

MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

2056

2005 SENATE FINANCE AND TAXATION

SB 2056

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2056

Senate Finance and Taxation Committee

Conference Committee

Hearing Date January 12, 2005

Tape Number	Side A	Side B	Meter #
# 1	X		12.4 - 45.6
Committee Clerk Signature <i>Sharon Lenjrow</i>			

Minutes: All committee members present.

SEN. URLACHER: Called the meeting to order and opened the hearing on SB 2056.

SEN. EVERY: appeared as prime sponsor with written testimony stating this is a tax holiday bill seeking to provide relief to taxpayers by instituting a temporary sales tax exemption on certain items for a specific period of time and that is generally applies to merchandise connected with the new school year, particularly clothing, footwear and often includes computer equipment and other school supplies.

SEN. URLACHER: called attention to the fiscal note so that all committee members were aware.

SEN. COOK: asked if all 13 states were all back to school holidays.

SEN. EVERY: Most are sales tax holidays that occur in July or August with back to school in mind, yes.

SEN. COOK: mentioned Sen. Every dealing with the Tax Dept. In drafting amendments on SB 2054 and asked if Sen. Every would support any amendments to this bill also, answer being yes.

SEN. EVERY: also noted that he attached a survey of Sale & Tax Holiday with web sites which may help Sen. Cook with any questions he may have.

RICK CLAYBURGH, State Tax Commissioner appeared neutral on the bill stating the idea of Sales Tax Holiday is not a new one. A lot of states have looked at Sales Tax Holidays and that is that they are a temporary tax cut, its not a permanent cut, its over a few day period, it provides a tax cut. If your looking at it from a policy perspective, there is 2 reasons that this Legislature would address a sales tax holiday. The 1st is the idea of putting dollars back into the tax payers pockets or providing tax relief and in this case it would temporary tax relief. The 2nd alternative would be, that not only would with the tax relief is that it would provide potentially an economic boost and would increase sales within an area. Our fiscal note can't address that economic impact one way or another if it will occur because we can't make some entrances in the Tax Dept. From the stated point of the Tax Dept. And Administration we certainly can make it work, I don't anticipate that it would be a tremendous burden on retailers within the State for changes within their computer software. On issue is with the one item of clothing over \$100 would not be exempt and would that cause some confusion for both the consumer and the merchant.

DAVE STRALEY: with the ND Chamber of Commerce appeared for and handed out written testimony for Dave MacIver, President of Greater North Dakota Chamber of Commerce who could not appear.

SEN. COOK: My thought is that it would offer an added burden, wouldn't it?

ANSWER: We're in support of the idea and need to address as there have been some concerns.

RUSS HANSON, of the ND Retailers Assoc. And presented written testimony from one of his members that had intended to be there in support of the bill. (Rusty Papachek, GM from West Acres Shopping Center) He also noted that he could some information for the committee on the details of some of the other states as to back to school tax holiday. As far as the burden, I have not had a lot of input from retailers.

SEN. WARDNER: feels because of the technology today, that's why it isn't such a burden today as it used to be.

GARY ANDERSON: of the State Tax Dept. Appeared neutral and presented some proposed amendments and give explanation of its impact on the streamline sales tax. From a streamline sales tax stand point, it brings the language more in compliance and removes any question for our purposes. We tried to define and not change the intent of the bill, it still provided the holiday proposal to the same products as before and eliminates the same products as listed in Sen. Every's bill.

SEN. COOK: had concerns with streamline and line 9 and if someone purchased something for \$99 it would not be taxed and if he purchased for \$101, that would be taxed, also concerned with remote sellers and if this would apply to them.

GARY: regarding streamline and line 9, that is one exception to provide a cap, and you are right regarding the \$99 and \$101 and the remote sellers, yes, this would apply as any registered filer for sales tax, whether they are voluntary or required would fall under our sales tax law.

SEN. EVERY: stated that this could create some difficulty for some but on the higher end clothing stores, its not going to be that big of an issue because of the higher end ticket.

CONNIE SPRYNCZYNATYK: with the ND League of Cities, appeared in opposition of the bill stating this does impact city sales tax even though the bill does not state that, so would note that concern.

SEN. TOLLEFSON: question on the local city tax, this would not necessarily exempt this sale from city tax, only state tax, correct? I'm from Minot and we have 2%, would this tax holiday include that 2%?

GARY: with a sales tax holiday, as I understand the city ordinances, they would in fact and would apply automatically to the cities and when a state imposes it, it would automatically be imposed on the city. I would want our attorneys to look at it so that we are correct.

NO FURTHER TESTIMONY. Closed the hearing.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2056

Senate Finance and Taxation Committee

Conference Committee

Hearing Date January 24, 2005

Tape Number	Side A	Side B	Meter #
# 2		X	1.4 - 16.6
Committee Clerk Signature <i>Sharon Lennox</i>			

Minutes: All committee members present.

SEN. URLACHER: mentioned the fiscal note and the bill relates to tax holiday.

SEN. EVERY: made a motion to move the amendments presented by the Tax Dept.

(50141.01tx), seconded by Sen. Cook.

SEN. EVERY: noted they are necessary amendments and offered by Gary Anderson to get the bill in line with on streamline sales tax requirements were according to the book that Sen. Cook handed out.

VOICE VOTE: 6 - 0 - 0

SEN. TOLLEFSON: noted that he made calls and can't vote for the bill the way it was.

SEN. EVERY: This would stimulate the economy. We don't know what the impact would be but we know that states such as Texas and Florida have benefited from it.

SEN. COOK: This is going to have an affect on Bismarck, Grand Forks, Fargo, Minot,

Dickinson to a certain degree and Williston to a certain degree. The real challenge is all of a

sudden you get audited and then they look at that _____ and what kind of questions is that going to raise?

SEN. URLACHER: I guess I haven't got a strong favorable position, there are some unanswered questions, you can't pull out of the sky.

SEN. TOLLEFSON: the bill fits very well the Red River Valley. They have competition from MN to where they have no sales tax on clothing.

SEN. BERCIER: If the local auditors can't come up with information for a fiscal note, I'm wondering how are they going to come up with two million.

RICH CLAYBURGH: Tax Commissioner, we can only address the known things that we do know, we cannot tell you that based on the activity that your going to see so much more activity occur, therefore income tax is gonna up somewhere else.

SEN. WARDNER: noted that the cities couldn't come up with a fiscal note, not the Tax Dept.

SEN. EVERY: made a motion for **DO PASS AS AMENDED**, seconded by Sen. Bercier.

VOTE: 2 - 4 - 0 MOTION FAILED.

SEN. WARDNER: made a motion for **DO NOT PASS AS AMENDED**, seconded by Sen. Tollefson.

VOTE: 4 - 2 - 0 Sen. Tollefson will carry the bill.

FISCAL NOTE
 Requested by Legislative Council
 01/28/2005

Amendment to: SB 2056

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			(\$2,024,000)	(\$176,000)		
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.*

SB 2056 First Engrossment provides a sales tax holiday for purchases of clothing and footwear for one week each August.

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.*

SB 2056 First Engrossment, if enacted, is expected to reduce state general fund and state aid distribution fund revenues by \$2,200,000 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:	01/31/2005

FISCAL NOTE
 Requested by Legislative Council
 12/17/2004

Bill/Resolution No.: SB 2056

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			(\$2,024,000)	(\$176,000)		
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.

SB 2056 provides a sales tax holiday for purchases of clothing and footwear for one week each August.

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.

SB 2056, if enacted, is expected to reduce state general fund and state aid distribution fund revenues by \$2,200,000 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:	01/11/2005

PROPOSED AMENDMENTS TO SENATE BILL NO. 2056

Page 1, line 7, remove "designed to"

Page 1, line 8, remove "be worn on or about the human body"

Page 1, after line 11, insert:

For purposes of this subsection, clothing means all human wearing apparel suitable for general use.

Page 1, line 13, remove "Special clothing or footwear that is primarily designed for athletic" and insert immediately thereafter "Sport or recreational equipment for human wear and worn in conjunction with an athletic or recreational activity not suitable for general use."

Page 1, remove lines 14 and 15

Page 1, after line 15, insert:

"(2) Protective equipment for human wear and designed as protection of the wearer against injury or disease or as protections against damage or injury of other persons or property but not suitable for general use."

Page 1, line 16, replace "2" with "3"

Page 1, line 16, after the second parenthesis insert "Clothing accessories or equipment that are incidental items worn on the person or in conjunction with clothing. Clothing accessories or equipment may include"

Page 1, line 16, remove "Accessories" and insert immediately thereafter "accessories"

Page 1, line 17, remove "carried on or about the human body, without"

Page 1, remove lines 18 and 19

Page 1, line 20, replace "3" with "4"

Re-number accordingly

Date: 1-24-05
 Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2056

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number Adopt Amendments

Action Taken #5014.01-X

Motion Made By Every Seconded By Cook

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

voice vote

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Date: 1-24-05
Roll Call Vote #: 2

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2056

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DP as Amended, & Refer to Approp.

Motion Made By Every Seconded By Bercier

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

Total (Yes) 2 No 4

Absent 0

Floor Assignment _____

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

Date: 1.24.05
Roll Call Vote #: 3

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2056

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass as Amended

Motion Made By Wardner 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 Tollefson

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

REPORT OF STANDING COMMITTEE

SB 2056: 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 2056 was placed on the Sixth order on the calendar.

Page 1, line 7, remove "designed to"

Page 1, line 8, remove "be worn on or about the human body"

Page 1, after line 11, insert:

"For purposes of this subsection, clothing means all human wearing apparel suitable for general use."

Page 1, line 13, replace "Special clothing or footwear that is primarily designed for athletic" with "Sport or recreational equipment for human wear and worn in conjunction with an athletic or recreational activity not suitable for general use."

Page 1, remove lines 14 and 15

Page 1, after line 15, insert:

"(2) Protective equipment for human wear and designed as protection of the wearer against injury or disease or as protections against damage or injury of other persons or property but not suitable for general use."

Page 1, line 16, replace "(2) Accessories" with "(3) Clothing accessories or equipment that are incidental items worn on the person or in conjunction with clothing. Clothing accessories or equipment may include accessories"

Page 1, line 17, remove "carried on or about the human body, without"

Page 1, remove line 18

Page 1, line 19, remove "of clothing"

Page 1, line 20, replace "(3)" with "(4)"

Renumber accordingly

2005 TESTIMONY

SB 2056

SB 2056
Senate Finance and Taxation Committee
Wednesday, January 12, 2005
Senator Mike Every, District 23

SB 2056 is a tax holiday bill seeks to provide relief to taxpayers by instituting a temporary sales tax exemption on certain items for a specific period of time. The holiday typically occurs in August, the traditional back to school shopping period, and generally applies to merchandise connected with the new school year, particularly clothing, footwear and often includes computer equipment and other school supplies.

Most states try to target the tax break by placing a ceiling on the price of eligible merchandise; typically, \$100 to \$300 per clothing item sold. SB 2056, places that cap at \$100. Any item under this ceiling can be purchased tax free for the duration of the holiday.

State legislatures across the country have seen the tax holiday as a way to alleviate the tax burden on working families, as well as a means of jump starting local retail businesses.

The number of states holding such a holiday is up to thirteen. In fact, some states which had recently stepped away from their holidays have returned now that their economic future is once again looking brighter, most notably Jeb Bush's state of Florida, which was one of the first to instill the holiday back in the late 1990's.

Though the concepts qualitative benefits have been questioned, sales tax holidays have been unilaterally embraced by politicians and taxpayers alike.

At the request of it's legislation's sponsors, Florida TaxWatch has reviewed it's proposal and concluded that the sales tax holiday has been good for taxpayers and the economy alike and should be continued. Florida's economy is heavily dependent on consumer spending, and the sales tax holiday has proven to significantly increase spending. Although there is no comprehensive estimate of the economic impact of sales tax holidays, many retailers-both in Florida and other states-report that they experienced significant increases in sales.

There are two important facts to note about the increased sales resulting from the tax holidays: the increases are "true" increases, and they are not confined to exempt items.

By "true" increases, retailers mean that the spike in sales during the holiday do not appear to detract from sales before or after the holiday. This means that consumer spending is truly stimulating sales; it is not simply a case of people delaying or accelerating their purchases to take advantage of the tax-free status.

Retailers in Texas, New York, Iowa, Washington, D.C., Maryland and Georgia have reported huge increases in sales. As compared with North Dakota and Minnesota, when the Texas holiday increased sales while sales in neighboring Oklahoma dropped, Oklahoma legislators proposed their own sales tax holiday.

For at least some retailers, this previously slow period has become their third largest sales event of the year-behind only the Thanksgiving and Christmas weekends. The Texas Retailers Association reports that small town retailers have said, the holiday has "re-created" the back-to-school shopping period.

The thirteen states that have enacted sales tax holidays for 2004 are; Connecticut, District of Columbia, Florida, Georgia, Iowa, Massachusetts, Missouri, New York, North Carolina, South Carolina, Vermont, West Virginia and George W. Bush's own state of Texas.

In neighboring Minnesota, there are no sales taxes collected on clothing. SB 2056 will attempt to put our retailers from barely across the river in Fargo, Grand Forks and Wahpeton, on the same level playing field as Minnesota during the back to school shopping season. I would encourage your favorable consideration of this proposal.

Thank you again for the opportunity to speak on this issue. I am happy to answer any questions you may have.

State	Days	Items Included	Maximum Cost	1st Year	2004 dates	Information Links
Georgia	4	clothing, school supplies, computers, other	cl - \$100; ss - \$20; cp - \$1,500	2002	July 29- August 1	http://www.legis.state.ga.us/legis/2003_04/sum/hb1184.htm
North Carolina	3	clothing, school supplies, computers, other	cl - \$100; sports equip - \$50; cp - \$3,500	2001	August 6-8	http://www.dor.state.nc.us/taxes/sales/salestax_holiday.html
South Carolina	3	clothing, school supplies	N/A	2000	August 6-8	http://www.sctax.org/Tax+Policy/saleshol/Sales+Tax+Holiday.htm
West Virginia	3	clothing, school supplies, computers	cl, ss - \$100; cpp. - \$750*	2002	August 6-8	http://www.state.wv.us/taxrev/sth/sn.pdf
Massachusetts	1	all retail items	cl - \$175; other - \$2,500	2004	August 14	http://www.dor.state.ma.us/ru/reg/tir/tir_04_14.htm
Missouri	3	clothing, school supplies, computers	cl - \$100; ss - \$50; cp - \$2,000**	2004	August 13- 15	http://dor.state.mo.us/tax/business/sales/taxholiday/
Iowa	2	clothing	cl - \$100	2000	August 6-7	http://www.state.ia.us/tax/educate/holiday1.html
Texas	3	clothing	cl-\$100	1999	August 6-8	http://www.window.state.tx.us/taxinfo/taxpubs/tx98_490/tx98_490.html
Florida	9	clothing, school supplies	cl - \$50; ss - \$10	1998	July 24- August 1	
Vermont	6	computers	cp - \$4,000	2003	August 7-9; October 9- 11	http://www.state.vt.us/tax/legal/legislation.htm
New York	7	clothing		1997	August 31- September 6	
Connecticut	7	clothing	\$300	2001	August 15- 21	http://www.ct.gov/drs/cwp/view.asp?A=1514&Q=268916
District of Columbia	19	clothing, school supplies	\$100	2001	August 7- 15; November 19- December 5	http://www.cfo.dc.gov/otr/cwp/view.a.11.g.616892_otrNav_GID.1678.asp

(updated July 2004)

* WV also covers computer "accessories" under \$100.
** covers software under \$100.

If you have any questions, please direct your inquiry to [Ryan Burruss](mailto:Ryan.Burruss@taxadmin.org).

**Testimony of Dave MacIver
President, Greater North Dakota Chamber of Commerce
Presented to the
Senate Finance and Taxation Committee
January 12, 2005**

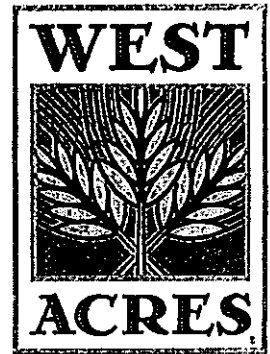
SB 2056

Mr. Chairman and members of the Senate Finance and Taxation Committee, my name is Dave MacIver. I am the President of the Greater North Dakota Chamber of Commerce. I am here today to urge you to **support** Senate Bill 2056.

The North Dakota Chamber has been in contact with many other state Chamber's of Commerce and feel the idea is one that wins for both business and consumers.

Thank you, Chairman Urlacher and members of the Senate Finance and Taxation Committee, for this opportunity to discuss the business community's position on SB 2056. The Greater North Dakota Chamber of Commerce urges a **DO PASS** for SB 2056. Thank you and I would be happy to answer any questions at this time.

3902 13th Ave. S.W.
Box 9978
Fargo, ND 58106-9978
www.westacres.com



701.282.2222
Fax: 701.282.2229

January 11, 2005

Senator Herb Urlacher
Senate Finance and Taxation Committee

Re: Senate Bill Number 2056

Dear Senator Urlacher:

To my knowledge, thirteen states held a state sales tax holiday in 2004 during the back-to-school season. I would like to see North Dakota join this growing list of states that participate in such a holiday.

The back-to-school season is the second busiest shopping period of the year. Nine of our larger apparel stores, out of a category of 31 stores, which account for 45% of the August apparel volume, do more business in August than in December.

I support this tax holiday as a way to alleviate the tax burden on working families in North Dakota. It would also be beneficial to level the playing field with Minnesota, albeit for a short period of time, by offering this break on the purchase of clothing and footwear.

Sincerely,

WEST ACRES SHOPPING CENTER

/s/

Rusty Papachek
General Manager

SB 2056

Submitted by Russ Hanson

States that had sales tax holidays in 2004

Associated Press

The 12 states that held sales tax holidays in 2004, the dates, affected merchandise, and state and local sales tax rates. Except where noted, the holiday exempted both state and local taxes.

□ Connecticut: Aug. 15-21. Clothing costing less than \$300 per item, shoes costing less than \$300 per pair. State sales tax 6 percent. No local sales tax.

□ Florida: July 24-Aug. 1. Clothing and books for \$50 or less per item, shoes for \$50 or less per pair, school supplies for \$10 or less per item. State sales tax 6 percent, top local rate 1.5 percent.

□ Georgia: July 29-Aug. 1. Clothing for less than \$100 per item, shoes costing less than \$100 per pair, school supplies for less than \$20 per item, personal computers and related equipment for less than \$1,500 each. State sales tax 4 percent, top local rate 3 percent.

□ Iowa: Aug. 6-7. Clothing

costing less than \$100 per item, shoes for less than \$100 per pair. State tax rate 5 percent, top local rate 2 percent.

□ Massachusetts: Aug. 14. Holiday covered almost all retail items priced at \$2,500 or less. State sales tax 5 percent. No local sales tax.

□ Missouri: Aug. 13-15. Clothing for \$100 or less per item, school supplies \$50 or less per purchase, computer software \$200 or less per item, personal computers priced at \$2,000 or less each. State sales tax 4.225 percent, top local rate of 4.5 percent. Missouri allows cities and counties to exempt their own sales taxes from the tax holiday.

□ New York: Aug. 31-Sept. 6. Clothing for \$110 or less per item, shoes for \$110 or less per pair. State sales tax 4.25 percent, top local rate 4.5 percent. New York allows counties and cities to exempt their own sales taxes from the tax holiday.

□ North Carolina: Aug. 6-8. Clothing costing \$100 or less, sports equipment for \$50 or

less, computers for \$3,500 or less. State sales tax 4.5 percent, top local rate 2.5 percent except for Mecklenburg County, which has a local rate of 3 percent.

□ South Carolina: Aug. 6-8. Clothing, school supplies and computers are exempted, regardless of cost. State sales tax 5 percent, top local rate 2 percent.

□ Texas: Aug. 6-8. Clothing for less than \$100 per item, shoes costing less than \$100 per pair. State tax rate 6.25 percent, top local rate 2 percent.

□ Vermont: Aug. 7-9, Oct. 9-11. Personal computers costing up to \$4,000 each. State tax rate 6 percent, top local rate of 1 percent.

□ West Virginia: Aug. 6-8. Clothing, school supplies and computer accessories costing less than \$100 per item, personal computers costing less than \$750 each. State sales tax 6 percent. No local sales tax.

(Sources: State revenue agencies, Federation of Tax Administrators.)

Russ Hanson

From: sw@scheelssports.com
Sent: Saturday, January 15, 2005 8:11 AM
To: Russ Hanson
Subject: Re: Admin burden of sales tax holiday

Hi Russ!

We have experience with our stores in Iowa which currently enjoy a tax holiday and find it to be no problem at all....in fact, this weekend in Iowa is the most successful during the entire back to school buying season. The only problems we have are pleasant ones, such as adding additional people to handle the crush of business.

Stephen W. Hulbert
President
Scheels All Sports
1-701-2323665

"Russ Hanson"
<hanson.ndrpma@midconetwork.com>

To: <sw@scheelssports.com>, "Rusty Papachek" <RustyP@westacres.com>, "Randy Hellman" <hellmanbros@btinet.net>, "Rick Stern" <info@strausclothing.com>

01/14/2005 02:10 PM

cc:
Subject: Admin burden of sales tax holiday

At the committee hearing for SB 2056 (Sales Tax Holiday) this week, I was asked by one of the Senators on the Committee whether implementing a one week sales tax holiday for certain items under \$100 would be an administrative burden for businesses. I indicated that I had not had much input from the membership regarding this but offered to contact some retailer and get some input.

So was hoping you could give me a brief analogy whether you think this would be a big issue or not. Not looking for anything too detailed, just your general opinion.

Any information you could provide would be greatly appreciated.

Thanks and have a great weekend.

Russ

Russ Hanson
President - ND Retail & Petroleum Marketers Assns
Executive Director - ND Propane Gas Association
701.223.3370
hanson.ndrpma@midconetwork.com

1/15/2005

Russ Hanson

From: Rusty Papachek [RustyP@westacres.com]

Sent: Friday, January 14, 2005 6:23 PM

To: Russ Hanson

Subject: RE: Admin burden of sales tax holiday

I have talked to a few merchants about this and they both said that it would be a minor inconvenience. I firmly believe that the benefit far outweighs the minor inconvenience. The technology to change the registers is a minor issue.

From: Russ Hanson [mailto:hanson.ndrpma@midconetwork.com]

Sent: Friday, January 14, 2005 2:10 PM

To: swh@scheelssports.com; Rusty Papachek; Randy Hellman; Rick Stern

Subject: Admin burden of sales tax holiday

At the committee hearing for SB 2056 (Sales Tax Holiday) this week, I was asked by one of the Senators on the Committee whether implementing a one week sales tax holiday for certain items under \$100 would be an administrative burden for businesses. I indicated that I had not had much input from the membership regarding this but offered to contact some retailer and get some input.

So was hoping you could give me a brief analogy whether you think this would be a big issue or not. Not looking for anything too detailed, just your general opinion.

Any information you could provide would be greatly appreciated.

Thanks and have a great weekend.

Russ

Russ Hanson

President - ND Retail & Petroleum Marketers Assns

Executive Director - ND Propane Gas Association

701.223.3370

hanson.ndrpma@midconetwork.com

Russ Hanson

From: Randy Hellman [hellmanbros@btinet.net]
Sent: Friday, January 14, 2005 2:19 PM
To: Russ Hanson
Subject: RE: Admin burden of sales tax holiday

Russ, my first thought on this topic is that it would not have a big impact on my particular business because the time of the year that they are proposing is not that busy for me. As far as the administrative burden, I can't think of any scenario that would make this at all difficult to track and report. Hope this was of some assistance. Randy

-----Original Message-----

From: Russ Hanson [mailto:hanson.ndrpma@midconetwork.com]
Sent: Friday, January 14, 2005 2:10 PM
To: swl@scheelssports.com; 'Rusty Papachek'; Randy Hellman; Rick Stern
Subject: Admin burden of sales tax holiday

At the committee hearing for SB 2056 (Sales Tax Holiday) this week, I was asked by one of the Senators on the Committee whether implementing a one week sales tax holiday for certain items under \$100 would be an administrative burden for businesses. I indicated that I had not had much input from the membership regarding this but offered to contact some retailer and get some input.

So was hoping you could give me a brief analogy whether you think this would be a big issue or not. Not looking for anything too detailed, just your general opinion.

Any information you could provide would be greatly appreciated.

Thanks and have a great weekend.

Russ

Russ Hanson
President - ND Retail & Petroleum Marketers Assns
Executive Director - ND Propane Gas Association
701.223.3370
hanson.ndrpma@midconetwork.com

Responses from Businesses across North Dakota—the content has not been altered or changed in any way.

No

I am always in favor of less taxes. The legislature has better things to do. We will need the money anyway, somewhere else.

Howard C. Anderson Jr., R.Ph.
Executive Director
North Dakota Board of Pharmacy
1906 E. Broadway-PO Box 1354
Bismarck, N.D. 58502-1354
Phone 701-328-9535
Fax 701-258-9312
www.nodakpharmacy.com

Are you kidding? Have you ever worked in retail? Have you ever completed a sales tax return? Forgive me if this seems blunt, but it reflects my initial reaction accurately.

ND has too many sales tax rules and interpretations on the books now. If you print the sales tax regulations revised by the legislature in the last session, it takes over 40 pages. If you need the use tax regulations, add another approximately 18 pages. The Sales Tax department felt obligated to clarify the legislatures legalese to the tune of 28 pages more for "General Rules". There are also additional pages for Government Sales, Miscellaneous sales, Specific Occupations, and the numerous forms and publications besides. Despite this, the aforementioned are not comprehensive, because occasionally you will need to call the department for clarification on taxes between competing state agencies when no written documentation covers the topic. Example - trailers under 1500 lbs are taxed; over are exempt, but must be licensed and perhaps titled under some situations. Of course if the "light trailer" is for commercial use, it must be taxed and licensed. Do you get my drift?

If you want to help business, get us some relief in the regulations. If a lower rate is such a good thing for a week, lets do a year instead.

I work for a discount store with over 150,000 sku's. I estimate that the items mentioned would hit about 10% of our goods. We purchased new Point of Sale software in the last year. Although it is continually being updated, and though it was written with the ability to handle some sales tax holiday scenarios, it would not handle currently what your describe.

I expect a considerable time commitment to research how to update the software, if even possible. Products would have to be identified and flagged for no tax. Also, currently we have ceilings after which city tax does not apply. Your suggestion would flip this over and apply

floors before which tax would begin to apply. I would need to bring in staff to make the programming changes the night before the holiday and the night after. How much business would I need to generate to pay for the potential increase to one weeks worth of sales versus the extra costs incurred? One week is not enough surely. Also, colleges have different start dates, and so timing would be critical to benefit from this.

I assume receipts would need to be modified to explain how this works to customers, since customers would still be paying the same tax rate on 90% of their purchases.

Additionally, we are on the MN border. If we changed our opinion and tried to support this and promote it, I believe the MN competition would immediately begin advertising "Come to MN, where clothing is ALWAYS non-taxed". I expect that about one third of our population resides in counties bordering MN.

I imagine some business will embrace this idea. However, we have little to gain and much to lose by the proposal's present form.

Please correct me if I have incorrectly grasped some of the concepts in your proposal.

Respectfully,

Brian Cox, Controller
Home of Economy
Grand Forks

Hi,

My opinion from living in other states is that it is mostly a benefit to communities on the border. However, being that there are some tourists in the state in might stimulate extra buying. Obviously, our tourist info should all mention the sales tax holiday, if passed.
ty, m

I do not think the sales tax holiday is a good idea. August is a very busy tourism month and the state would lose millions on new out-of-state dollars spend by visitors during this time. I am also concerned about the precedent it would set. Years ago many communities offered at par weekends for Canadian visitors. The promotion worked to generate traffic during those weekends but drastically reduced visitation in the weeks and months around the "weekends". Years after the promotion we would get calls asking when we were going to do at par weekends. I would estimate it took 10 years to convince these Canadian visitors that we were no longer going to do at par weekends so they could quit waiting and come on down.

Sara Otte Coleman
Director-Division of Tourism
North Dakota Department of Commerce

1-800-435-5663

socoleman@state.nd.us



Hi,

I agree with Sara.

I think that businesses can all do individual "promotional" programs if they wish, but the state needs to retain an image of "quality and value" of doing business in North Dakota, not only for the businesses that are here, but also the businesses that may look at relocating or expanding and not lessen itself by offering discounts on our state. Yes, one could probably argue that the state provides "incentives" for businesses and that may be considered an "exemption", but that is a different form of a business tool. That is primarily a business ownership incentive and not a customer incentative which could lead to a perception of lesser value of the state.

I will forward my thoughts to GNDC.

Terri Thiel
Executive Director
Dickinson Convention & Visitors Bureau
72 E. Museum Dr.
Dickinson, ND 58601
terri@dickinsoncvb.com
www.dickinsoncvb.com
1-800-279-7391
1-701-483-4988 phone
1-701-483-9261 fax

Hello,

Thank you for asking the members on their input on the Sales Tax Holiday, here are my thoughts,

I think that businesses can all do individual "promotional" programs if they wish, but the state needs to retain an image of "quality and value" of doing business in North Dakota, not only for the businesses that are here, but also the businesses that may look at relocating or expanding and not lessen itself by offering discounts on our state. Yes, one could probably argue that the state provides "incentives" for businesses and that may be considered an "exemption", but that is a different form of a business tool.

That is primarily a business ownership incentive and not a customer incentative which could lead to a perception of lesser value of the state.

Sincerely,

Terri Thiel
Executive Director
Dickinson Convention & Visitors Bureau
72 E. Museum Dr.
Dickinson, ND 58601
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1-800-279-7391
1-701-483-4988 phone
1-701-483-9261 fax
"Explore the Western Edge"

David

The sales tax holiday has been an incredible success in our Iowa stores and is run at precisely the same time as we are thinking in ND. Sales are so huge for that weekend in Iowa, that the staffs in our 5 Iowa stores are close to double a normal weekend. The Iowa customers love it and turn out in throngs, and I believe it keeps many of them from buying over the internet or traveling to the Mega Mall in Minneapolis. It is a win-win-win. I can think of no reason there would be logical opposition in ND.

Steve Scheel
Scheels All Sports, Inc.

"Our goal is to be the best retailer in the USA in the eyes of our customer."

Sounds like good idea to me although there isn't much here (in our little convenience store) that would be in the list except for note paper and crayons. It would be of best benefit to those with a limited income trying to get their kids back to school in the style of their classmates. I know I would have appreciated it all those years back when we had three kids heading back to school.
Charlotte

As an farm equipment dealer we would not have any back to school items that would fall into the categories.

And from an bookkeepers prospective it would be a nightmare to track those sales!!!

Thanks
Wilma Girodat
Office Manager
Devils Lake Equipment

Walmart from Williston is for sales tax holiday, probably all other walmarts as well
701-572-8550
Keith Schmatz

I have never been in favor of tax holidays. I believe it will do little for additional sales (people will only buy what they would anyway) and will disrupt the normal flow of business. Also, I do not know what the estimated fiscal impact the state will be.

Bob Lamp

I feel that it may be of benefit to the consumers of North Dakota. It would not effect my business directly so of course it is not for me to say if some businesses were opposed who did see an effect. However, I would think the effect would only be positive.

From a personal perspective, I am not in favor of a sales tax holiday unless it includes everything - not just geared toward school. If it is to stimulate sales, I would think the weeks before school should already be a time when people are buying school related items. However, I would be interested in hearing other opinions which may make a better case than the information that I now have.

LouVay White

I think this is one of the most "ABSURD" notions I have ever heard.
Our legislators have more important things to do than to legislate games and gimmicks. If we don't need all the tax we're collecting, perhaps they should legislate a % reduction.

George Dutton
Valley Gallery
Valley City, ND

Not a good Idea.
Thanks
Dennis Riggin
Riggin Motors Inc

Mr. Straley: The concept of offering a sales tax holiday certainly would benefit businesses, consumers and the state. Instead of offering the exemption during August and benefiting only the "back to school" consumers and businesses, perhaps consideration could be given to offering the exemption period during the month of December so all North Dakota consumers and businesses could benefit! Or, another period of the year where all North Dakota consumers and businesses could benefit. Perhaps sometime in January or February – the slow months of the year business wise. Instead of having specific items for an exemption, simply have any purchase up to \$500, for example, be tax free. And of course anything over \$500 would be taxed at the regular rate. I just think that the entire business community would appreciate being involved with the exemption as well as all consumers.

These ideas are on the surface and are only provided for your consideration. The concept is very good and I would appreciate being kept up-to-date on its progress.

John Schulz, Member
Government Affairs Committee
Bismarck / Mandan Chamber of Commerce

Hello David:

My name is Dean Koppelman and I serve as Superintendent of Schools in Valley City. I received an email from Ray Morrell of our local Chamber of Commerce concerning a proposed sales tax holiday.

I am writing to voice my concern with this and my reasoning is that our school district depends entirely on sales tax revenues to pay the bonds for our new gymnasium/tennis court project that was recently completed.

I had a conversation with our local city auditor and he estimated our school district could lose approximately \$4,500 - \$5,000 in sales tax revenue if the sales tax holiday went into effect as proposed.

Because of this, I have a real financial concern for our school district to try and make up those lost revenues from some other source and I would not be in favor of this proposal.

Thank you for allowing me to provide input on this matter. If you have any questions of me, please feel free to call me at (701) 845-0483 ext. 1. or you could send me an email.

Thanks for your time David. Take care.

Dean Koppelman

Good morning David:

As I have now reread the sales tax holiday information several times now I see in the middle of the page it is mentioned consumers would be able to purchase certain items without paying state sales tax for a week in August.

The first couple of times I read this information I completely overlooked that as in the beginning of the information it is mentioned this is a sales tax holiday and it would be a vacation from paying sales tax.

I took that to mean consumers would not pay state or city sales tax during that time. Is that the intent? If that is not the intent, I could see cities having to struggle with the question, do they give a sales tax holiday also? Our bonds for the gymnasium/tennis court project are paid with city sales tax revenue.

Even with that said, I believe the state sales tax helps provide funding to schools and other entities. Have you done any research as to what impact the sales tax holiday would have to those entities who receive funding from this source? If so, I would be interested to see that information.

Basically David, I am hesitant to support a measure that is going to take away revenue from schools as for many of us every penny makes a difference.

Thanks for your time David. I look forward to hearing from you. Take care.

Dean Koppelman

From the Association's point of view the measure would not affect us other than in our personal lives and for that reason we will have no position on the matter one way or another. However, I think they need to look at the confusion involved in managing the "Holiday" and separating the taxable from the none taxable for that short time. I would think the cost to retailers might out reach the benefit. This is only my opinion and not that of the AGC of North Dakota.

Mark Dougherty
Membership Services Director
Ph: (701) 223-2770

I think it would make more sense and be easier to handle from a sales standpoint if certain items were exempt from sales tax year around than just for a month

Marv Miller
Twin City Roofing

Stephanie: The only question I have is do they have an estimate of the tax currently being paid on these items during that period? It wouldn't bother me in the least until every other industry wants to do the

same thing for period of time and they need to raise other taxes to make up the difference. Dick (Johnsen)

Stephanie, first I would ask GNDA staff what the expected revenue loss would be to the State. Second, how does the GNDA staff expect the revenue to be made up support the State's expected tight budget?

Dear Peterson

Hi Stephanie: Interesting concept – I am working on some comments, ideas regarding this potential initiative. Will have the comments back to you by Wednesday.

John W. Schulz, Senior Biologist
Western Plains Consulting, Inc.

Thanks for the letter relating to the "sales Tax Holiday", as you already know many states already have this event. The J.C. Penney Co. is in favor of this initiative and looks forward to it successfully going to the 2005 Legislative Session.

Cordially

Gary M. Hanson

Paul – Kirkwood Mall

In favor but would like to know what happens to sales the weeks prior to the holiday. Do they drop off? If so, aren't we just moving money around? Also, Why back-to-school? It is already a strong selling season.

Mr. Straley: The concept of offering a sales tax holiday certainly would benefit businesses, consumers and the state. Instead of offering the exemption during August and benefiting only the "back to school" consumers and businesses, perhaps consideration could be given to offering the exemption period during the month of December so all North Dakota consumers and businesses could benefit! Or, another period of the year where all North Dakota consumers and businesses could benefit. Perhaps sometime in January or February – the slow months of the year business wise. Instead of having specific items for an exemption, simply have any purchase up to \$500, for example, be tax-free. And of course anything over \$500 would be taxed at the regular rate. I just think that the entire business community would appreciate being involved with the exemption as well as all consumers.

These ideas are on the surface and are only provided for your consideration. The concept is very good and I would appreciate being kept up-to-date on its progress.

John Schulz, Member
Government Affairs Committee
Bismarck / Mandan Chamber of Commerce

Hello,

While the Holiday sales tax is not particularly needful on my part, since we have no children at home, I can see it would be very advantageous to people who have school aged children, and college students in particular. I would be in favor of such a sales tax relief effort for the month of August each calendar year until deemed necessary to repeal or stop it.

Barbara DeFrang
1002 1st Ave NW
Hazen, ND 58545

I think this would be worth a try. Some folks might like to save a few dollars. Maybe make it a 2-year attempt to be revisited at the next legislative session.

Maxine Beckwith
521 Seventh Avenue NE
Hazen, ND 58545

I think it's a great idea. I also read about it in the Bismarck Tribune.
Karen Mack
Stroup Ins & Realty

It seems extremely strange to give a tax holiday to the common people when the wealthy have been given a tax holiday that last all year. If we truly wanted to improve the economy we would not have a system set up where the top one percent of the population gets seventeen percent of the income, and the top five percent receive sixty percent of the income. If common people simply had money, the economy would improve. The very rich that have the tax cuts leave the state and spend a great deal of money in the process. Common people tend to stay home and spend money. Common people buy things like clothes, food, and other things small towns sell. On the other hand the people who leave the state for six months at a time spend very little on items in North Dakota. Warren Buffett the second richest man in the United States asked George Bush why it was better to give him \$310 million dollars in tax cuts rather than give the same money to 310 families. No answer from Bush. What we need to do is reverse the damage done by tax cuts for the wrong people. If you read Warren Buffett's article in the Washington Post he will explain how as a billionaire he is paying a lower tax rate than his receptionist. George Bush has just passed a bill that will make dividends tax free for two years. Wow, now you talk about a tax holiday, this one last two years. But no one would consider a two year tax holiday for working people. What is wrong with this picture. You work for money you get taxed senseless, you get from a dividend on stock your grandmother gave you and it is tax free? Now that is equality.

Mike Quinn

Our Legislators have enough to do without having to figure out how to make up lost revenue from a "Sales Tax Holiday". When you consider the small amount it would save an individual I don't believe it is worth the effort or the waste of time. Lets find a better way to promote our State.

Lloyd Case

David: I think that the idea of a sales tax holiday is well-meant but not a good idea. I don't believe that it would help retail sales that much and, if done at a heavy shopping time, would actually deprive the state of tax dollars. Perhaps I'm not completely understanding the whole concept.

I checked the GNDCC web site and could find nothing about this issue.
Shouldn't we be considering an increase in the sales tax to abolish the income tax?

Thanks.

COLE

Cole Carley, CDME
Executive Director
Fargo-Moorhead CVB
2001 44th Street SW
Fargo ND 58103
Phone: 701.282.3653
Toll Free: 800.235.7654
Fax: 701.282.4366
Mobile: 701.306.1126
E-Mail: cole@fargomoorhead.org
Internet: www.fargomoorhead.org <<http://www.fargomoorhead.org/>>
Fargo-Moorhead: We're More Than You Expect!

I would not be in favor of a sales tax holiday.

I doubt that there would be a significant enough increase in sales to offset the loss in revenue to the state's general fund and to local sales taxes.

When this door is opened, even a crack, it allows for many more "do good" ideas and it is very difficult to control. Please do not pursue this 'special interest' idea.

Marv Semrau

I think this idea is right up there with the one changing North Dakota's name to simply "Dakota" so it won't sound so cold here. You indicate one of the beneficiaries of this will be merchants. Aren't they going to sell school supplies anyway? What are we trying to capture here, sales that are going to other states? What other states don't have a sales tax? I would think the costs and headaches of setting up point of sale systems to not charge sales tax on such specific items might far outweigh whatever profits merchants have on additional sales. And to compound the problem, the state loses out on the tax. Now I am a conservative, and I don't like to pay any more taxes than I have to. To most people this will be a drop in the bucket, but to the states and cities it could be pretty significant. To me this looks like a solution looking for a problem.

KW

I am in favor of introducing and lobbying the ND Legislature for a Sales Tax Holiday.

Marty Anderson (Minot Chamber member)

eVision

PO Box 1462

Minot, ND 58702-1462

Office: (701) 838-0189

Fax: (701) 838-0199

Mobile: (701) 720-5180

Email: marty@evision-video.com

Dave,

This Sales Tax Holiday is a great concept. It would be a help to our business, and I hope the ND Chamber can convince the Legislators that it ought to be done. As a former GNDA/ND Chamber Board Member, I am proud to see you tackling initiatives of this kind. Please press on, and let me know what I can do to help. I hope to be at the Regional Membership Meeting here in Minot next month. See you then.

Mark J. Jantzer
General Manager
The Computer Store, Inc.
701-838-3967 Voice
701-833-3404 Cell
701-839-4495 Fax
Email: mj_jantzer@tcs-minot.com

I suspect consumers will merely rearrange their shopping habit to conform to the holiday and thus the state will lose money and merchants will have a shopping bubble rather than spread out sales. Sounds like sizzle without the steak

I am writing in support of the Sales Tax Holiday which is currently generating a great deal of buzz in the community. Such an event can be a great tool to boost retailer productivity, and should be strongly considered. My only suggestion is that it not occur in August. This is a month where back-to-school business is a given, people are going to shop anyway. I feel that it should occur in some other "off" month such as September or October so that any business it creates is truly incremental.

Chuck Massey
General Manager
Dakota Square
Minot, North Dakota
701-839-7500

As a retailer of scuba diving equipment this would not help our business directly, however as a consumer of these products, both for the business and personally, it would benefit us. I would be in favor of this, but why limit the products? Why not just put an overall dollar limit to the purchases and let it be for anything within that limit and help out ALL businesses?

Sonya Faken, VP
Adventure Divers, Inc.

I am writing in support of the Sales Tax Holiday which is currently generating a great deal of buzz in the community. Such an event can be a great tool to boost retailer productivity, and should be strongly considered. My only suggestion is that it not occur in August. This is a month where back-to-school business is a given, people are going to shop anyway. I feel that it should occur in some other "off" month such as September or October so that any business it creates is truly incremental.

Chuck Massey
General Manager
Dakota Square
Minot, North Dakota
701-839-7500

Dear Sir / Madam:

In general, I think this is a wonderful idea. Does the proposed bill for the sales tax holiday include lodging facilities? Our CVB in Minot is small and relies very heavily on lodging tax for funding. Please advise.

Thank you!

Pete Zimmerman
General Manager
Holiday Inn Minot
2200 Burdick Expressway East
Minot, ND 58701
(701) 852-2504
pzimmerman@srt.com

I think this is a terrible idea unless the ND Chamber is going to make up the lost revenue in city budgets.

I think the idea of a tax holiday itself is great. However, I think it should not exclude certain folks. A certain theme may generate strong opposition. Will it be advertized and who will pay for that?? [Barb Fix] Thanks -----Original

Dave

I have recieved your request for input into the Sales Tax Holiday. I think its a very good idea, it should help with back to school sales, and keeping people at home to shop. With this kind of incentives on large items such as computers, printers, scanners etc. The consumer would buy local instead of going through mail order or buying on line. I'm not sure if one week is long enough. I think two weeks would be better.

Thank you,

Terry Olson
Pepsi-Cola Bottling
Bottineau

Lisa,

Regarding your email regarding a sales tax holiday. I think it's a bad idea. Taxes are needed to pay government obligations. A "holiday" from paying taxes would just result in an increase in taxes during the rest of the year (it has to come from somewhere).

Other thoughts: Monitoring such an event would be difficult, abuse by retailers paying the taxes could result, businesses and individuals may put off purchases until the tax-free week which would further complicate matters. In general -- my thoughts are that such an idea my seem attractive to the average consumer, the net effect would actually be nothing in the long haul other than additional government work in monitoring such a program.

Matt Watne
Real Estate Broker
CRS, RMM, GRI

Watne GMAC Real Estate
408 North Broadway
Minot, ND 58703

Phone (701) 852-1156
Fax (701) 839-8966
Cell (701) 720-5700

North Dakota Chamber of Commerce:

We are writing in response to your recent e-mail regarding the proposed introduction and lobby of a sales tax holiday during the upcoming North Dakota 59th Legislative Assembly. We appreciate your interest in soliciting our input on this opportunity for North Dakota consumers.

As you know, over the years, several states have enacted sales tax holidays, particularly tied to "Back-to-School," with the intent and objective of encouraging families who are preparing their children for the upcoming school year to shop within the State. The scope of the temporary sales tax break has varied by state, but typically extends to purchases of clothing, school supplies, and (in many cases) computers. Although it is difficult to predict how consumers may respond to a sales tax holiday in North Dakota, we understand other states have reported increases in consumer spending during sales tax holidays, with a positive impact on the local economy.

>From the retailer's perspective, considerable work is involved in preparing for and properly implementing a sales tax holiday. It is important to ensure systems are configured properly to handle transactions qualifying as tax-exempt under the sales tax holiday. It is equally important to ensure procedures are in place to handle the compliance associated with tax-exempt transactions qualifying under the sales tax holiday. Overall, Staples' experience with these sales tax holidays has been positive.

Based on our experience, we would encourage the Chamber to introduce a sales tax holiday that includes both the state sales tax and any local (city, county) sales taxes. First, a sales tax holiday from all applicable state and local sales taxes would provide North Dakota consumers with the maximum benefit from the holiday. Second, a sales tax holiday from all applicable state and local sales taxes would alleviate any undue administrative and/or compliance burden on retailers that would otherwise result from the partial taxation and partial exemption of the same transaction. Our experience is it is onerous, time-consuming, and unnecessarily complicated (particularly from a system perspective) when a retail sale must be bifurcated to exempt the transaction from state sales tax, while still charging local sales tax.

Moreover, based on our experience, we would encourage the Chamber to adopt a per item cap, rather than a cap on the total purchase, in order to maximize the consumer benefit. While some states have similarly enacted a sales tax holiday applicable to school supplies capped at a \$100 total, others have exempted qualifying purchases on a per-item basis. The former approach is more cumbersome and complicated to administer than the latter approach.

We look forward to our stores' participating in a sales tax holiday in North Dakota in 2005. Please let us know if we can be of any additional assistance with this matter.

Staples

Dear Mr. Straley:

I received your letter regarding the proposed Sales Tax Holiday for a week in August. As President of the Chamber of Commerce in Garrison, I have visited with our Chamber businesses at our Chamber meetings, as well as with many of them on a one-to-one basis. The general consensus is that we are strongly against imposing such a "holiday". The "Mom and Pop" type stores that we have in our community would find it very difficult to comply with such legislation. The items listed as being exempt from sales tax are sold infrequently in our stores and do not warrant taking on such a "bookkeeping nightmare".

Please take our opinion into consideration should your office decide to pursue this subject.

Thank you.

Respectfully Submitted,

Sue Schreiner
Chamber President