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Date

Y. Herrera d. Lee

10-16-03

2003 SENATE FINANCE AND TAXATION

SB 2098

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10-16-03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2098

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 13, 2003

Tape Number	Side A	Side B	Meter #
1		X	2,070
Committee Clerk Signature <i>[Signature]</i>			

Minutes: Senator Urlacher opened the hearing on SB 2098. All committee members are present.

Joe Becker, Auditor III/Research Specialist for the Office of State Tax Commissioner-Written testimony supporting SB2098 is attached. Tax Commissioner urges a "Do-Pass".

Senator Urlacher-This is a streamlining of procedure?

Mr. Becker-Yes it is, due to electronic filing.

Senator Tollefson-At what level do you ask for paper documentation?

Mr. Becker-We would require paper documentation at the time of an audit.

Senator Nichols-Under what circumstance would a resident pay tax in another state?

Mr. Becker-Most common example is when a ND resident owns rental property in another state or if a resident works temporarily in another state.

Senator Urlacher-Do they have the option to file in each state?

Mr. Becker-Montana is an example. Montana has reciprocity, Montana would ignore the wages and the wages would be taxed here.

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10-16-03
Date

Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number SB2098

Hearing Date January 13, 2003

Senator Urlacher-Evidently there no is further testimony.

Senator Tollefson motioned for a "Do-Pass". Second by Senator Syverson. Roll call vote

6 yea, 0 nay, 0 absent. Carrier is Senator Seymour.

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10-16-03
Date

FISCAL NOTE
Requested by Legislative Council
01/03/2003

Bill/Resolution No.: SB 2098

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.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 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.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 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 2098 will have no fiscal impact.

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 Dept.
Phone Number:	328-3402	Date Prepared:	01/07/2003

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Date

10-16-03

Date: 1-13-03
Roll Call Vote #:

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 98

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken See page

Motion Made By Sen. Tollefson Seconded By Sen. Wardner

Senators	Yes	No	Senators	Yes	No
Senator Urlacher - Chairman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Senator Nichols	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Senator Wardner - Vice Chairman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Senator Seymour	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Senator Syverson	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Senator Tollefson	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

Total (Yes) 6 No 0

Absent _____

Floor Assignment Senator Seymour

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

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Yheresa d. Lee 10-16-03
Operator's Signature Date

REPORT OF STANDING COMMITTEE (410)
January 13, 2003 11:59 a.m.

Module No: SR-05-0471
Carrier: Seymour
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2098: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO
PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2098 was placed on the
Eleventh order on the calendar.

(2) DESK, (3) COMM

Page No. 1

SR-05-0471

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10-16-03
Date

2003 HOUSE FINANCE AND TAXATION

SB 2098

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Y. Theresa J. Lee
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10-16-03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2098

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date February 26, 2003

Tape Number	Side A	Side B	Meter #
1	X		6.5
Committee Clerk Signature <i>Janie Stein</i>			

Minutes:

REP. WESLEY BELTER, CHAIRMAN Called the hearing to order.

JOSEPH BECKER, NORTH DAKOTA OFFICE OF THE STATE TAX

COMMISSIONER Explained the bill. See written testimony.

REP. WEILER Asked why we are giving a tax credit to someone who is paying taxes out of state.

JOSEPH BECKER It is a long standing statute. It is providing relief to our residents here in North Dakota, if they find themselves in a situation where they have to pay tax to another state on income that they have to report to us as well. A resident has to report all of their income to us, regardless of its source. If they have property in another state, and derive income, and that state has an income tax, that state has a right to tax that, because the property is located in their state. That places our resident to having to pay tax twice on the same income. So it is the policy to

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Operator's Signature

10-16-03
Date

Page 2

House Finance and Taxation Committee

Bill/Resolution Number SB 2098

Hearing Date February 26, 2003

give them relief in that situation. It is proportional though, it is not a dollar for dollar offset,

because other states may have a higher tax rate.

REP. GROSZ What do you see as being the manner of the written proof?

JOSEPH BECKER It will most likely be the same, to copy the other state's return. We are looking that, we will essentially, not going to prove the credit immediately, the returns will go through the system, it will be left to an afterthefact audit, if necessary. Whether we require something else, may depend on the situation.

With no further testimony, the hearing was closed.

COMMITTEE ACTION

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

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

12 YES 0 NO 2 ABSENT

REP. HEADLAND Was given the floor assignment.

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Operator's Signature

10-16-03
Date

Date: 2-26-03
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2098

House FINANCE & TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken

Do

Pass

Motion Made By

Rep. Klein

Seconded By

Rep. Wikenheiser

Representatives	Yes	No	Representatives	Yes	No
BELTER, CHAIRMAN	✓				
DROVDAL, VICE-CHAIR	✓				
CLARK	A				
FROELICH	✓				
GROSZ	✓				
HEADLAND	✓				
IVERSON	✓				
KELSH	✓				
KLEIN	✓				
NICHOLAS	A				
SCHMIDT	✓				
WEILER	✓				
WIKENHEISER	✓				
WINRICH	✓				

Total (Yes) 12 No 0

Absent 2

Floor Assignment Rep. Headland

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

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Date

10-16-03

REPORT OF STANDING COMMITTEE (410)
February 26, 2003 11:51 a.m.

Module No: HR-34-3501
Carrier: Headland
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE
SB 2098: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **DO**
PASS (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). SB 2098 was placed on
the Fourteenth order on the calendar.

(2) DESK, (C) COMM

Page No. 1

HR-34-3501

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2003 TESTIMONY

SB 2098

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10-16-03
Date

Testimony before the Senate Finance and Taxation Committee Senate Bill 2098

January 13, 2003

Prepared by Joseph Becker, Auditor III/Research Specialist
North Dakota Office of State Tax Commissioner
Phone: 328-3451
E-mail: jjbecker@state.nd.us

Same given to House

Good morning, Chairman Urlacher, Members of the Committee:

For the record, my name is Joseph Becker, and I'm here on behalf of the North Dakota Office of State Tax Commissioner (Tax Department).

Senate Bill 2098 is an individual income tax bill that relates to the credit allowed to a North Dakota resident who pays income tax to another state. To support the claimed credit, the current law requires a taxpayer to provide written proof of the tax paid to the other state. This bill will remove this requirement and replace it with discretionary authority to request written proof if needed.

Reason for bill

Current law requires the written proof of the tax paid to the other state to be furnished up-front, i.e., at the time the tax return is filed. Long-standing administrative policy requires taxpayers to attach a copy of the other state's tax return to satisfy the requirement. However, the requirement is problematic for electronic filing purposes because it requires a paper document to be filed even though the tax return itself is submitted electronically. This undermines the efficiency and paperless goals of the electronic process, and creates an awkward and unnecessary step for the taxpayer. The changes proposed in this bill will streamline the electronic filing process for taxpayers, tax professionals, and the Department.

Bill's provisions

SECTION 1 of the bill amends the two provisions in the Code that require written proof of the tax paid to another state. In both provisions the language requiring written proof is removed,

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and new language is added giving the tax commissioner the discretion to request written proof if needed. *(For the amendments to the first provision, see page 1, lines 16 and 17, and lines 21 through 24. For the amendments to the second provision, see page 3, line 4 and lines 9 through 11.)*

SECTION 2 of the bill (page 3, lines 12 through 16) amends the section of the Code that governs the individual income tax system implemented on Form ND-1. This is the system and form that, in 2001, replaced what was formerly known as the short-form system on Form 37-S. This amendment simply clarifies that the authority to request written proof of the tax paid to another state also applies to taxpayers who choose to use Form ND-1.

SECTION 3 of the bill (page 3, lines 17 and 18) provides that the changes in this bill apply to 2003 and subsequent tax years.

The changes made by the bill will not have any fiscal effect. The Tax Commissioner urges a DO PASS on Senate Bill 2098. If the committee has any questions, Mr. Chairman, I would be happy to respond to them at this time.