

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2299

2005 SENATE FINANCE AND TAXATION

SB 2299

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2299

Senate Finance and Taxation Committee

Conference Committee

Hearing Date January 24, 2005

Tape Number	Side A	Side B	Meter #
# 1		X	4.5 - 12.0
Committee Clerk Signature <i>Sharon Benford</i>			

Minutes: All committee members present.

SEN. URLACHER: Called the committee to order and opened the hearing on SB 2299.

SEN. DEVER: appeared in support as prime sponsor of the bill and handed out an e-mail he received from Steve Woodke who as a business of selling flags. Steve asked him why is it that ND charges a sales tax for the purchase of the American Flag when a lot of other states don't. The fiscal note is about \$35,000 which would represent sales of the American Flag and the flag of ND for about \$700,000 a year. It would be my hope that the actual fiscal impact would be double that, because I'd like to see us encourage the purchase of those flags and the displaying of and we could increase sales, increase the display, I think that would be a positive thing.

SEN. EVERY: If I go into Walmart and purchase paper towels, hand soap and a flag, isn't that a problem at the cash registers?

SEN. DEVER: If you included a box of cereal, its not a problem, because of the bar codes.

SEN. EVERY: Do we include ties, and lapel pins, where does it end?

SEN. DEVER: Thank you, we specifically excluded that in the bill by saying that it only applies to a flag to be attached to a staff and not any other item on which the image of the flag is reproduced. So it would not include the tie that I'm wearing, nor the lapel pin and it would not apply to the pole, only to the flag.

SEN. EVERY: Would you be in favor of using that money (total of fiscal note) to support the families that have lost folks in this current war. Maybe ND families that have lost 7 or so of their soldiers in the war.

SEN. DEVER: My sympathies are certainly with those families as I'm sure everybody's is, I'm not sure that we're designating \$35,000 specifically for that support. There are a lot of other proposals I think, people support privately as I have, so I consider that to be a separate issue.

Also mentioned the e-mail he handed out which included or listed the states that are not exempt. The American Flag, the State Flag and the P.O.W./M.I.A. Flag addresses a proposal in the State of Texas to be exempt from the Texas sales tax.

CAROL TWO EAGLE: appeared in support of the bill and proposed an amendment to include POW/MIA flags and possibly Tribal flags and submitted written testimony. Feels this would show respect and would like to see it.

SEN. COOK: asked a question of Miles Foss of the Tax Dept. - on streamline sales tax, when I see that we have some states that exempt this and other states that levy sales tax on that, was there not a need then to create a carve out for flags and if so does it do that in the streamline agreement?

Page 3
Senate Finance and Taxation Committee
Bill/Resolution Number SB 2299
Hearing Date January 24, 2005

MILES FOSS: Tax Commissioners Office answered as only if a product is defined to carve out if there is a sub staff of that defined item that needs to be exempt. So for streamlined sales tax, this doesn't interfere with that.

NO FURTHER TESTIMONY. Closed the hearing.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2054

2299

Senate Finance and Taxation Committee

Conference Committee

Hearing Date January 31, 2005

Tape Number	Side A	Side B	Meter #
#2	X		56.3 - 61.4
		X	0.0 - 7.1
Committee Clerk Signature <i>Sharon Kenyon</i>			

Minutes:

SEN. EVERY: presented some amendments stating it to me that we were never really explained what the reason for the bill was. Was it to, if it was to honor our veterans, then that's one thing, but we never were told other than, we never were even told it was to honor our veterans, we never really were told what it was for and if it were to honor our veterans, I think that that money should be used for something to help our either families from the war or to help our veterans by using that \$35,000 that would have been derived, so the first amendment would say that the money (\$35,000) would be transferred to the veterans post war trust fund, that saved from the sales of tax on the flags themselves. And also that we include a POW/MIA flags as well.

SEN. URLACHER: to me that's still a patriotism, it's an expression of patriotism.

SEN. EVERY; that's my question, what are we doing? If its a question of patriotism I thought I heard Sen. Dever say that it would encourage people to purchase the flag and if that's the case,

then why, if you can buy a flag at Walmart for \$9.99 to save 5% sales tax, to me that's not an expression of patriotism, that's a nothing more than grandstanding as far as I'm concerned.

SEN. COOK: I would guess that I buy a new US flag about every 2 years. I'm honored to pay the sales tax on it, doesn't bother me one bit, I also have now on special occasions a ND flag, the same size, but you don't buy that for \$9.00, you buy it for about \$45.00, but I'll pay the sales tax on that too. As far as I'm concerned, I would say we put a do not pass on this and send it up.

I MOTION A DO NOT PASS, seconded by Sen. Every.

SEN. TOLLEFSON: I think the issue is to encourage patriotism, if it means anything that sales tax on that flag, the reason this bill came up was really because apparently other states exclude flags in their sales tax program and that's where it got started. The publicity alone is patriotic, it isn't a big deal, but the publicity alone makes it worth while.

It was noted by that committee the list of states that do exclude flags from sales tax.

SEN. BERCIER: just for the record to show I brought it up, that Carol Two Eagles brought an amendment up and Sen. Every noted that his amendments include that suggestion.

ROLL CALL VOTE: 5-1-0 Sen. Tollefson voted no. Sen. Cook will carry the bill.

FISCAL NOTE
 Requested by Legislative Council
 01/19/2005

Bill/Resolution No.: SB 2299

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			(\$32,000)	(\$3,000)		
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 2299 creates a sales tax exemption for US and North Dakota flags.

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.

If enacted, SB 2299 is expected to decrease state general fund and state aid distribution fund revenues by \$35,000 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:	01/21/2005

PROPOSED AMENDMENTS TO SENATE BILL NO. 2299

Page 1, line 1, after "57-39.2-04" insert "and a new section to chapter 57-39.2"

Page 1, line 3, after "flags" insert "and military flags and to provide for transfers to the veterans' postwar trust fund"

Page 1, line 7, after "flag" insert ", a flag of the United States armed forces or reserves, a flag of the North Dakota national guard, or a flag to honor or commemorate American prisoners of war or those missing in action"

Page 1, after line 9, insert:

"SECTION 2. A new section to chapter 57-39.2 of the North Dakota Century Code is created and enacted as follows:

Transfer to veterans' postwar trust fund. Before August first of each odd-numbered year, the tax commissioner shall determine the amount of sales and use taxes not collected as a result of the exemption provided by section 1 of this Act during the previous twenty-four months ending June thirtieth. The tax commissioner shall certify to the state treasurer the amount determined under this section. The state treasurer shall transfer the amount certified from the state general fund to the veterans' postwar trust fund."

Renumber accordingly

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

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2299

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 Every

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

Total (Yes) 5 No 1

Absent 0

Floor Assignment Cook

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

REPORT OF STANDING COMMITTEE (410)
January 31, 2005 4:55 p.m.

Module No: SR-20-1500
Carrier: Cook
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2299: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO NOT PASS (5 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SB 2299 was placed on the Eleventh order on the calendar.

2005 TESTIMONY

SB 2299

Dever, Dick D.

From: FlagMan [flagman@fbsind.com]
Sent: Sunday, January 23, 2005 12:38 PM
To: Dever, Dick D.
Subject: EXEMPT STATE SALES TAX

**PROPOSAL TO EXEMPT STATE SALES TAX ON THE UNITED STATES FLAG
AND THE FLAG OF THE GREAT STATE OF NORTH DAKOTA**

Both the United States flag and the flag of the state are exempt in Connecticut, Florida, New Jersey, New York, and Pennsylvania.[8] Tennessee partially exempts the sale of United States and Tennessee flags sold by non-profit organizations.[9] Virginia exempts the sale of official U.S., state, county, city, and town flags if sold by a government agency.[10] The United States flag, the flag of the state, and the P.O.W./M.I.A. flag are exempt in Maryland and Rhode Island.[11]

Thus, the proposed change that would exempt the U.S., Texas, and P.O.W./M.I.A. flags from the Texas sales tax would result in a policy similar to that of several other states.

Thanks
Steve
FBS INDUSTRIES
701-224-9317

Hau Chairman Urlacher and members of the Committee, for the record my name is Carol Two Eagle. Here is a copy of my testimony at this morning's hearing on SB 2299.

I come before you today to ask for an amendment to SB 2299 that would include the flags of Federally-recognized tribes and the POW/MIA flag in this bill. This would be appropriate, since there are POW/MIAs among veterans of all wars and because Native People have the highest percentage of volunteers for military service of all races in this land. We Indians are, I note, not 'ethnic groups', but are a sub-group of the human race - DNA & our unique dental features will speak to that. It would also be appropriate in view of the furor currently ongoing relative to the commemoration of Lewis and Clark, and the fact that this state is named after one of our Nations that live here - the Dakota People. The fiscal note for the addition of these groups would not be large, and should have essentially no impact. To do this would be a good way to *show* respect for the Indian People of North Dakota, as well as for veterans everywhere.

Thank you for hearing me in a good way now. My proposed wording for the amendment, which Chairman Urlacher asked for this morning, follows.

Proposed Wording for Amendment to SB 2299

The change would come in lines 7 and 8 of this bill, and would require re-numbering the current bill's lines 8 - 11 to lines 9 - 12, and would read:

- 7 Gross receipts from the sale of the flags of the United States, North
- 8 Dakota, Federally-recognized tribes, and the POW/MIA flag.

January 24, 2005