insert immediately thereafter "6." and remove the overstrike over "~~Original principal amount~~" means the funds invested in a renaissance fund"

Page 2, line 23, after "corporation" insert "organization" and remove the overstrike over "after designation of the renaissance zone and before the sunset of that"

Page 2, remove the overstrike over line 24

Page 2, after line 24, insert:

"7. "Rehabilitation", as used in sections 40-63-04 and 40-63-05, means the repair or remodeling of a building at a cost that is equal to or exceeds fifty percent to the current true and full value for commercial buildings and twenty percent for single-family homes."

Page 2, line 25, after "6." insert "8."

Page 2, line 27, replace "6" with "9"

Page 2, line 29, replace "7" with "10" and overstrike "any project contained within a designated renaissance zone"

Page 2, line 30, overstrike "and" and insert immediately thereafter "the purchase, lease, rehabilitation, or historical preservation or renovation of a building or space in a building"

~~Page 3, after line 28, insert:~~

"If after a minimum of five years a portion of an approved renaissance zone is not progressing, the city may request the division of community services to permit deleting that portion and to make a one-time adjustment of the boundaries to add another equal, contiguous area to the original zone."

Page 4, line 14, overstrike "corporation" and insert immediately thereafter "organization"

Page 5, after line 14, insert:

- "8. The use of grant funds as the sole source of investment in the purchase of a building or space in a building does not qualify a taxpayer for any tax exemption or credit available under the chapter, and grant funds may not be counted in determining if the cost of rehabilitation meets or exceeds the current true and full value of the building."

Page 5, line 15, replace "Subsection 2 of section" with "Section"

Page 5, replace lines 17 through 20 with:

"40-63-04. Income tax exemptions.

1. An individual taxpayer who purchases single-family residential property for the individual's primary place of residence as part of a zone project is exempt from up to ten thousand dollars of personal income tax liability as determined under section 57-38-29 or 57-38-30.3 for five taxable years beginning with the date of occupancy or completion of rehabilitation.
2. ~~A business~~ Any taxpayer that purchases or, leases, or rehabilitates residential or commercial property for any business or investment purpose as part of a zone project is exempt from income any tax on income derived from the business or investment locations within the zone for five taxable years, beginning in the year of the investment or lease for income derived from the business locations within the zone with the date of purchase, lease, or completion of rehabilitation.
3. ~~An individual, partnership, limited partnership, limited liability company, trust, or corporation that purchases residential or commercial property as an investment as part of a zone project is exempt from any income tax for five taxable years resulting from income earned from that investment.~~
4. The exemptions provided by this section do not eliminate any duty to file a return or to report income as required under chapter 57-35.3 or 57-38.

SECTION 5. AMENDMENT. Section 40-63-05 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-63-05. Property tax exemptions.

1. A municipality may grant a partial or complete exemption from ad valorem taxation on single-family residential property, exclusive of the land on which it is situated, ~~located in a zone project~~ if the property was purchased or rehabilitated by an individual for the individual's primary place of residence as a zone project. An exemption granted under this subsection may not extend beyond five taxable years following the date of acquisition or rehabilitation.
2. A municipality may grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements purchased by ~~a business or on improvements made as a zone project~~ for any business or investment purpose, excluding investment, as part of a zone project. An exemption granted under this subsection may not extend beyond five taxable years ~~beginning in the year of the investment~~ following the date of purchase or rehabilitation.
3. ~~A municipality may grant a partial or complete exemption from ad valorem taxation on all buildings, structures, fixtures, and improvements to residential or commercial property located in a zone project if the property was purchased solely for investment purposes. An exemption granted under this subsection may not extend beyond five taxable years following the date of acquisition.~~

Page 5, line 27, overstrike "fifty" and insert immediately thereafter "twenty-five" and overstrike "during the taxable year"

Page 5, line 28, overstrike "from the date of the"

Page 5, line 29, overstrike "investment" and insert immediately thereafter "up to a maximum of two hundred fifty thousand dollars"

Page 6, line 1, overstrike "corporation" and insert immediately thereafter "organization"

Page 6, line 3, overstrike the first "corporation" and insert immediately thereafter "organization", overstrike "provisions" and insert immediately thereafter "detailed plan", and overstrike "a corporation are" and insert immediately thereafter "an organization is"

Page 6, line 4, after the second "plan" insert ", or is submitted at a later date to the division of community services for approval after the designation of a renaissance zone." and overstrike "The renaissance fund corporation"

Page 6, overstrike line 5

Page 6, line 6, remove "A renaissance fund corporation that is not established by a city may provide"

Page 6, remove line 7

Page 6, line 8, remove "3." and overstrike "corporation" and insert immediately thereafter "organization"

Page 6, line 15, overstrike "corporation" and insert immediately thereafter "organization"

Page 6, line 21, overstrike "4." and insert immediately thereafter "3." and overstrike "corporation" and insert immediately thereafter "organization"

Page 6, line 26, overstrike "corporation" and insert immediately thereafter "organization"

Page 6, line 27, overstrike "5." and insert immediately thereafter "4."

Page 6, line 29, overstrike "corporation" and insert immediately thereafter "organization"

Page 7, line 3, overstrike "6." and insert immediately thereafter "5."

Page 7, line 6, overstrike "7." and insert immediately thereafter "6." and overstrike "corporation" and insert immediately thereafter "organization"

Page 7, line 7, overstrike "corporation" and insert immediately thereafter "organization"

Page 7, line 12, overstrike "8." and insert immediately thereafter "7." and overstrike "corporation" and insert immediately thereafter "organization"

Page 7, line 15, overstrike "9." and insert immediately thereafter "8." and overstrike "corporation" and insert immediately thereafter "organization"

Page 7, line 23, overstrike "10." and insert immediately thereafter "9.", overstrike "corporation" and insert immediately thereafter "organization", overstrike "housing," and insert immediately thereafter "residential or", and overstrike ", or"

Page 7, line 24, overstrike "infrastructure project" and insert immediately thereafter "property involved"

Page 8, after line 9, insert:

"SECTION 9. AMENDMENT. Section 40-63-10 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-63-10. Pass-through of tax exemption or credit. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other pass-through entity that purchases or leases property in a renaissance zone for any business purpose, invests in a historic preservation or renovation of property within a renaissance zone, or invests in a renaissance fund ~~corporation~~ organization must be considered to be the taxpayer for purposes of any investment limitations in sections 40-63-04, 40-63-06, and 40-63-07, and the amount of the exemption or credit allowed with respect to the entity's investments must be determined at the pass-through entity level. The amount of the total exemption or credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the pass-through entity."

Renumber accordingly

Date: 2/06/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. *SB2033*

Senate Industry, Business and Labor

Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Adopt amendments

Motion Made By Sen Every Seconded By Sen Trebsbach

[illegible]

Total (Yes) 7 No 0

Absent 0

Floor Assignment

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

Date: 2/06/01
Roll Call Vote #: 2

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2033

Senate Industry, Business and Labor

Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken DPA

Motion Made By Sen Mathern Seconded By K. Krebsbach

Senators	Yes	No	Senators	Yes	No
Senator Mutch - Chairman	✓		Senator Every	✓	
Senator Klein - Vice Chairman	✓		Senator Mathern	✓	
Senator Espgaard	✓				
Senator Krebsbach	✓				
Senator Tollefson	✓				

Total (Yes) 7 No 0

Absent _____

Floor Assignment S. Mathern

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

REPORT OF STANDING COMMITTEE

SB 2033: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2033 was placed on the Sixth order on the calendar.

Page 1, line 3, remove "and", remove "subsection 2 of section", and replace the second "sections" with "40-63-05,"

Page 1, line 4, remove "and" and after "40-63-09" insert ", and 40-63-10"

Page 2, line 11, overstrike "corporation" and insert immediately thereafter "organization"

Page 2, line 12, after the period insert "If a city is not ready to commit to establishing a renaissance fund organization, the city may indicate in the renaissance zone application the city's desire to submit a plan for approval at a later date."

Page 2, line 17, overstrike "corporation" and insert immediately thereafter "organization"

Page 2, line 18, after the period insert:

"Lease" means the lease of space in a building in a designated renaissance zone by a new business moving into the zone or by an existing zone business expanding in the zone, and the continuation of a lease of an existing zone tenant in a building rehabilitated as an approved zone project. For existing zone tenants expanding in the zone, the term does not include existing leased space.

5."

Page 2, line 22, overstrike "5." and insert immediately thereafter "6." and remove the overstrike over "~~"Original principal amount" means the funds invested in a renaissance fund~~"

Page 2, line 23, after "~~corporation~~" insert "organization" and remove the overstrike over "~~after designation of the renaissance zone and before the sunset of that~~"

Page 2, remove the overstrike over line 24

Page 2, after line 24, insert:

"7. "Rehabilitation", as used in sections 40-63-04 and 40-63-05, means the repair or remodeling of a building at a cost that is equal to or exceeds fifty percent to the current true and full value for commercial buildings and twenty percent for single-family homes."

Page 2, line 25, after "6." insert "8."

Page 2, line 27, replace "6" with "9"

Page 2, line 29, replace "7" with "10" and overstrike "any project contained within a designated renaissance zone"

Page 2, line 30, overstrike "and" and insert immediately thereafter "the purchase, lease, rehabilitation, or historical preservation or renovation of a building or space in a building"

Page 4, line 14, overstrike "corporation" and insert immediately thereafter "organization"

Page 5, after line 14, insert:

- "8. The use of grant funds as the sole source of investment in the purchase of a building or space in a building does not qualify a taxpayer for any tax exemption or credit available under the chapter, and grant funds may not be counted in determining if the cost of rehabilitation meets or exceeds the current true and full value of the building.
9. If after a minimum of five years a portion of an approved renaissance zone is not progressing, the city may request the division of community services to permit deleting that portion and to make a one-time adjustment of the boundaries to add another equal, contiguous area to the original zone."

Page 5, line 15, replace "Subsection 2 of section" with "Section"

Page 5, replace lines 17 through 20 with:

"40-63-04. Income tax exemptions.

1. An individual taxpayer who purchases single-family residential property for the individual's primary place of ten thousand dollars of personal income tax liability as determined under section 57-38-29 or 57-38-30.3 for five taxable years beginning with the date of occupancy or completion of rehabilitation.
2. ~~A business~~ Any taxpayer that purchases, leases, or rehabilitates residential or commercial property for any business or investment income any tax on income derived from the business or investment locations within the zone for five taxable years, beginning in the year of the investment or lease for income derived from the business locations within the zone with the date of purchase, lease, or completion of rehabilitation.
3. ~~An individual, partnership, limited partnership, limited liability company, trust, or corporation that purchases residential or commercial property as an investment as part of a zone project is exempt from any income tax for five taxable years resulting from income earned from that investment.~~
4. The exemptions provided by this section do not eliminate any duty to file a return or to report income as required under chapter 57-35.3 or 57-38.

SECTION 5. AMENDMENT. Section 40-63-05 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-63-05. Property tax exemptions.

1. A municipality may grant a partial or complete exemption from ad valorem taxation on single-family residential property, exclusive of the land on which it is situated, ~~located in a zone project~~ if the property was purchased or rehabilitated by an individual for the individual's primary place of residence as a zone project. An exemption granted under this subsection may not extend beyond five taxable years following the date of acquisition or rehabilitation.
2. A municipality may grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements purchased by ~~a business~~ or on improvements made as a zone project for any business

~~or investment purpose, excluding investment, as part of a zone project.~~
An exemption granted under this subsection may not extend beyond five taxable years ~~beginning in the year of the investment~~ following the date of purchase or rehabilitation.

3. ~~A municipality may grant a partial or complete exemption from ad valorem taxation on all buildings, structures, fixtures, and improvements to residential or commercial property located in a zone project if the property was purchased solely for investment purposes. An exemption granted under this subsection may not extend beyond five taxable years following the date of acquisition.~~

Page 5, line 27, overstrike "fifty" and insert immediately thereafter "twenty-five" and overstrike "during the taxable year"

Page 5, line 28, overstrike "from the date of the"

Page 5, line 29, overstrike "investment" and insert immediately thereafter "up to a maximum of two hundred fifty thousand dollars"

Page 6, line 1, overstrike "corporation" and insert immediately thereafter "organization"

Page 6, line 3, overstrike the first "corporation" and insert immediately thereafter "organization", overstrike "provisions" and insert immediately thereafter "detailed plan", and overstrike "a corporation are" and insert immediately thereafter "an organization is"

Page 6, line 4, after the second "plan" insert ", or is submitted at a later date to the division of community services for approval after the designation of a renaissance zone" and overstrike "The renaissance fund corporation"

Page 6, overstrike line 5

Page 6, line 6, remove "A renaissance fund corporation that is not established by a city may provide"

Page 6, remove line 7

Page 6, line 8, remove "3." and overstrike "corporation" and insert immediately thereafter "organization"

Page 6, line 15, overstrike "corporation" and insert immediately thereafter "organization"

Page 6, line 21, overstrike "4." and insert immediately thereafter "3." and overstrike "corporation" and insert immediately thereafter "organization"

Page 6, line 26, overstrike "corporation" and insert immediately thereafter "organization"

Page 6, line 27, overstrike "5." and insert immediately thereafter "4."

Page 6, line 29, overstrike "corporation" and insert immediately thereafter "organization"

Page 7, line 3, overstrike "6." and insert immediately thereafter "5."

Page 7, line 6, overstrike "7." and insert immediately thereafter "6." and overstrike "corporation" and insert immediately thereafter "organization"

Page 7, line 7, overstrike "corporation" and insert immediately thereafter "organization"

Page 7, line 12, overstrike "8." and insert immediately thereafter "7." and overstrike "corporation" and insert immediately thereafter "organization"

Page 7, line 15, overstrike "9." and insert immediately thereafter "8." and overstrike "corporation" and insert immediately thereafter "organization"

Page 7, line 23, overstrike "10." and insert immediately thereafter "9.", overstrike "corporation" and insert immediately thereafter "organization", overstrike "housing," and insert immediately thereafter "residential or", and overstrike ", or"

Page 7, line 24, overstrike "infrastructure project" and insert immediately thereafter "property involved"

Page 8, after line 9, insert:

"SECTION 9. AMENDMENT. Section 40-63-10 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

40-63-10. Pass-through of tax exemption or credit. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other pass-through entity that purchases or leases property in a renaissance zone for any business purpose, invests in a historic preservation or renovation of property within a renaissance zone, or invests in a renaissance fund~~corporation~~ organization must be considered to be the taxpayer for purposes of any investment limitations in sections 40-63-04, 40-63-06, and 40-63-07, and the amount of the exemption or credit allowed with respect to the entity's investments must be determined at the pass-through entity level. The amount of the total exemption or credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the pass-through entity."

Renumber accordingly

Date:

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES

Senate Industry, Business and Labor

Committee

☐**Legislative Council Amendment Number**

Action Taken

Motion Made By

Seconded

By

[illegible]**Total**

(Yes)

No

Absent

Floor Assignment

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

2001 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2033

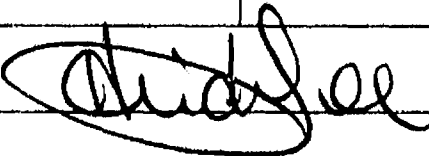
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2033(B)

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date March 12, 2001

Tape Number	Side A	Side B	Meter #
2		X	5.8-34.2
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Art Rosenberg: Provided and explained amendments.

Rep. Ekstrom: Would this advantage larger cities?

Chairman Berg: The amendments provide a fund to allow investor to be able to invest outside of their area.

Chairman Berg: We'll adjourn for now and continue at another time.

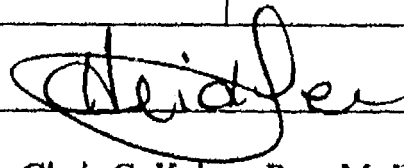
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2033(C)

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date March 21, 2001

Tape Number	Side A	Side B	Meter #
1		X	0-46.3
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Vice-Chairman Keiser: Provided and discussed amendments 10144.0504.

Chairman Berg: Is there a limit?

Vice-Chairman Keiser: Money has to go where the investor wants it to. The cities fund has to stay in that city. This amendment provides for a statewide fund because currently one cities' fund can't invest in another city. We can do a statewide fund and put maximums on how much money goes to what size population.

Rep Koppang: Does this change the idea behind this?

Vice-Chairman Keiser: It does in a positive way.

Rep Severson:(22.7) Provided and explained amendments 10144.0505.

Vice-Chairman Keiser: What could they get now?

Page 2

House Industry, Business and Labor Committee

Bill/Resolution Number SB 2033(B)

Hearing Date March 21, 2001

Rep Severson: Nothing that I know of. This allows the tax credit to be available to individual as well as corporations but not to both at the same time.

Rep Pietsch: Does a simple purchase count?

Vice-Chairman Keiser: It has to be approved by the zone. Also this would cause a fiscal note if it were passed.

Ron Rosenberger: *Director of the Div. of Com. Services* When an investment is made the credits are given out but the money is not used right away.

Rep Pietsch: Could we reinstate the population guidelines?

Vice-Chairman Keiser: We can but you can't if you put in a statewide fund.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2033-b

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 03-27-01

Tape Number	Side A	Side B	Meter #
TAPE I	x		855 to 4530
Committee Clerk Signature <i>Joan Diers</i>			

Minutes: Chairman Berg called the committee to order on SB 2033. I handed out amendments 10144.0508. There are a number of us that met yesterday and talked about the amendments.

Rep Kelser: explains the amendment 10144.0508. Two critical changes one on page 8, line 11 and line 17. After cities insert and to make investments in businesses within the city itself. This language is consistent with what is really the heart of the change. On page 8, line 17 a renaissance organization that is established by the city may provide financing businesses within the city zone and may provide financing to zone approved projects throughout the state. With the amendment above it can finance projects within the zone whether or not they are approved projects by the zone authority within their own zone and they can finance projects within their own zone or in zones located throughout the rest of the state.

Chairman Berg: goes on to further explain.

Rep Johnson: Do they vote on the funding.

Chairman Berg: The renaissance fund is a stock company, made up of a board of directors and they make the decisions.

Rep Ruby: Does this allow that an investor in the community would not have to put money in there so that they can get the funds.

Chairman Berg: correct.

Rep Keiser: Current an investor somewhere in the state, could invest in that right now. This would allow the fund itself to invest.

Rep Ekstrom: Yesterday, we were discussing the business that move in the zone, whether or not they take that exemption with them and whether it is retained by the property or retained by the person that is investing. Did that get worked out.

Rep Keiser: These amendments are not addressing that issue.

Chairman Berg: In the discussion, that can be done currently within the local authority.

Rep Ekstrom: There was another set of amendments, are we going to talk about them later.

Chairman Berg: Is it a fair statement to say that a consciences was reached Let's act on these amendments and then we will take up the others.

Rep Ekstrom: With regard to financing, it is still the zone authority that is making the decisions.

Rep Keiser: No.

Chairman Berg: There are two entities that we have to keep in mind here. There is the zone that is the physical zone of the building in the zone and there the local authority approves or disapproves. The other is the renaissance fund. That is like a verdure capitol fund, where someone invests in that fund, they get a personal tax credit of 50%. That fund makes its own decision by those investors, where it is going to invest the money.

Page 3

House Industry, Business and Labor Committee

Bill/Resolution Number SB 2033

Hearing Date 03-27-01

Rep Ekstrom: Still in the zone.

Chairman Berg: Correct. They have to invest in the zone. But it is not necessary to be in an approved project. They can invest in another zone in another city, but that has to be a project that is approved by the city.

Rep Keiser: Gives an example.

Rep Pietsch: The approved project, is what triggers the property tax exemption on behalf of the local entity. The zone fund is what triggers state income tax.

Rep Keiser: That really is the issue. This is extending it to non zone approved projects. It is taking away zone control.

Rep Klein: page seven, line 23 , we talked about the credit claim, the 25%. You are limiting that to a percentage of that \$250,000.00.

Rep Keiser: It is divided, 1/3 to the small communities, 1/3 to medium size and 1/3 to large communities.

Rep Klein: the tax credit is what you are referring to. May be claimed in the year. The 25% amount invested or 25% of that \$250,000.00.

Dee Wald: North Dakota Tax Department. That is the historic preservation and revocation capitol credit, there is no maximum. It is a credit that is independent from investments in the renaissance fund corporation.

Chairman Berg: Any further questions, we should have a motion on the amendments.

Rep Klein : moved the amendments.

Rep Ruby: Second.

Chairman Berg: we will have a voice vote on the amendment. Motion carries.

Rep Severson: passed out another set of amendments. Explains the amendments, they are designed for the smaller communities to get a project financed. I will move the amendments.

Rep Ekstrom: Second.

Chairman Berg: I think the issue here is, we have said that we will exempt income earned on the project or income earned by the business in the zone. What we are saying here is that you will get an income exemption that can be used against any earned income.

Rep Klein: This would have a negative effect on the state income, do we need a fiscal note.

Chairman Berg: we would.

Rep Keiser: That is a real issue, there are no caps, this is something that we should address. I don't know to what degree this would be used.

Rep Klein: This bill makes a statement, gives an example that voices his concern.

Rep Keiser: I also am concerned with a personal tax exemption. If this is being done for economic development, why not have it state wide. That would be a larger incentive, why limit it.

Rep Ruby: Is there any sort of verdure capitol funds that deal with issues that this is related to.

Chairman Berg: No, any primary sector business, would be able to access all the resources of the development fund. Another issue is we may be dealing with businesses that would not fit under the primary sector category. Dee, do we have a fiscal note on these.

Dee Wald: It won't be to me, it would be to our fiscal annalist, but there will be no number.

Rep Keiser: On another bill that was defeated on the House floor had an indeterminable amount on the fiscal note.

Dee Wald: And that is what would happen.

Rep Severson: In regard to the concern that this doesn't have a cap, this does refer to that portion of law that deals with the cap on tax credits, does it not.

Dee Wald: It is my understanding that \$2,000.000 per year for five years, there would be a \$10,000.00 cap.

Chairman Berg: The business moves into the renaissance zone, there is no cap on their income tax.

Dee Wald: That is an open ended exemption, it does expire after five years.

Rep Lemieux: makes a statement, if we give an incentive money in rural North Dakota, we would recoup those monies. We have done little if anything to stem the tide. If putting this into the renaissance zone, I don't think that we are over exposing the state. If we don't do something to encourage people to invest, we have schools, and churches and all the infrastructure for a community, if we have no people and they all move to larger cities and we have to build larger schools and such, I think that this investment in the state, is one of the things that we can encourage people. A strong rural community leads the larger cities to thrive on. If we don't put a plan together in short order where will the people move to. This is a small price to pay, but we will also recoup the money.

Rep Severson: Gives background with an example. He states the reason for the bill in the first place.

Chairman Berg: asks Dee Wald for clarification.

Dee Wald: she states that his clarification point is correct.

Rep Ekstrom: What income level are we talking about. What would be the tax liability.

Dee Wald: You are correct, it would have to be fairly significant. In the 85 thousand adjusted gross income.

Chairman Berg: Are there any other questions. Makes a statement on the renaissance zone.

Rep Ekstrom: If you have concerns, maybe we should put a sun set clause on it.

Chairman Berg: If you want to further amend and put a sun set clause, you can do that.

Rep Severson: Two years is not adequate sun set, we could further amend it to July 31, 2005.

Rep Pietsch: If I understand this right, this would only be an option in communities that have renaissance zone. It would generally be a local decision, how you are going to put some property tax exemption also with the state income tax exemption. I am comfortable that this fits in a renaissance zone.

Chairman Berg: Rep Ekstrom, do you want to further amend the bill.

Rep Ekstrom: No.

Rep Koppang: I don't believe that this would impact on the state. I would like to give this a try.

Chairman Berg: End of discussion.

Rep Severson: I would call for the question.

Chairman Berg: The motion before us is to adopt the amendment as presented by Rep Severson.

The clerk will take the roll. The motion passes with a vote of 10 YES and 3 No and 2 ABSENT.

Rep Lemieux :I would move the bill as amended.

Rep Severson: Second.

Chairman Berg: The clerk will call the roll on a DO PASS as amended motion. The motion passes with 13 YES, 0 NO and 2 ABSENT. carrier Rep Keiser.

10144.TAX1
Title.

Prepared by the Office of State Tax
Commissioner

March 7, 2001

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2033

Page 3, line 9, after the period insert "For purposes of chapter 40-63, "taxpayer" also includes a partnership, subchapter S corporation, limited partnership, limited liability company or any other pass-through entity."

Renumber accordingly

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2033

Page 8, after line 17, insert:

- "3. A renaissance fund organization that is not established by a city may provide financing to zone projects throughout the state."

Page 8, line 18, remove the overstrike over "4." and remove "3."

Page 8, line 19, after the period insert "An exemption under this section may be passed through to any shareholder, partner, and owner if the renaissance fund organization is a passthrough entity for tax purposes."

Page 8, line 25, remove the overstrike over "5." and remove "4."

Page 9, line 1, remove the overstrike over "6." and remove "5."

Page 9, line 4, remove the overstrike over "7." and remove "6."

Page 9, line 11, remove the overstrike over "8." and remove "7."

Page 9, line 14, remove the overstrike over "9." and remove "8."

Page 9, line 22, remove the overstrike over "10." and remove "9."

Renumber accordingly

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2033

Page 9, line 22, after "9." insert "If at least eighty percent of investments in a renaissance zone organization have not been invested by the renaissance zone organization in zone projects or in financing zone projects within ten years after the organization initially received investments, the credit under subsection 5 is disallowed for investments in that organization and any credits previously taken by investors with respect to that organization must be repaid. This subsection does not apply to renaissance fund organizations that received investments before July 1, 2001. When payments are made to the tax commissioner under this subsection, the amount collected must be handled in the same manner as if no credit had been allowed."

10. For purposes of a credit disallowed under subsection 8 or 9, the time limitations of section 57-38-38 for audit and assessment do not apply.

11."

Renumber accordingly

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2033

Page 1, line 4, remove "and"

Page 1, line 6, after "use" insert "; and to provide for an application date"

Page 3, line 9, after "57-38" insert "and includes a partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity"

Page 7, line 7, replace "on improvements made" with "rehabilitated"

Page 8, after line 17, insert:

"3. A renaissance fund organization that is not established by a city may provide financing to zone projects throughout the state."

Page 8, line 18, remove the overstrike over "4." and remove "3."

Page 8, line 19, after the period insert "An exemption under this section may be passed through to any shareholder, partner, and owner if the renaissance fund organization is a passthrough entity for tax purposes."

Page 8, line 25, remove the overstrike over "5." and remove "4."

Page 9, line 1, remove the overstrike over "6." and remove "5."

Page 9, line 4, remove the overstrike over "7." and remove "6."

Page 9, line 11, remove the overstrike over "8." and remove "7."

Page 9, line 14, remove the overstrike over "9." and remove "8."

Page 9, line 22, remove the overstrike over "10." and replace "9." with "If at least eighty percent of investments in a renaissance zone organization have not been invested by the renaissance zone organization in zone projects or in financing zone projects within ten years after the organization initially received investments, the credit under subsection 5 is disallowed for investments in that organization and any credits previously taken by investors with respect to that organization must be repaid. This subsection does not apply to renaissance fund organizations that received investments before July 1, 2001. When payments are made to the tax commissioner under this subsection, the amount collected must be handled in the same manner as if no credit had been allowed."

11. For purposes of a credit disallowed under subsection 8 or 9, the time limitations of section 57-38-38 for audit and assessment do not apply.

12."

Page 10, after line 26, insert:

"SECTION 12. APPLICATION. Section 4 and 5 of this Act apply to zone projects approved after December 31, 1999, and section 6 of this Act applies to zone projects approved after July 31, 2001."

Renumber accordingly

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2033

Page 1, line 4, remove "and"

Page 1, line 6, after "use" insert "; and to provide for an application date"

Page 3, line 9, after "57-38" insert "and includes a partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity"

Page 7, line 7, replace "on improvements made" with "rehabilitated"

Page 7, line 23, after "year" insert ", up to a maximum of two hundred fifty thousand dollars"

Page 7, line 25, remove "up to a maximum of two hundred fifty thousand dollars"

Page 8, line 11, after "ettes" insert "and to make investments in businesses within a city's zone"

Page 8, line 12, overstrike "zone"

Page 8, line 13, overstrike ", including projects"

Page 8, after line 17, insert:

"3. A renaissance fund organization that is established by a city may provide financing to businesses within the city's zone and may provide financing to zone-approved projects throughout the state."

Page 8, line 18, remove the overstrike over "4." and remove "3."

Page 8, line 19, after the period insert "An exemption under this section may be passed through to any shareholder, partner, and owner if the renaissance fund organization is a passthrough entity for tax purposes."

Page 8, line 25, remove the overstrike over "5." and remove "4."

Page 9, line 1, remove the overstrike over "6." and remove "5."

Page 9, line 4, remove the overstrike over "7." and remove "6."

Page 9, line 11, remove the overstrike over "8." and remove "7."

Page 9, line 14, remove the overstrike over "9." and remove "8."

Page 9, line 22, remove the overstrike over "10." and remove "9."

Page 10, after line 26, insert:

"SECTION 12. APPLICATION. Section 4 and 5 of this Act apply to zone projects approved after December 31, 1999, and section 6 of this Act applies to zone projects approved after July 31, 2001."

Renumber accordingly

Date: 03/27/01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. Click here to type Bill/Resolution No. 2033

House Industry, Business and Labor Committee

☐ Subcommittee on _____

or

☐ Conference Committee

~~Legislative Council~~ Amendment Number Severson Amendments

Action Taken moved amend as is (correction type)

Motion Made By Rep Severson Seconded By Rep Ekstrom

Representatives	Yes	No	Representatives	Yes	No
Chairman- Rick Berg	✓		Rep. Jim Kasper	✓	
Vice-Chairman George Keiser		✓	Rep. Matthew M. Klein		✓
Rep. Mary Ekstorm	✓		Rep. Myron Koppang	✓	
Rep. Rod Froelich			Rep. Doug Lemieux	✓	
Rep. Glen Froseth			Rep. Bill Pietsch	✓	
Rep. Roxanne Jensen	✓		Rep. Dan Ruby	✓	
Rep. Nancy Johnson		✓	Rep. Dale C. Severson	✓	
			Rep. Elwood Thorpe	✓	

Total (Yes) 10 No 3

Absent _____

Floor Assignment _____

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

Date: 03/27/01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. *Click here to type Bill/Resolution No.* SB-2033

House Industry, Business and Labor

Committee

☐ Subcommittee on _____

or

☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken

Do Pass as amend

Motion Made By

Rep Lemieux

Seconded By

Rep Severson

Representatives	Yes	No	Representatives	Yes	No
Chairman- Rick Berg	✓		Rep. Jim Kasper	✓	
Vice-Chairman George Keiser	✓		Rep. Matthew M. Klein	✓	
Rep. Mary Ekstorm	✓		Rep. Myron Koppang	✓	
Rep. Rod Froelich			Rep. Doug Lemieux	✓	
Rep. Glen Froseth			Rep. Bill Pietsch	✓	
Rep. Roxanne Jensen	✓		Rep. Dan Ruby	✓	
Rep. Nancy Johnson	✓		Rep. Dale C. Severson	✓	
			Rep. Elwood Thorpe	✓	

Total

(Yes)

13

No

0

Absent

2

Floor Assignment

Rep Keiser

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

REPORT OF STANDING COMMITTEE

SB 2033, as reengrossed: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). Reengrossed SB 2033 was placed on the Sixth order on the calendar.

Page 1, line 4, remove "and"

Page 1, line 6, after "use" insert "; and to provide for an application date"

Page 3, line 9, after "57-38" insert "and includes a partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity"

Page 6, line 24, after "investment" insert "If the cost of a new business purchase or expansion of an existing business, approved as a zone project, exceeds seventy-five thousand dollars, and the business is located in a city with a population of not more than two thousand five hundred, an individual taxpayer may, in lieu of the exemption provided in subsection 2, elect to take an income tax exemption of up to two thousand dollars of personal income tax liability as determined under section 57-38-29 or 57-38-30.3. The election must be made on the taxpayer's zone project application. The election is irrevocable and binding for the duration of the exemptions provided in subsection 2 or 3. If no election is made on the zone project application, the taxpayer is only eligible for the exemption provided in subsection 2." and remove the overstrike over the period

Page 6, line 25, remove the overstrike over "4."

Page 7, line 7, replace "on improvements made" with "rehabilitated"

Page 7, line 23, after "year" insert ", up to a maximum of two hundred fifty thousand dollars"

Page 7, line 25, remove "up to a maximum of two hundred fifty thousand dollars"

Page 8, line 11, after "ettes" insert "and to make investments in businesses within a city's zone"

Page 8, line 12, overstrike "zone"

Page 8, line 13, overstrike ", including projects"

Page 8, after line 17, insert:

"3. A renaissance fund organization that is established by a city may provide financing to businesses within the city's zone and may provide financing to zone-approved projects throughout the state."

Page 8, line 18, remove the overstrike over "4." and remove "3."

Page 8, line 19, after the period insert "An exemption under this section may be passed through to any shareholder, partner, and owner if the renaissance fund organization is a passthrough entity for tax purposes."

Page 8, line 25, remove the overstrike over "5." and remove "4."

Page 9, line 1, remove the overstrike over "6." and remove "5."

Page 9, line 4, remove the overstrike over "7." and remove "6."

REPORT OF STANDING COMMITTEE (410)
March 28, 2001 8:33 a.m.

Module No: HR-54-8904
Carrier: Kelser
Insert LC: 10144.0500 Title: .0600

Page 9, line 11, remove the overstrike over "8" and remove "Z."

Page 9, line 14, remove the overstrike over "8" and remove "9."

Page 9, line 22, remove the overstrike over "40" and remove "9."

Page 10, after line 26, Insert:

"SECTION 12. APPLICATION. Sections 4 and 5 of this Act apply to zone projects approved after December 31, 1999, and section 6 of this Act applies to zone projects approved after July 31, 2001."

Renumber accordingly

2001 TESTIMONY

SB 2033

**TESTIMONY OF RICHARD GRAY, RENAISSANCE ZONE MANAGER,
ON SENATE BILL 2033**

Mr. Chairperson, Committee members, my name is Richard Gray. I am the Renaissance Zone Manager in the Division of Community Services. It is a pleasure to appear before you today to discuss the Renaissance Zone program, the issues that we have encountered in developing and implementing the program, the additions and changes proposed in SB 2033, and other suggested language for additions and deletions to the Bill if you decide to address other issues not included in the Bill. This program is very much a "work in progress," and SB 2033 reflects a continued effort to improve the ability of the program be better understood and implemented for the benefit of the designated zones, the cities in which they are located, and all of the citizens of those cities.

First let me begin with a brief history of the program and where we are today.

In May 1999, the Division of Community Services and the Office of State Tax Commissioner first met to begin developing guidelines and interpretations. Governor Schafer was also consulted during this time and provided the direction for the development of the program. In December 1999, we quickly developed a working document and officially began the program in order to accommodate the Renaissance Fund Corporation for the City of Fargo, in its efforts to solicit investors before the end of the year. We approved the City of Fargo's Renaissance Zone on December 28, 1999. Since then we have approved zones for the cities of West Fargo, Casselton, Valley City, and Jamestown. As of today, twelve zone projects have received approval for various tax exemptions and credits, and a total of \$397,500 of Renaissance Fund Corporation tax credits have been committed. We currently are reviewing zone applications for the cities of Grand Forks and Bismarck.

This has been a very challenging program to develop and implement. Everyday new issues arise about who qualifies and under what conditions, and about how various parts of the law are being interpreted versus what people thought the law would do. We, along with the Office of State Tax Commissioner, have tried to be as flexible as possible, but not every situation can be accommodated. For instance, many thought that rehabilitation of homes and buildings would qualify a person for tax exemptions and credits. However, the law as written only provided for the renovation and preservation of historical buildings for tax credits. Under Section 4, subsection 2 of the 40-63-04, we found a way to allow the rehabilitation of existing business buildings to qualify as a zone project for the business income exemption. In addition, when some cities found that they had blocks in their zones with buildings that were tax exempt, we found a way to enable them to add blocks to their zone to include properties taxable properties by counting the blocks in question as half blocks if they contain tax exempt government buildings.

SB 2033, as it is now written, responds to a number of issues that we discussed with the Interim Commerce Committee. It also includes administrative changes we recommended in the event that a Bill would be considered by the Legislature. Since we presented issues to the Interim Committee, some that were not included in the Bill are no longer issues, and, we have identified several more. What I would like to do is to briefly comment on each section of the Bill

containing other than administrative changes and to identify other issues and suggested language to deal with them.

Section 1, 40-63-03, subsection 7. - This change would allow a city to apply for less than 20 blocks at the beginning, and if this works out, be able to apply for the remaining blocks up to 20 at a later date. Some cities indicated a desire to start small and learn how to use the exemptions and credits before including a larger area. Under the current interpretation, a city gets a one time shot in its application.

Section 5, 40-63-06, Historic preservation and renovation tax credit. - Since a Renaissance Zone may be for up to fifteen years, and since it will take time for projects to materialize, it only makes sense to provide for making use of historic buildings over the life of the zone, instead of expecting the activity on such buildings to occur during one five-year period.

Section 6, 40-63-07, subsection 2. - An issue raised early in the development of the program was if there could be a statewide Renaissance Fund Corporation. The law clearly states that each city may establish a Renaissance Fund Corporation, which precludes the ability to create a statewide fund. Statewide there is only \$2.5 million of credits available for investors in renaissance fund corporations. Early on a system was put into place to assure that no one fund can reap in all of the available credits. In the current program, we have created three population categories and have divided the credits using a population formula. If a statewide fund is permitted, we must either create a set aside for the statewide fund, or simply open the credits statewide on a first come first serve basis. (See our proposal for Section 40-63-07, subsection 2.)

Section 8 - Tax benefits not available to delinquent taxpayer. - This currently exists as a policy in the program. It was adopted from other states with a similar program and specifically included in their law. For the program, we have dropped the requirement for being current on local taxes and have left that to each city to handle.

OTHER ISSUES:

There are several other issues that we want to bring to your attention. For each we have provided in an attached document the language we suggest if you want to deal with an issue.

1. Because each state income tax exemption is for five years, and that exemption period can be transferred, we have to look at a project as a purchase, lease, or improvement, not a building. As a result, we have developed a program definition that focuses the project on the transactions recognized in the law. We recommend this definition instead of that found in Section 40-63-01, subsection 2 (7). (See our proposal for Section 40-63-01, subsection 7.)
2. There needs to be a clear definition of an eligible "lease." Since the Renaissance

Zone program is about revitalizing a particular geographical area in a city; since the law requires an action to occur, as opposed to other states where you automatically get tax exemptions by virtue of being in a zone; and since we were instructed to design the program in a responsible manner and not severely impact state taxes, the current interpretation is that a lease must be with a business coming into the zone, or expanding in the zone. It does not provide tax exemptions for businesses currently leasing in the zone, even if they are renewing their lease. To do this would open up every leased space in the zone to the possibility of being approved as a zone project. (See our proposal for Section 40-63-01, subsection 8.)

3. There needs to be a clear definition for a Renaissance Zone. It is defined as an area of up to twenty square blocks that are contiguous and have a continual boundary, but the law doesn't provide guidance as to where this area should be, except under 40-63-07, subsection 2 pertaining to where a Renaissance Fund Corporation should make investments. We have had numerous questions on what the Legislature intended. (See our proposal for subsection Section 40-63-03, 1. a.)
4. Many expected that the law would provide the opportunity to entice building owners, both commercial and residential, to rehabilitate their buildings, and that this would qualify owners for the state income tax and property tax exemptions. Unfortunately, the law only provides for the renovation and preservation of historical buildings. Very early on we realized that the law did not provide any benefits for existing building owners. However, we found a way to qualify existing owners for the business income tax exemption by having them "purchase qualifying improvements," so that they could be enticed to rehabilitate their buildings. The only problem is that we could not find a way for this to be expanded to existing homeowner or investor owned buildings, and the law does not provide for a property tax exemption for making the improvements. (See our proposal for Section 40-63-01, subsection 10.) (Also, see our proposal for Sections 40-63-04 and 40-63-05 to include rehabilitation.)
5. It is often difficult under Section 40-63-04, subsections 2 and 3, to distinguish between a business and an investor. In fact, we believe that the true investor exemption will have limited applicability. We recommend that subsections 2 and 3 be combined. (See our proposals for Sections 40-63-04 and 40-63-05.)
6. Section 40-63-07, subsection 1, states that "the renaissance fund corporation may be a for-profit subsidiary of the local authority if one is designated. There is no such an entity nor can anyone think of the conditions for one. This sentence needs to be deleted.
7. To be consistent with the definition of "zone project," Section 46-03-07, subsection 10 needs to be revised. (See our proposal)

8. Another issue identified is whether or not a city should be permitted to change part of its Renaissance Zone if no activity is occurring. Any other area, however, would still have to be contiguous with the rest of the zone. We don't have suggested language for this, but this can be incorporated into Section 40-63-03, subsection 1.
9. Governor Schafer created a provision in the program that states, "State income tax benefits are capped so that the state tax reductions, when added to local and Federal benefits, cannot exceed the taxpayer's investment in the zone property." The issue is whether or not the Legislature wants to accept this cap or develop some other type of cap on the amount of tax exemptions and credits a taxpayer can receive?
10. Someone or some entity could create another entity to sell property to and in turn potentially qualify the purchase as a zone project. Does the Legislature want to close this loophole?
11. Under 40-63-07, a renaissance fund corporation must be a corporation. A question was raised as to whether or not a limited liability company could qualify as a renaissance fund corporation. Apparently it cannot. If this is still an issue and the Legislature wants to deal with it, we have proposed language under Section 40-63-07, subsections 1 and 2.
12. Finally, there is the issue of whether or not the source of funds for a purchase or the rehabilitation of a building should be questioned. In some cases the funds may be grant funds. The question is if a taxpayer should be approved for state tax exemptions and credits as a result of investing grant funds in a purchase or rehab?

Thank you for this opportunity to make these recommendations and to point out other issues along with suggested language to address them. This has been and will continue to be a very challenging program to design and implement. It is very much a "work in progress." We are committed to seeing as many cities as possible take advantage of this "community development" tool, and use it in a manner that benefits everyone, not just the individual taxpayer whose purchase, lease, or rehabilitation of a building is approved as a zone project.

PROPOSED AMENDMENTS TO SENATE BILL 2033

1. Section 40-63-01. Definitions

- 7. "Zone project" means the purchase, lease, purchase of improvements (or rehabilitation, if added to Section 40-63-04), or historical preservation or renovation of a building or space in a building approved for zone incentives by a majority vote of the city governing body or zone authority.**
- New 8. "Lease" means the lease of space in a building in a designated Renaissance Zone by a new business moving into the zone or an existing zone tenant expanding in the zone. For existing zone tenants expanding in the zone, the lease may not include existing leased space.**
- New 10. "Rehabilitation" means, for the purpose of Sections 40-63-04 and 40-63-05, the repair or remodeling of a building at a cost that is equal to or exceeds 50 percent of the current true and full value for commercial buildings and 20 percent for single family homes.**

2. Section 40-63-03

- 1. a. The geographic area proposed for the renaissance zone is located in the downtown or central portion and is located wholly within the boundaries of the city submitting the application.**

3. Section 40-63-04

Combine existing subsections 2 and 3 of the Act and recognize rehabilitation as a qualifying transaction for the income tax exemption.

- 1. An individual taxpayer who purchases or rehabilitates single-family residential property for the individual's primary place of residence as a zone project is exempt from up to ten thousand dollars of personal income tax liability as determined under section 57-38-29 or 57-38-30.3 for five taxable years beginning with the date of occupancy or completion of rehabilitation.**
- 2. Any business, whether a sole proprietorship, partnership, limited partnership, limited liability company, trust, or corporation that purchases, leases, or rehabilitates residential or commercial property for any business or investment purpose as a zone project is exempt from any income tax derived from the business or investment locations within the zone for five taxable years.**

4. Section 40-63-05

Combine Subsections 2 and 3 of the Act and recognize rehabilitation as a qualifying transaction for the property tax exemption.

1. A municipality may grant a partial or complete exemption from ad valorem taxation on single-family residential property, exclusive of the land on which it is situated, if the property was purchased or rehabilitated by an individual for the individuals' primary place of residence as a zone project. An exemption granted under this subsection may not extend beyond five taxable years following the date of acquisition or rehabilitation.
2. A municipality may grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements purchased or improved as a zone project for any business or investment purpose. An exemption under this subsection may not extend beyond five taxable years following the date of purchase or rehabilitation.

5. Section 40-63-07

1. Each city with a designated renaissance zone may establish a corporation or limited liability company as its renaissance fund corporation, if the detailed plan for such a corporation or limited liability company is clearly established in the development plan and approved with the plan.
2. There may exist other corporations or limited liability companies that may act as a renaissance fund corporation to provide financing to approved zone projects throughout the state.
10. A renaissance fund corporation or limited liability company may invest in any residential or commercial property, or infrastructure, involved in a zone project.



DEPARTMENT OF PLANNING AND DEVELOPMENT

**Testimony for the North Dakota Senate
Industry, Business, and Labor Committee**

17 January 2001

Robert C. Stein, Senior Planner

City of Fargo Department of Planning and Development

The Renaissance Zone Program has generated a high degree of interest, and substantial investment in Downtown Fargo. Column 5 in the Table 1 shows that the total value of the improvements was \$3,387,343. This investment has effectively tripled the value of those properties, and will ultimately triple the amount of property taxes paid by the owners.

However, the owners have not been able (in most cases) to qualify for a property tax exemption due to the current interpretation of the law. The only project to receive a property tax exemption, 6-F, was eligible for the exemption because it qualified as a "purchase of property" Renaissance Zone project. Existing property owners are not currently eligible for the property tax exemption regardless of their level of investment. This policy has effectively prohibited local governments from contributing to the mix of Renaissance Zone incentives for existing owners, and will severely diminish the number of improvement projects in the future.

The estimated average income tax exemption for the 7 improvement and purchase of property projects was less than \$5,000 annually, and two of the property owners anticipated no income tax exemption at all! Given the level of investment, this inconsistent and low level of incentive will not attract future investment. The inequity is due, in large part, to the common business practice of separating the ownership of real estate from ownership of the primary business. The entity that owns the property must apply for Renaissance Zone project status, but the business entity is the primary income generator. Therefore the property-owning entity receives a marginal benefit, and the actual investment-generating entity receives nothing. This could be easily remedied if the primary business were allowed to qualify for the income tax exemption as a tenant, as the law clearly allows. Current interpretation does not allow an existing business located in the Zone to qualify for the income tax exemption as a tenant. This practice clearly diminishes the value of the program for the property/business owner, creates an unfair business advantage for new businesses in the Zone, and does not recognize the importance of business retention.

Let me conclude by saying that the Renaissance Zone Program holds great promise for the redevelopment and revitalization of downtowns throughout the State. With only minor changes to the law, and a commitment to this program, downtowns throughout the State will claim an evolving and critical role in the growing economy.

Table 1

Fargo Renaissance Zone Re-Development Summary - 2000

1	2	3	4	5	6	7
Project Number	Applicant Name	Type of Project	Address	Value of Improvements	Pre-Project Building Value	Estimated Post-Project Building Value
1-F *		Improvement	700 Main Ave	\$382,343	\$424,000	\$854,000
2-F *		Improvement	612 Main Ave	\$115,000	\$62,000	\$132,000
3-F *		Improvement	52 Broadway	\$224,000	\$179,000	\$350,000
4-F			307-309 NP Ave	Project Withdrawn		
5-F *		Improvement	609 NP Ave	\$99,000	\$51,000	\$125,000
6-F *		Purchase	521 1st Ave N	\$1,000,000	\$120,000	\$1,000,000
7-F *		Improvement	22 Broadway	\$367,000	\$223,820	\$475,000
8-F *		Improvement	613 1st Ave N	\$1,200,000	\$157,000	\$1,000,000
9-F *		Lease	52 Broadway			
10-F *		Lease	52 Broadway			
Total				\$ 3,387,343	\$ 1,216,820	\$ 3,996,000

B 2035

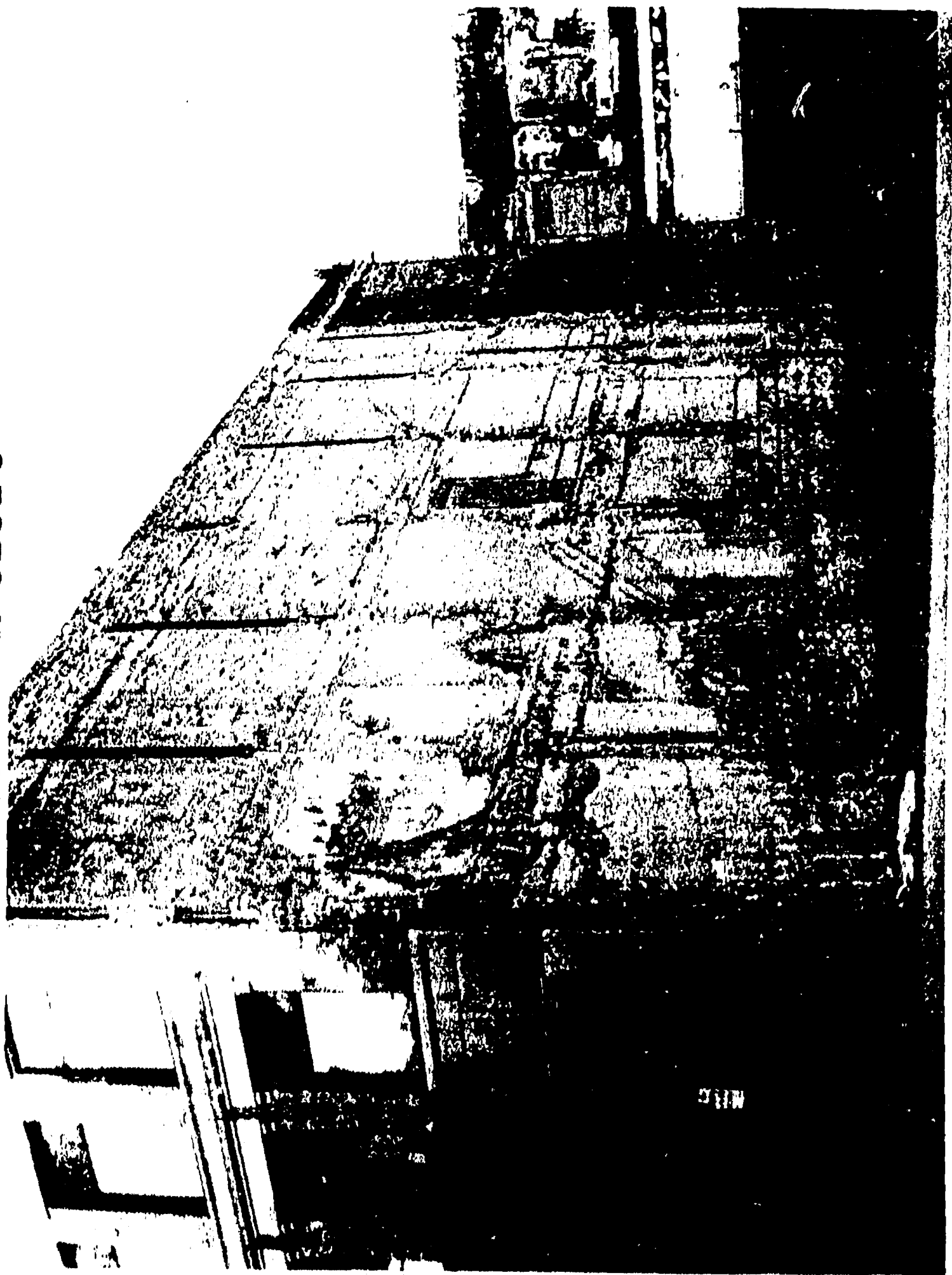
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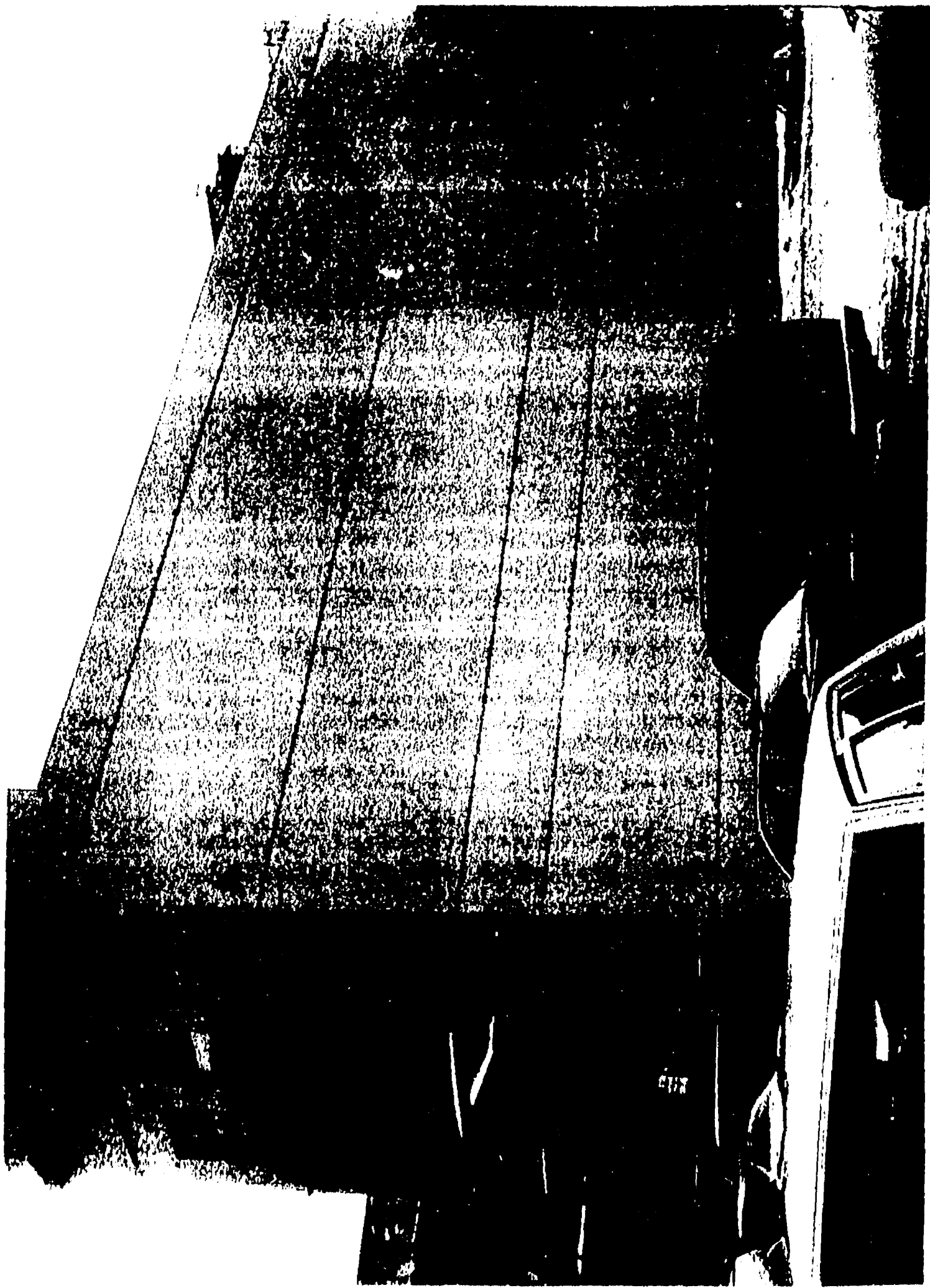
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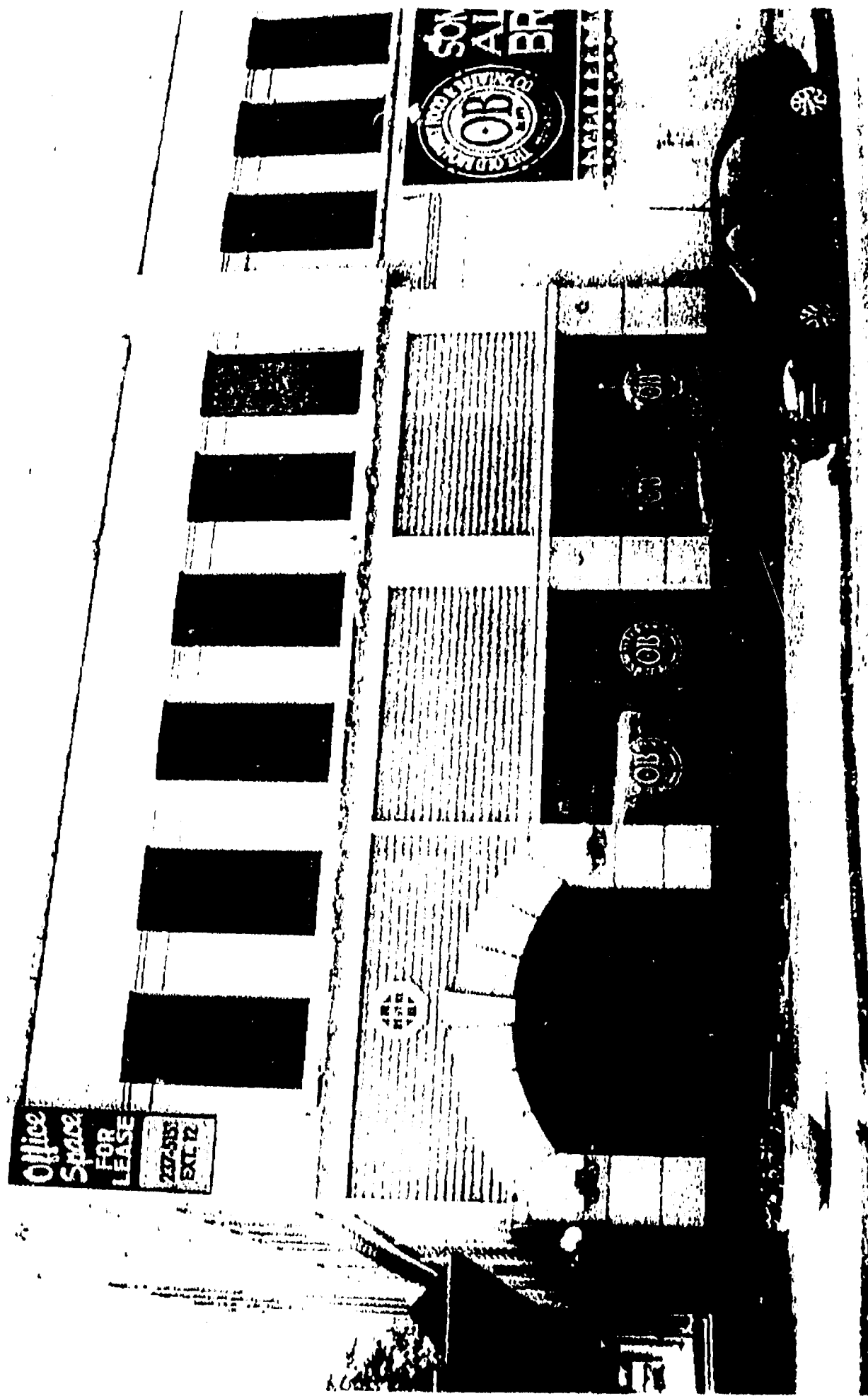
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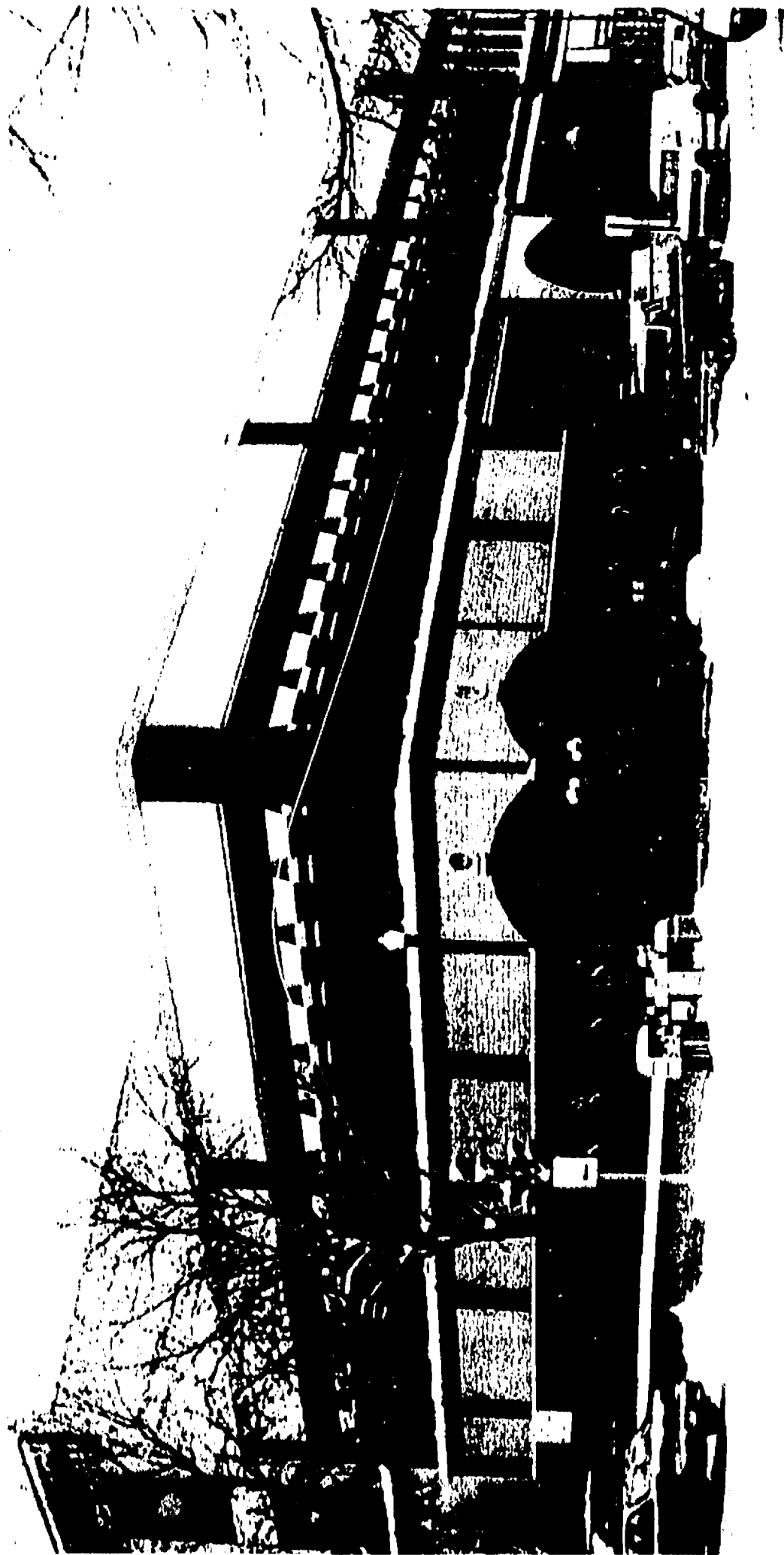
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#7F - Before



#7F - After



Rich Gray

AMENDMENTS TO SB 2033:

Revision to Page 7, lines 5-10:

2. A municipality may grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements ~~purchased by a business or rehabilitated~~ as a zone project for any business ~~or investment~~ purpose ~~excluding investment; as part of a zone project~~. An exemption granted under this subsection may not extend beyond five taxable years ~~beginning in the year of the investment~~ following the date of purchase or rehabilitation.

Add to Page 10:

SECTION 12. EFFECTIVE DATES. Sections 4 and 5 of this Act are effective for zone projects approved after December 31, 1999. Section 6 of this Act is effective for zone projects approved on or after August 1, 2001.

APPROVED RENAISSANCE ZONES
AS OF MARCH 7, 2001

1. City of Fargo
2. City of West Fargo
3. City of Casselton
4. City of Valley City
5. City of Jamestown
6. City of Grand Forks

CITIES EXPRESSING AN INTEREST OR HAVE SUBMITTED AN APPLICATION:

1. City of Bismarck (application pending)
2. City of Minot
3. City of Watford City
4. City of Buffalo
5. City of Carrington
6. City of Lisbon

2/10/01
Final Version

PROPOSED AMENDMENTS TO SENATE BILL 2033

1. Change all references to "renaissance fund corporation" to "renaissance fund organization." (Feb. 6, 2001)
2. Add the following definitions to Section 40-63-01. Definitions
 7. "Zone project" means the purchase, lease, rehabilitation, or historical preservation or renovation of a building or space in a building approved for zone incentives by a majority vote of the city governing body or zone authority.
 - New 8. "Lease" means the lease of space in a building in a designated Renaissance Zone by a new business moving into the zone, an existing zone business expanding in the zone, or the continuation of the lease of an existing zone tenant in a building rehabilitated as an approved zone project. For existing zone tenants expanding in the zone, the lease may not include existing leased space.
 - New 10. "Rehabilitation" means, for the purpose of Sections 40-63-04 and 40-63-05, the repair or remodeling of a building at a cost that is equal to or exceeds 50 percent of the current true and full value for commercial buildings and 20 percent for single family homes.
3. Retain the definition of "Original principal amount" on lines 22 -24 on page 2 of SB 2033.
4. Amend lines 10-12 on page 2 of SB 2033: A plan for the development, promotion, and use of a renaissance fund organization if one is desired to be established. If a city is not ready to commit to establishing a renaissance fund organization, it may indicate in its renaissance zone application its desire to submit a plan at a later date for approval.
5. Section 40-63-03
Add a new subsection:
 8. The use of grant funds as the sole source of investment in the purchase of a building or space in a building may not qualify a taxpayer for any tax exemption or credit available under the Act, and grant funds may not be counted in determining if the cost of rehabilitation meets or exceeds the current true and full value of the building.

6 6.

Section 40-63-03, subsection 1.

Add a new subsection:

- g. If after a minimum of five years a portion of an approved renaissance zone is not progressing, the city may request the division of community services to permit deleting that portion and making a one time adjustment of the boundaries to another equal contiguous area to the original zone.**

7 5.

Section 40-63-04

Combine existing subsections 2 and 3 of the Act and recognize rehabilitation as a qualifying transaction for the income tax exemption. Renumber subsection 4 to 3.

- 1. An individual taxpayer who purchases or rehabilitates single-family residential property for the individual's primary place of residence as a zone project is exempt from up to ten thousand dollars of personal income tax liability as determined under section 57-38-29 or 57-38-30.3 for five taxable years beginning with the date of occupancy or completion of rehabilitation.**
- 2. Any taxpayer that purchases, leases, or rehabilitates residential or commercial property for any business or investment purpose as a zone project is exempt from any tax on income derived from the business or investment locations within the zone for five taxable years, beginning with the date of purchase, lease, or completion of rehabilitation.**

8 6.

Section 40-63-05

Combine Subsections 2 and 3 of the Act and recognize rehabilitation as a qualifying transaction for the property tax exemption. Renumber subsection 4 to 3.

- 1. A municipality may grant a partial or complete exemption from ad valorem taxation on single-family residential property, exclusive of the land on which it is situated, if the property was purchased or rehabilitated by an individual for the individuals' primary place of residence as a zone project. An exemption granted under this subsection may not extend beyond five taxable years following the date of acquisition or rehabilitation.**
- 2. A municipality may grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements purchased or on improvements made as a zone project for any business or investment purpose. An exemption under this subsection may not extend beyond five taxable years following the date of purchase or rehabilitation.**

7. Section 40-63-07

Amend lines 2-5 on page 6 of SB 2033:

Each city with a designated renaissance zone may establish renaissance fund organization, if the detailed plan for such an organization is clearly established in the development plan and approved with the plan, or is submitted at a later date to the division of community services for approval after the designation of a renaissance zone

Delete lines 6-7 on page 6 of SB 2033.

Amend lines 23-24 on page 6 of SB 2033:

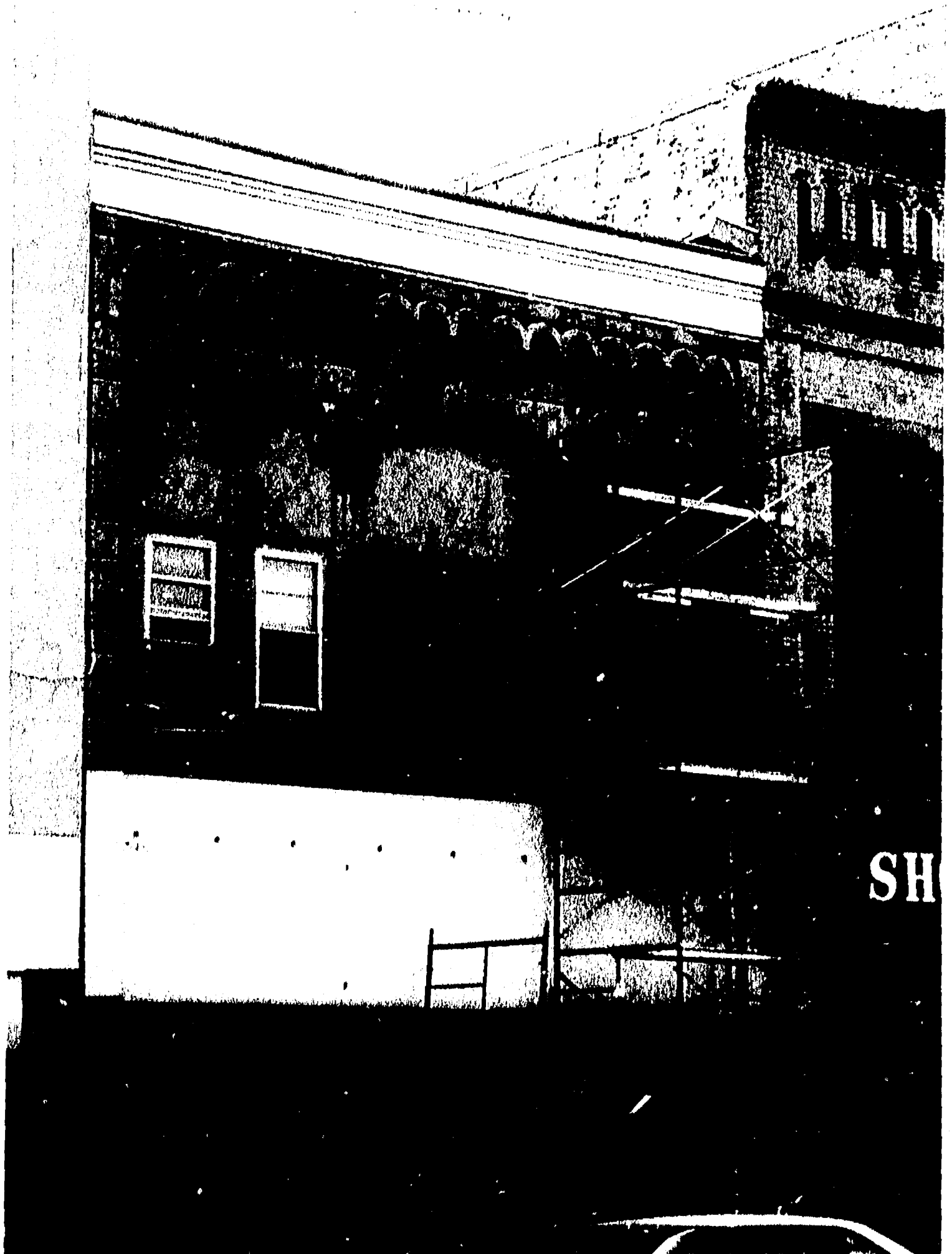
A renaissance fund organization may invest in any residential or commercial property involved in a zone project.

10 8. Amend Section 40-63-08 on lines 23 -29 on page 5 of SB 2033:

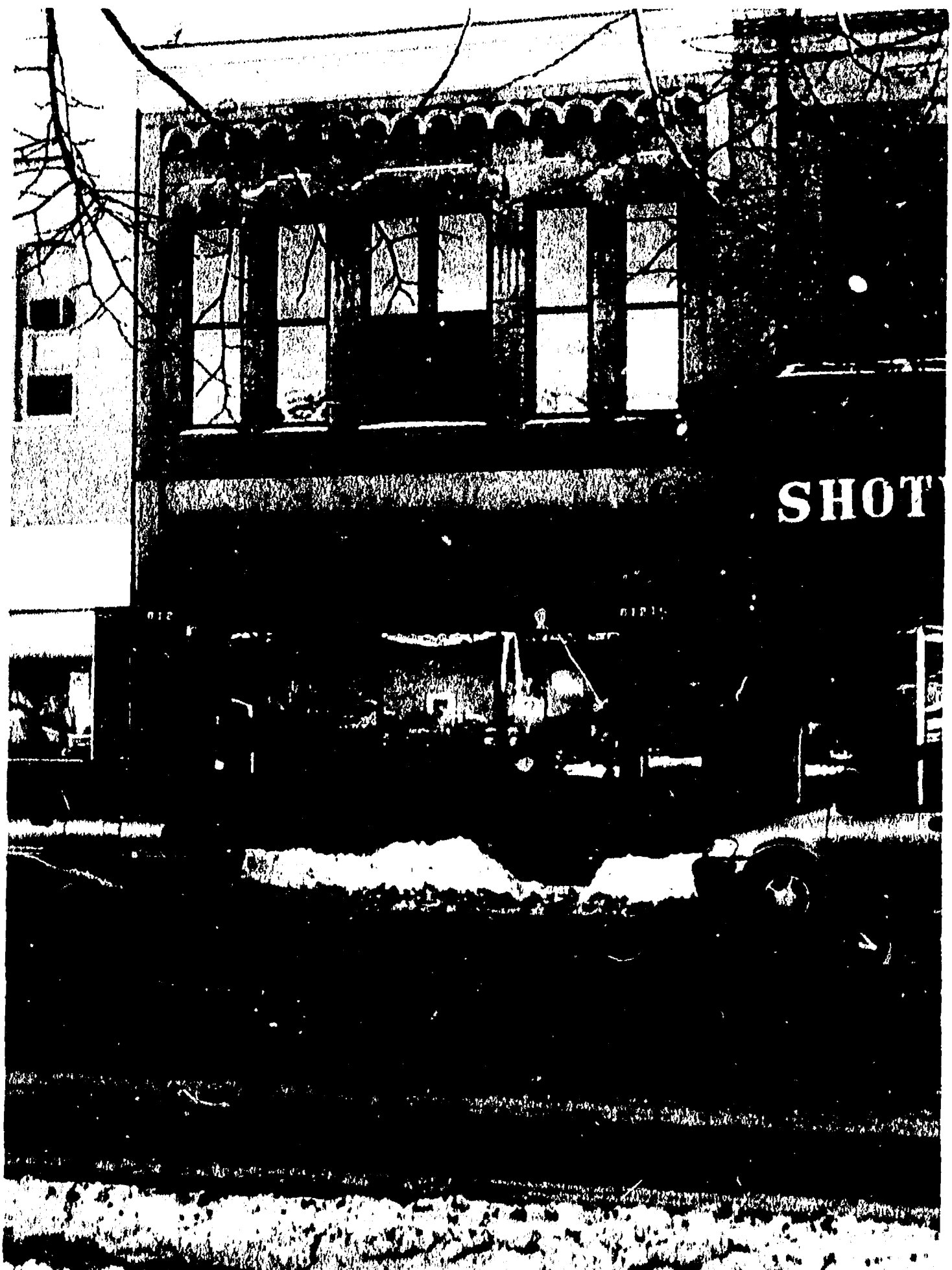
Historic preservation and renovation tax credit. A credit against state tax liability as determined under sections 57-35.3-03, 57-38-29, 57-38-30, and 57-38-30.3 is allowed for investments in the historic preservation and renovation of property within the renaissance zone. The amount of the credit is twenty-five percent of the amount invested. The credit may be claimed in the year in which the preservation or renovation is completed. Any excess credit may be carried forward for a period of up to five taxable years up to a maximum of \$250,000.

SB 2033

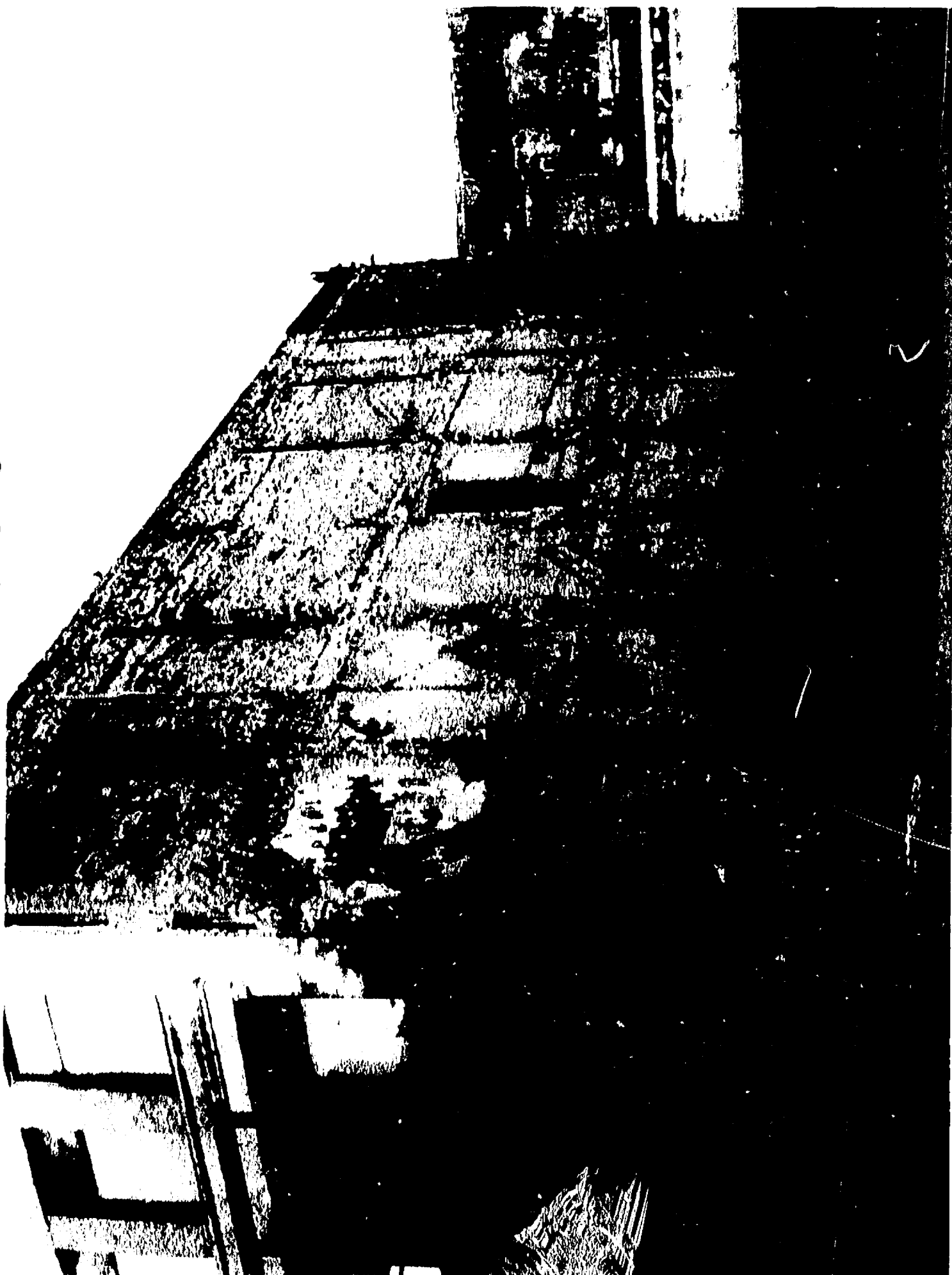
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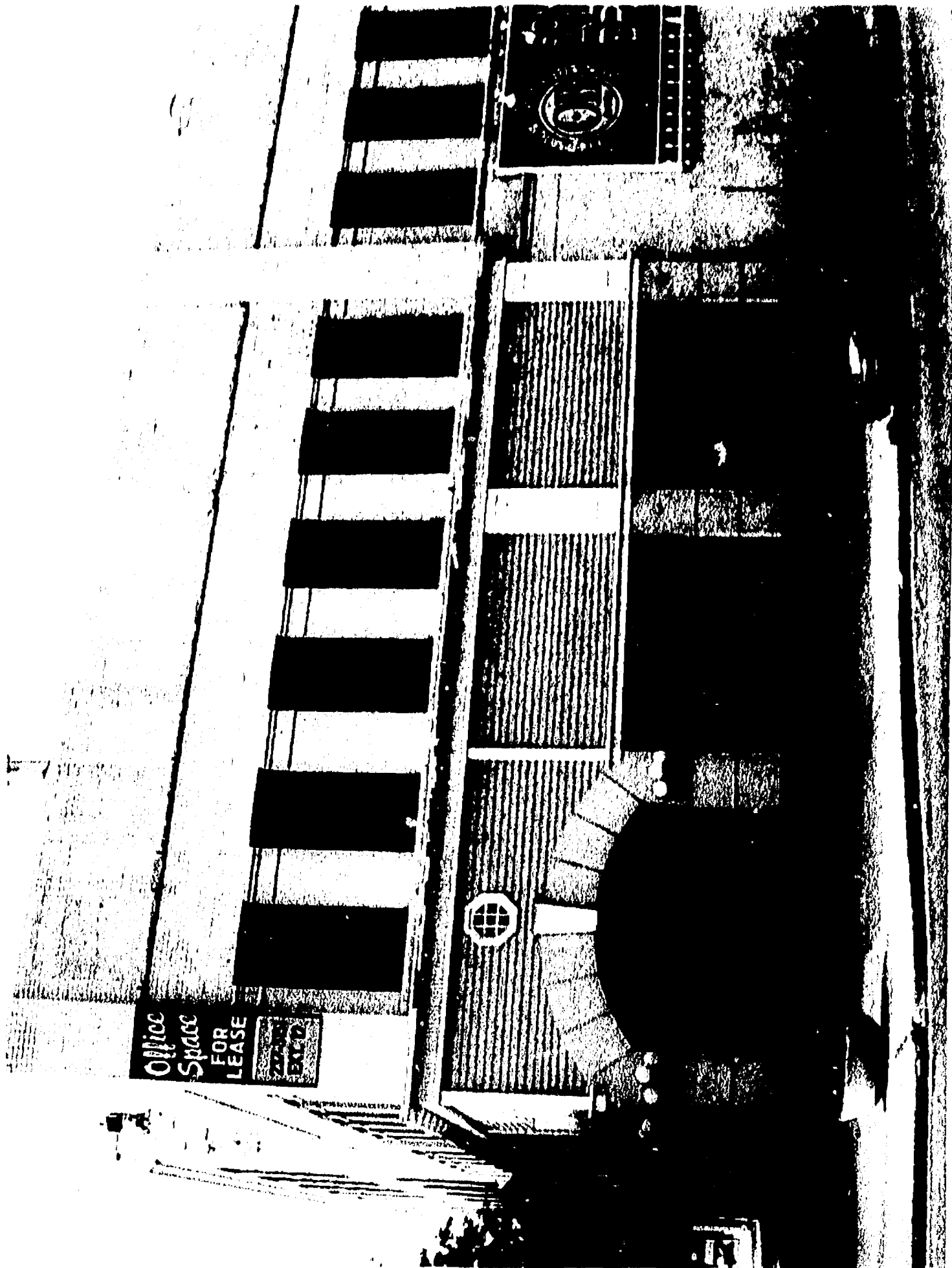
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