

# MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

2234

2001 SENATE FINANCE AND TAXATION

SB 2234

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2234

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date 2/6/01

Tape Number	Side A	Side B	Meter #
2	x		3-11.9
2/12/01 - 1		x	5.3-7.5
Committee Clerk Signature <i>Lynelle M. Kraft</i>			

Minutes:

Senator Urlacher: Opened the hearing on SB 2234, relating to the excise tax for pull tabs.

Senator Kroeplin: Co-sponsored the bill, testified in support. What this bill attempts to do is exempt the real small pull tab operations from the tax.

Donald Flynn: President of 4 Seasons Educational Assoc., testified in support. This bill would help us. In charitable gaming operations, that for the smaller units like ours, it would be most helpful.

Senator Urlacher: This would allow you to keep more of the funds?

Donald Flynn: yes.

Todd Kranda: Charitable Gaming Assoc. Of ND, testified in support. It would be nice if there would be a larger number of entities affected. The majority of our members are not going to be affected by this exemption because it is for the very small organizations. We do support this.

Senator Christmann: How many organizations would fall into this level of sales?

Todd Kranda: Only three I believe.

Vicki Wagner: ND Council of CLUBS. testified in support.

Keith Lauer: Attorney General's Office, testified neutrally. It is 3 organizations that would fall into this category.

Senator Kroeplin: There's two different taxes that are collected on gaming?

Keith Lauer: There's an excise tax and a gaming tax. The excise tax is on the sales of pull tabs and it's built in to the price-it's a 4 ½ % tax that's built into the sales of the pull tab ticket.

There's a 5-20% gaming tax that can apply to the gross proceeds for gaming organizations.

Senator Kroeplin: They'd still be paying that other tax.

Keith Lauer: That's correct, they'd still pay the gaming tax.

Senator Stenehjem: So the gentleman from Bowman(Donald Flynn) would not be eligible?

Keith Lauer: Probably not.

Senator Nichols: Would this affect any future oversight?

Keith Lauer: No. Explains the fiscal note.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion held 2/12/01. Meter number 5.3-7.5.

COMMITTEE ACTION: 2/12/01

Motion made by Senator Nichols for a DO PASS, Seconded by Senator Kroeplin. Vote was 6 yeas, 0 nays, 0 absent and not voting. Bill carrier was Senator Kroeplin.

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/17/2001**

Bill/Resolution No.: SB 2234

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
<b>Revenues</b>	\$0	\$0	(\$2,100)	\$0	(\$2,100)	\$0
<b>Expenditures</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Appropriations</b>	\$0	\$0	\$0	\$0	\$0	\$0

**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
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

The bill would exempt a gaming organization that has gross proceeds equal to or less than four thousand dollars a quarter from the excise tax imposed on gross proceeds of pull tabs. The excise tax rate is four and one-half percent. This bill would impact three organizations.

**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.*

General fund revenues would decrease because certain organizations would be exempt from the excise tax on gross proceeds of pull tabs.

**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.*

Not applicable

**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.*

Not applicable

Name:	Charles Keller/Kathy Roll	Agency:	Office of Attorney General
Phone Number:	328-4482	Date Prepared:	01/19/2001

Date: 2/12/01  
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2234

Senate Finance and Taxation Committee

☐ Subcommittee on \_\_\_\_\_

or

☐ Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Nichols Seconded By Kroeplin

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 (410)**  
**February 12, 2001 11:45 a.m.**

**Module No: SR-25-3031**  
**Carrier: Kroeplin**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2234: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2234 was placed on the Eleventh order on the calendar.**

2001 HOUSE FINANCE AND TAXATION

SB 2234

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2234

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date March 14, 2001

Tape Number	Side A	Side B	Meter #
1		X	2,500
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

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

**SEN. KEN KROEPLIN, DIST. 23** Introduced the bill as the prime sponsor. The bill was introduced for the local American Legion Club. They used to have a gaming license there and do pull tabs, but it got to the point where the tax on the pull tabs and the license, and then there is another five percent tax on the net, they were losing money at it, so they quit. There are other small organizations that used to do pull tabs for charitable purposes, but with the tax where it is at four and a half cents, it is built in to the price of the pull tabs, it is on the gross, it is not on the net. It is a pretty hefty tax. By exempting these small organizations that do four thousand dollars or less per quarter, I think there would be more starting up again, and that relatively small fiscal note would be more than offset by the, I believe, one hundred and fifty dollar license that they have to have. There is also a five percent tax on the net. I think the fiscal note is null and void.

**REP. WINRICH** I have no experience in this area, what does it typically cost to buy a pull tab?

Page 2

House Finance and Taxation Committee

Bill/Resolution Number SB 2234

Hearing Date March 14, 2001

**SEN. KROEPLIN** Typically, a pull tab is one dollar. The four and a half cents is built into the price of the pull tab, and normally, I believe they have an eighty percent payback. With one hundred pull tabs, you get eighty dollars back, and there would be twenty dollars profit.

**REP. ARLO SCHMIDT, DIST. 12** Testified in support of the bill. In his area, the charities asked him to do something about this. He stated the charities have gotten hurt by this tax. Some of the charities are ambulance, library, any charities in the town support this bill.

**KEITH LAUER, DIRECTOR OF GAMING, DIVISION OF THE OFFICE OF THE ATTORNEY GENERAL** Testified in a neutral position. This bill would exempt very small gaming organizations from excise tax of the gross pull tab sales. If you are not familiar with the pull tabs, they come in both a hard card and a jar ticket. The jar tickets are a multi-part ticket sold in bags and boxes. This is a bill that would exempt organizations that, in the state of North Dakota, we require that at least two boxes be put together at the beginning of a quarter, these organizations would probably be playing only two deals during a quarter's time. It would be the absolute minimum that anyone would play during a quarter. There are only three organizations, that we could find in each of the last two quarters, that were affected by this. It was the Columbian Club in Flasher, one in Lefor, and the Tuttle Betterment Club during the September quarter. In the December quarter, there was the American Legion Club, and the Horace Lions Club in addition to the Tuttle Community Betterment Club. These organizations probably own their own club, probably conduct gaming only a couple of times a quarter and that would be it. If you set up in a bar setting, you probably couldn't operate and pay the barowner rent and still be able to operate.

**REP. CARLSON** If they are only doing four thousand dollars worth, they are selling four thousand tabs of which they are keeping eight hundred dollars, basically, they are paying a tax of four and a half cents, about one hundred seventy two dollars in tax, out of the eight hundred dollars

**KEITH LAUER** Out of the eight hundred dollars they get to keep four hundred for their expenses, that would cover buying the pull tabs, the other four hundred, gets split between the tax and going to charities.

**REP. CARLSON** Why don't they just not do it?

**KEITH LAUER** You have a point there. If it is something the members enjoy doing and maybe they sell some drinks along with it, or it could be some special event they are holding in town. They would have to own their own building, because you couldn't afford to pay the rent out of it.

**TODD KRANDA, ATTORNEY FOR THE KELSCH LAW FIRM REPRESENTING THE**

**CHARITABLE GAMING** Testified in support of the bill. We believe that these smaller entities could use a little bit of a tax break in terms of the gaming tax. It would be nice to expand this to a broader base. The tax revenue which is posed upon charitable gaming is fairly sizable, however, the fiscal note would expand quite a bit if we were to give some relief to the entire industry. This is a very limited approach, which only affects three charities according to the last two quarters. There may be other organizations that could become involved for the possibility of generating some revenues for the charitable purposes and relieving them from some of the tax that is associated with this activity. For the committee's information, it is projected for the next biennium that taxes on charitable gaming will be 21.2 million. That has been decreasing, and I

Page 4  
House Finance and Taxation Committee  
Bill/Resolution Number SB 2234  
Hearing Date March 14, 2001

am sure most of you are aware of the struggles that are taking place right now, in charitable gaming. Along with that 21.2 million, just this last biennium, 17.4 million of the revenues, went to charitable uses. You can tell there are a lot more taxes that are being benefited by the state then there are for the charitable purposes. This is a very small fiscal impact.

**REP. CARLSON TO KEITH LAUER** What taxes then, would they still have to pay?

**KEITH LAUER** There is a site authorization fee, cities can't charge more than one hundred dollars for that. The state gaming license fee is one hundred fifty dollars, then there would still be a five percent gaming tax on the adjusted gross.

With no further testimony, the hearing was closed.

**COMMITTEE ACTION 3-14-01, TAPE #2, SIDE A, METER #3580**

**REP. CARLSON** Reviewed the bill and the fiscal note with committee members.

**REP. HERBEL** Made a motion for a **DO PASS**.

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

**12 YES      1 NO      2 ABSENT**

**REP. HERBEL** Was given the floor assignment.

Date: 3-14-01  
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2234

House FINANCE & TAXATION Committee

☐ Subcommittee on \_\_\_\_\_

or

☐ Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Rep. Herbel Seconded By Rep. Rennerfeldt

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	A	
GROSZ, MICHAEL	✓		WIKENHEISER, RAY	✓	
HERBEL, GIL	✓		WINRICH, LONN Y	✓	
KELSH, SCOT	✓				
KROEBER, JOE	A				
LLOYD, EDWARD	✓				

Total (Yes) 12 No 1

Absent 2

Floor Assignment Rep. Herbel

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

**REPORT OF STANDING COMMITTEE (410)**  
March 15, 2001 8:50 a.m.

Module No: HR-45-5859  
Carrier: Herbel  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**SB 2234: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends DO PASS (12 YEAS, 1 NAY, 2 ABSENT AND NOT VOTING). SB 2234 was placed on the Fourteenth order on the calendar.**