

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2320

2001 SENATE FINANCE AND TAXATION

SB 2320

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2320

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date 1/30/01

Tape Number	Side A	Side B	Meter #
2	x		0-38.2
2/5/01 - 2		x	8.2-24
Committee Clerk Signature <i>Lynelle M. F. [Signature]</i>			

Minutes:

Senator Urlacher: Opened the hearing on SB 2320, relating to sales, use, and excise taxes imposed by townships.

Senator Kelsh: Co-sponsored the bill, testified in support. We've had this bill in the session before. The problem has not gotten any better. We allow cities and counties to collect the tax and we should allow townships to do the same thing.

Senator Stenehjem: What if there's only one business in that township?

Senator Kelsh: I can't answer that.

Senator Nichols: What would the use and excise taxes be?

Senator Kelsh: The use tax is for something bought out of state.

Representative Mike Brandenburg: Co-sponsored the bill, testifies in support. Townships have a problem trying to raise money.

Senator David O'Connell: Co-sponsored the bill, testified in support.

Jerel Skattum: LaMoure County Commissioner, testified in support. This bill addresses two concerns of mine. First, it allows townships flexibility to generate revenues, and second, what if a township goes broke? It's important to give these townships this tool to work with.

Senator Wardner: Does the county ever take over the roads?

Jerel Skattum: We have been pretty creative dealing with that but the townships are still responsible.

Senator Kroeplin: At what point does a road become a county road? Does it take a certain amount of traffic?

Jerel Skattum: I'm not sure.

Senator Kroeplin: The county can put on sales tax?

Jerel Skattum: If they have home rule charter.

Senator Urlacher: Who controls the assessments?

Jerel Skattum: Every township has an assessor. That assessment then goes through the county tax assessor. Then it is weighed through the commission.

Senator Christmann: Do you have zoning ordinances?

Jerel Skattum: I would say that 95% are not zoned.

Senator Christmann: Why don't you just put load restrictions on so they can't get in with the trucks?

Jerel Skattum: It's too hard to enforce.

Bryan Hoime: ND Township Officers Assoc., testified in support. Written testimony attached.

Senator Urlacher: This is limited to 1%?

Bryan Hoime: Yes.

Senator Nichols: Would any thing other than a sales tax might be imposed by the townships?

Bryan Hoime: I've never really looked into what the other types of uses are.

Gary Anderson: State Tax Dept., testified neutrally. In response to Senator Nichols question, some of the excise taxes that would currently apply would be motor vehicle, aircraft, & special fuels. Clarifies some things.

Senator Stenehjem: If I had something delivered than the 1% wouldn't apply?

Gary Anderson: It would apply. If the township you lived in was not appointed the tax, but the location where the vendor was located was applying the township, then there would not be a township tax.

Senator Kroeplin: What would happen if the use tax was taken out of the bill?

Gary Anderson: Only those sales made by merchants within that township applying the tax, they would be the only retailers responsible for the collection of the township tax.

Senator Stenehjem: Wouldn't there be a fiscal impact?

Gary Anderson: There will be but it is undeterminable at this time. Explains what impact this bill might have.

Senator Kelsh: Reappears to clarify some things. It would be very difficult to put load restrictions on the roads and enforce them.

Jerel Skattum: Stated that this may need to be amended, but there needs to be a starting point.

Senator Christmann: Do most of the trucks belong to the Huderite Colony or other companies?

Jerel Skattum: Probably 50-50.

Bob Lamp: Automobile Dealers Assoc. of ND, not in support or opposition but has concern related to the excise portion of the bill.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion held 2/5/01. Meter number 8.2-24.

Page 4  
Senate Finance and Taxation Committee  
Bill/Resolution Number 2320  
Hearing Date 1/30/01

Bryan Hoime: Appeared to explain amendment.

Senator Stenehjem: Is there any place else in the state that has a gross receipts tax like this?

Bryan Hoime: To my knowledge, no.

Senator Stenehjem: Has some concerns with the notification of being taxes and the collection of the taxes, and the confidentiality of it.

AMENDMENT ACTION:

Motion made by Senator Christmann, Seconded by Senator Nichols, to move amendment numbered 10383.0202. Voice Vote taken. 5 yeas, 1 nay, amendment adopted.

COMMITTEE ACTION 2/5/01

Motion made by Senator Christmann for a DO NOT PASS AS AMENDED, Seconded by Senator Nichols. Vote was 5 yeas, 0 nays, 0 absent and not voting. Bill carrier was Senator Christmann.

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/23/2001

Bill/Resolution No.: SB 2320

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 2320 enables townships to impose sales and use taxes. The townships that would choose to impose a sales and use tax, and the possible revenues generated, are 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:	328J-3402	Date Prepared:	01/29/2001

Date: 2/5/01  
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2320

Senate Finance and Taxation Committee

☐ Subcommittee on \_\_\_\_\_  
or  
☐ Conference Committee

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

Action Taken Do Not Pass - Withdrawn

Motion Made By Stenehjem Seconded By Christmann

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

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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



February 5, 2001

**PROPOSED AMENDMENTS TO SENATE BILL NO. 2320**

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new chapter to title 58, a new subsection to section 58-03-07, and a new subsection to section 58-06-01 of the North Dakota Century Code, relating to a township infrastructure maintenance fund and imposition of a township gross receipts tax.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1.** A new subsection to section 58-03-07 of the North Dakota Century Code is created and enacted as follows:

To authorize an infrastructure maintenance fund tax in accordance with section 3 of this Act.

**SECTION 2.** A new subsection to section 58-06-01 of the North Dakota Century Code is created and enacted as follows:

To impose an infrastructure maintenance fund tax in accordance with section 3 of this Act.

**SECTION 3.** A new chapter to title 58 of the North Dakota Century Code is created and enacted as follows:

**Definitions.** In this chapter, unless the context otherwise requires:

1. "Gross receipts tax" means a tax, other than a sales or use tax, which is imposed on and measured by the gross receipts from sales made by a business operating in the county, whether those sales are made within or outside the township. Taxes imposed under this chapter may be added to the purchase price of items sold.
2. "Taxpayer" means any corporation, limited liability company, partnership, firm, association, or person acting as a business entity and having income from a business activity which is taxable both within and without the township.

**Infrastructure maintenance fund - Gross receipts tax - Balance limit.** The electors of a township at an annual meeting or special meeting may establish a gross receipts tax and a special fund to be known as the infrastructure maintenance fund to be used to provide for infrastructure maintenance of township roads. Once approved by the electors, the township board of supervisors by resolution shall impose a tax not to exceed one percent on the gross receipts of taxpayers within the township. The tax under this chapter may not be imposed in an amount in dollars which would bring the balance in the infrastructure maintenance fund to more than twenty-five thousand dollars. Interest and income of the fund must be retained in the fund except that any earnings that would bring the balance in the fund to more than twenty-five thousand dollars must be deposited in the township general fund.

**Notice - Collection.**

1. The township clerk shall notify by certified mail all taxpayers in the township within thirty days of the establishment of the fund. The notice must include:
  - a. A unique reporting number for each business.
  - b. The percentage rate of tax to be collected.
  - c. The beginning day for collection of the tax, commencing the first day of the ensuing calendar quarter.
  - d. The name and address of the township treasurer.
2. Each taxpayer shall collect the tax and remit the tax along with records reporting actual gross receipts by the fifteenth day of the month following each calendar quarter to the township treasurer.
3. When the fund reaches seventy-five percent of the maximum allowable, the township treasurer shall notify by certified mail all taxpayers collecting the tax to end the collections at the end of the current calendar quarter.
4. The township treasurer shall notify by certified mail all taxpayers to reinstate the tax to begin the first day of the month of the ensuing calendar quarter when the fund drops below twenty-five percent.

**Infrastructure maintenance fund uses.** The infrastructure maintenance fund shall be used for acquiring, constructing, extending, repairing, or otherwise improving, operating, or maintaining township roads.

**Confidentiality.** All officers of a township shall guard the secrecy of information received from a taxpayer. Any information contained on statements or financial records shall be limited to such data as is necessary to comply with the collection of the tax and for purposes of auditing under the authority granted in this chapter. Any information provided by a township to the public must be made in a manner that will not reveal the names of taxpayers.

**Exemptions.** There are specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following taxpayers:

1. Those engaged in the activity of farming.
2. A public utility.
3. Those located within an incorporated city within the township."

Renumber accordingly

Date: 2/5/01  
Roll Call Vote #: 2

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2320

Senate Finance and Taxation Committee

☐ Subcommittee on \_\_\_\_\_  
or  
☐ Conference Committee

Legislative Council Amendment Number 10383.0202

Action Taken Move Amendment (voice vote)

Motion Made By Christmann Seconded By Nichols

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

Total (Yes) 5 No 1

Absent 0

Floor Assignment \_\_\_\_\_

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

Date: 2/5/01  
Roll Call Vote #: 3

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2320

Senate Finance and Taxation Committee

☐ Subcommittee on \_\_\_\_\_  
or  
☐ Conference Committee

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

Action Taken Do Not Pass As Amended

Motion Made By Christmann Seconded By Nichols

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

Total (Yes) 5 No 1

Absent 0

Floor Assignment Christmann

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

**REPORT OF STANDING COMMITTEE**

**SB 2320: Finance and Taxation Committee (Sen. Urlacher, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (5 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SB 2320 was placed on the Sixth order on the calendar.

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2001 TESTIMONY

SB 2320

**TESTIMONY FOR SENATE BILL 2320  
SENATE FINANCE AND TAXATION COMMITTEE**

**Prepared by  
Bryan Holme  
North Dakota Township Officers Association**

Good morning Mr. Chairman, members of the committee. I appear before you today in support of SB 2320. You've heard about the problem this township has in maintaining a road going to a commercial property. As a township association we see an increase of activities going on across North Dakota:

Value added processing taking place on farms,  
Tourism and recreation activities are on the increase in certain areas,  
Counties and cities are giving abatements to new business efforts,  
Laws passed last session have reduced the taxable property by some **3.5** million dollars in valuation and some \$70,000 in taxes.

It's gotten so bad that a township by Devils Lake has asked to have a road closed preventing access to the lake because the costs of maintaining the road and snow removal have gotten so great that the township can't afford to keep the road open.

The legislation before you today is permissive and can only be imposed by the electors of a township at an annual meeting. It's fiscal impact is quite small across the state, last legislative session a fiscal note said that the amount of sales tax collected outside of a city to be under **1** million dollars.

Finally we all realize the pressure of taxes on property being imposed by local governments from every direction, by allowing a township sales tax we'll be able to take some of that pressure off our property tax bills and still provide for the needs of townships. For these reasons we encourage the committee to vote DO Pass on this legislation, let the members on the floor debate the merits of this legislation.