

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2054

2005 SENATE FINANCE AND TAXATION

SB 2054

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2054

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 12, 2005

Tape Number	Side A	Side B	Meter #
#1	X		4.1 - 12.3
Committee Clerk Signature <i>Sharon Rayburn</i>			

Minutes: All committee members present.

SEN. URLACHER: Called the meeting to order and opened the hearing on SB 2054.

SEN. EVERY: appeared as prime sponsor with written testimony, stating this is legislation that will exempt all medicine from the state sales tax. Removing the sales tax on nonprescription medication will bring welcome tax relief to families and to senior citizens who spend a disproportionate amount of their income on medication. Also noting that this was patterned after some Iowa legislation.

SEN. URLACHER: noted the fiscal note so that all committee members were aware of it.

GARY ANDERSON, of the ND Tax Dept. Appeared to do a follow-up with Sen. Every in regards to the bill and handed out an amendment. He noted that they did not change the list of entries that was provided by Sen. Every stating there would be no affect to the original fiscal note and asked the committee to consider their proposed amendment in regards to streamlining.

SEN. COOK: wanted to know that if we eliminated all the lines 11 to 24 of this bill, with your amendments on it, would it not do the same thing?

GARY: It would do the same thing.

SEN. COOK: If we did not eliminate them, is it possible that some other drug could become a prescription drug that would fall under the definition of streamline that would not be listed here and then there would some question as to whether or not it did qualify?

GARY: All this is, is to give an identification of products, its not intended the way the language is written to be all inclusive.

HOWARD SNORTLAND of AARP appeared stating we are all aware of the costs of staying well and healthy and wants to show their support of this bill.

NO OPPOSITION. Closed the hearing.

DISCUSSION:

SEN. COOK: feels we should pass the amendments no matter what action we take on the bill, so I would make a MOTION TO MOVE THE AMENDMENTS, seconded by Sen. Tollefson.

Voice vote on the amendments. 6-0-0. Unanimous vote to pass the amendments.

SEN. URLACHER: we will take no further action on this bill at this time.

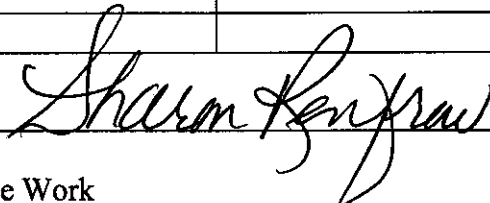
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2054

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 31, 2005

Tape Number	Side A	Side B	Meter #
# 2	X		35.1 - 39.6
Committee Clerk Signature 			

Minutes: Afternoon Committee Work

SEN. URLACHER: noted that we already adopted the amendments.

SEN. EVERY: its a good bill but the fiscal note is severely inflated compared to what I was told this last summer, that I would also say that its perhaps insignificant when it comes to helping families with children and elderly to relieve them of some of the burden that they, for both prescription and nonprescription drugs. Let's face it, its not about prescription drugs anymore, nonprescription play a big part of that.

SEN. COOK: can nonprescription drugs be put on the flex plan?

SEN. EVERY: not sure. It's another tool to help, not saying its a cure all.

SEN. URLACHER: I can understand its a good thought, and we want to help wherever we can, maintaining some balance in help, I'm not sure this is necessary addition. Some of those nonprescription can be mixed into meth as well. Everything on that counter that's nonprescription is such a wide variety. I understand your feelings.

SEN. EVERY: the bill itself lays out exactly what is and what isn't included and I can tell you that I have 4 kids of my own, 2 of which don't even live with me full time and it costs a ton of money, not to mention not going to the pharmacy for each child at least once a month.

SEN. COOK: sometimes when we look at something like this that is meant to help a certain group of people in some way, has a 3 million fiscal note, that's 3 million dollars we got to make up somewhere. Maybe there is something out there that we give a break that certainly cannot be justified as well as this can, and it would be nice if at the same time to say that's remove that one and give this one but it isn't, with that I **MOVE A DO NOT PASS**, second by Sen. Tollefson.

SEN. EVERY: I agree on eliminating some taxes, but I would say that sales taxes are very regressive taxes and if there were a way to. The sales tax is gonna hit the poorest and the people that can't afford the most, the hardest. Sales taxes are regressive and I agree they need to be looked at, but I think if we're going to help anybody we should start with the ones that help the most first.

SEN. BERCIER: we had the AARP come in and people on fixed incomes have a time ____ing themselves, not with families but with children, we're making some pretty tough choices in their daily expenses. Sudafed may be used in making meth and there is legislation coming down that its not going to be over the counter, its going to be prescription. For the most part, there are limited margins with income.

SEN. TOLLEFSON: we're not speaking of prescriptions but some help us. I'd like to see some more legislation that could even do more things with prescriptive drugs than over the counter. I think this is a matter of merchandising.

Page 3
Senate Finance and Taxation Committee
Bill/Resolution Number SB 2054
Hearing Date January 31, 2005

SEN. EVERY: I might remind you that Motrin was a prescription drug that many elderly used for arthritis pain relief, which now is over the counter and we did not tax that one when it was a prescription drug.

ROLL CALL VOTE: 4-2-0 Sen. Wardner will carry the bill.

FISCAL NOTE

Requested by Legislative Council
02/04/2005

Amendment to: SB 2054

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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$3,606,000)	(\$314,000)		
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

Engrossed SB 2054 provides a sales and use tax exemption for nonprescription drugs and certain health products.

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.*

Engrossed SB 2054 is expected to reduce state general fund and state aid distribution fund revenues by \$3,920,000 during the 2005-07 biennium.

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:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/04/2005

FISCAL NOTE
Requested by Legislative Council
12/17/2004

Bill/Resolution No.: SB 2054

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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$3,606,000)	(\$314,000)		
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SB 2054 provides a sales and use tax exemption for nonprescription drugs and certain health products.

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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:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/11/2005

January 12, 2005

PROPOSED AMENDMENTS TO SENATE BILL NO. 2054

Page 1, line 7, remove "nonprescription drugs and health products" and insert immediately thereafter "over-the-counter-drugs"

Page 1, line 8, remove ", prepackaged for use by consumers, and labeled in"

Page 1, line 9, remove "accordance with the requirements of state and federal law"

Page 1, line 10, remove ""nonprescription drugs and health products" means" and insert immediately thereafter "over-the-counter-drugs include"

Page 1, after line 10, insert:

- (1) A "Drug Facts" panel; or
- (2) A statement of the "active ingredient(s)" with a list of those ingredients contained in the compound, substance or preparation.

Over-the-counter drugs include:

Renumber accordingly

Date: 1-12-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2054

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Accept or Adopt the Amendments

Motion Made By Sen. Cook Seconded By Tollefson

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher	✓		Sen. Bercier	✓	
Sen. Wardner	✓		Sen. Every	✓	
Sen. Cook	✓				
Sen. Tollefson	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

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

Date: 1-31-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. *SB 2054*

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Cook Seconded By Tollefson

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher	✓		Sen. Bercier		✓
Sen. Wardner	✓		Sen. Every		✓
Sen. Cook	✓				
Sen. Tollefson	✓				

Total (Yes) 4 No 2

Absent 0

Floor Assignment Wardner

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

REPORT OF STANDING COMMITTEE

SB 2054: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2054 was placed on the Sixth order on the calendar.

Page 1, line 7, replace "nonprescription" with "over-the-counter" and remove "and health products"

Page 1, line 8, remove ", prepackaged for use by consumers, and labeled in"

Page 1, line 9, remove "accordance with the requirements of state and federal law"

Page 1, line 10, replace "nonprescription" with "over-the-counter", remove "and health products", and replace "means" with "must be prepackaged with Drug Facts panel or statement of the active ingredients with a list of those ingredients contained in the compound, substance, or preparation, and includes"

Renumber accordingly

2005 TESTIMONY

SB 2054

SB 2054

Senate Finance and Taxation Committee

Wednesday, January 12, 2005

Sen. Mike Every, District 23

SB 2054 is legislation that will exempt all medicine from the state sales tax. Current law exempts prescription drugs, but requires that sales tax be paid on nonprescription medication. Removing the sales tax on nonprescription medication will bring welcome tax relief to families and to senior citizens who spend a disproportionate amount of their income on medication. .

Currently, prescription drugs are exempt from the 5% state sales tax, but consumers must pay the tax on over-the-counter medicine. The medicine tax costs North Dakota families an estimated \$4 million a year. By adopting this proposal, North Dakota would join nine states that exempt all drugs from their sales taxes.

National attention is focused on prescription drugs because of rapidly rising prescription costs and issues relating to implementation of the new Medicare drug benefit. Growing concerns about the affordability of needed drugs, coupled with the significant profitability of drug manufacturers, are causing policymakers and others to consider new approaches to addressing drug costs. This is one way we can help reduce some of the overwhelming costs.

We do not tax necessities like food and prescriptions. The state should not be taxing the aspirin a senior citizen may need for their arthritis, or the cold medicine a working mom needs for her sick child.

The repeal of the medicine tax is more important now than ever since many medicines that were sold as prescriptions are now sold over the counter. Now, when North Dakota citizens buy some medicines that they have purchased for years, they find that they have to pay tax on that medicine. Health care and drug costs are already too high without the state adding insult to injury by taxing medicine.

I ask now that you help lead North Dakota in the right direction onto the road that leads us to fairer drug pricing policies and better healthcare with your favorable consideration of SB 2054.

Thank you for the opportunity to testify today. At this time, I would be happy to address any questions that you may have.

CATEGORIES OF NONPRESCRIPTION DRUGS

ALLERGY, ASTHMA AND SINUS PRODUCTS

- Allergy relief products
- Asthma medications
- Sinus medications

COUGH AND COLD PREPARATIONS

- Cold medications
- Cough drops and lozenges
- Cough syrups
- Nasal decongestants
- Sore throat remedies
- Topical vapor products

DIGESTIVE PRODUCTS

- Antacids and anti-gas products
- Antidiarrheal preparations
- Antinausea preparations
- Laxatives

FEMININE PRODUCTS

- Feminine deodorants and itching remedies
- Feminine yeast infection remedies
- Personal lubricants

INTERNAL ANALGESICS

- Arthritis pain relievers
- General pain relievers
- Menstrual relief products

NUTRITIONAL PRODUCTS

- Herbal products
- Vitamins and minerals

TOPICAL PRODUCTS

- Acne aids
- Anti-itch products
- Corn, callus and wart removers
- Diaper rash products
- Eye care products
- First aid products
- Fungicidal preparations
- Hair regrowth treatments
- Hemorrhoidal preparations
- Oral care products
- Topical analgesics

OTHER PRODUCTS

- Home diagnostic test kits
- Sleeping aids
- Smoking cessation aids

From Kline and Company, Inc., "Nonprescription Drugs USA 2003", Table 1 (brochure).