

MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

2393

2005 SENATE FINANCE AND TAXATION

SB 2393

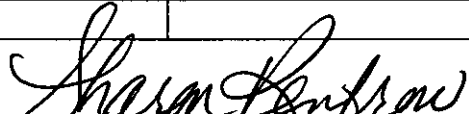
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2393

Senate Finance and Taxation Committee

Conference Committee

Hearing Date **February 1, 2005**

Tape Number	Side A	Side B	Meter #
#2	X		45.2 - 61.6
		X	0.0 - 17.6
Committee Clerk Signature 			

Minutes:

SEN. COOK: appeared as prime sponsor with written testimony stating that the meat of the bill is section 2, 3 and section 4 which is all found on page 4 of the bill. It's about sound fiscal management, we need to have facts before we can make some difficult fiscal decisions.

JOHN DWYER: President of the Lignite Energy Council appeared in opposition because it repealed coal plant incentives put in place 15 years ago.

SEN. COOK: my intent was to have only one of these exemptions not listed here and that was fertilizer. If I had chosen to take 2 out that you mention, don't you think then maybe somebody could step up and say take mine out to?

ANSWER: I don't think so for this reason, the other exemptions are presently revenues being derived from those exemptions. I don't see a conflict or problem

SEN. COOK: that's not the intent, I have no idea as to which ones there are revenues being lost.

If we remove these, then we open the door of me too, that's what we want to discuss in the

interim during the study. I think that leaving these 2 in could very well be 2 of the most, or the 2 that set the highest bar as to why they are justified and then maybe compare the rest to them.

ANSWER: I have no problem at all, happy to leave in the study, what I'm saying is that you are also in section 2 you are repealing an incentive in which at least 2 companies are relying on economic for their power plant.

SEN. COOK: If we were to remove the repealer, but instead add language in there that would inquire for each one of these particular exemptions, the interim committee reviewed a bill draft to repeal them, would that make it easier for you?

ANSWER: no problem

BOB LAMP: ND Implement Dealers Assoc. Appeared in opposition because this bill calls for the repeal of the sales tax exemption on used farm machinery and repair parts on Dec. 31. 2007. The exemption also addressed the inequity with auctions. Farm equipment sold at auction is NOT taxable. Farm auctions are not addressed in this bill. SB 2393 not only removes the exemption for used farm machinery and repair parts, it also moves the sales tax rate on both new and used machinery to 5% and to make matter worse, it repeals the trade-in credit provision of our tax law.

SEN. COOK: my intent is that maybe somewhere along the line you can make the argument that will keep that exemption.

SANDY CLARK: ND Farm Bureau appeared in opposition with written testimony stating these exemptions are beneficial, not only to producers, but to the state in the number of dollars that agriculture turns over. Removing new farm machinery from page 3 would put new machinery at 5% gross receipts tax which we oppose. We are adamantly opposed to repealing all of the tax

exemptions on agriculture in Section 2 and we are opposed to amending the bill to repeal ALL tax exemptions.

WADE MOSER, ND Stockmen's Assoc. Appeared in opposition stating since we had the phase out from the 3, we did come before the legislature 2 separate sessions, so it's been rehashed and done over quite in-depth as to the need for it. We need to do what we can to support the implement dealers in ND.

SEN. URLACHER: do you object to the study portion of the bill?

ANSWER: I guess it never hurts to restudy, but in our case, I think we've gone over this 4 to 6 years, how many more times do we have to go over it to make our point.

RICHARD SCHLOSSER: ND Farmers Union appeared in opposition of the bill particularly sections 2 and 4, I guess Bob Lamp basically reiterated how we feel on this and Wade alluded to the fact that implement dealers in our smaller communities, we have to drive further and further and further and I think some of this Mr. Lamp pointed out the increase in sales but again those repair shops and implement dealers are really an intricate part to our farming communities.

SEN. URLACHER: the whole idea is getting our arms around exemptions.

SEN. BERCIER: why the exception for fertilizer?

ANSWER: I wanted it to be everything else but that.

SEN. URLACHER: fertilizer and chemical is a commodity that increases revenue.

NO FURTHER TESTIMONY. Closed the hearing.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2393

Senate Finance and Taxation

Conference Committee

Hearing Date February 7, 2005

Tape Number	Side A	Side B	Meter #
1		X	7.6 - 27.0
#2	X		90-485
Committee Clerk Signature <i>Sharon Longson</i>			

Minutes: **AFTERNOON COMMITTEE WORK**

SEN. COOK: handed out amendments which are basically hog house amendments and the original intent of the bill I believe is still here to get a very good study of all the exemptions. The key part of the bill is definition of study, to help us form again this criteria to justifying new requests for an exemption and to justifying those that we already have and made a **MOTION TO ADOPT THE AMENDMENTS**, seconded by Sen. Tollefson.

SEN. EVERY: if there was a study in the last session that did nothing but give us a recommendation, what ensures that this isn't going to come out with the same type of results?

SEN. COOK: the study last session would have actually done the only thing it did was it detailed analysis of the fiscal impact to the State. That's the only thing that we got.

SEN. WARDNER: the repealer is out? Right

SEN. COOK: the key language to me is with emphasis on those that are available for only certain purchases.

SEN. BERCIER: If you write an exemption, your a purchaser, correct? If you get an exemption, you automatically qualify

SEN. COOK: exemptions when it says that certain purchases get, in other words its an exemption that was available to a dairy farmer but not to somebody that was a beet farmer.

SEN. EVERY: I don't know if its such a good idea to single out farmers and ranchers or if were going to study this thing, lets study the, some of us may or may not believe that nonprescription drugs are an issue, but I for one do and that would fit into that same category as groceries, but were not going to study that. So really were singling out, its seems a little discriminatory.

SEN. COOK: the original bill originally drafted was to single that out, it was to single out only those that are based on how the product is used. The study resolution before you does not single them out, it studies them all.

SEN. URLACHER: the intent was to find out what's out there, we can't deal intelligently without picking and choosing.

SEN. WARDNER: I suppose the counter part to that would be possibly a study resolution to find out income tax credits that were out there too.

SEN. URLACHER: not to take away or repeal, I know there is a danger but we should recognize what is good and not good.

SEN. COOK: the fiscal note will be different with amendment.

ROLL CALL VOTE: 4-2-0 **MOTION PASSES.**

SEN. WARDNER: made a **MOTION FOR DO PASS AS AMENDED**, seconded by Sen. Cook.

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

Page 3
Senate Finance & Taxation Committee
Bill/Resolution Number SB 2393
Hearing Date February 7, 2005

Chairman Urlacher called the meeting to order. All Senators were present.

Senator Cook moved that the committee reconsider their actions on SB 2393 as amended.

Seconded by Senator Wardner. A voice vote was taken which passed unanimously. 6-0-0.

Senator Cook moved that the committee reconsider their actions in which they amended SB 2393. Seconded by Senator Wardner. A voice vote was taken which passed unanimously. 6-0-0.

Senator Cook moved that amendment 50794.0103 pass. Seconded by Wardner. Senator Cook explained the amendment- see attached.

Senator Tollefson- By the removal of these sections of the Century code, we have not abbreviated the study?

Senator Cook- That is correct.

The amendment passed with a voice vote, 6-0-0.

Senator Cook moved a do pass as amended on SB 2393. Seconded by Wardner. The roll was called with the bill passing as amended, 5-1. Senator Cook is the carrier of the bill.

The meeting on SB 2393 was declared closed by Chairman Urlacher.

FISCAL NOTE
Requested by Legislative Council
02/09/2005

Amendment to: SB 2393

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						
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 2393 directs the legislative council to study sales, use and gross receipts tax exemptions and rate reductions and determine the fiscal impact, and economic benefit, of each.

There is no fiscal impact to Engrossed SB 2393.

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:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/10/2005

FISCAL NOTE
Requested by Legislative Council
01/25/2005

Bill/Resolution No.: SB 2393

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						
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 2393 repeals many sales and use tax exemptions effective January 1, 2008. There would be no fiscal impact in the 2005-07 biennium. However, if the exempt sales would continue at the current level until the exemptions were removed in FY 08, the state could receive an estimated \$22 to \$27 million per year in additional state general fund revenues due to the repeal of this group of sales tax exemptions.

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:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/31/2005

February 7, 2005

JB
2-7-5

PROPOSED AMENDMENTS TO SENATE BILL NO. 2393

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative council study of sales, use, and gross receipts tax exemptions and rate reductions."

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE COUNCIL STUDY. The legislative council shall study sales, use, and gross receipts tax exemptions and reductions, with emphasis on those that are available for only certain purchasers, and the legislative council shall consider a separate bill draft eliminating each exemption or reduction as provided by subsections 12, 34, and 45 of section 57-39.2-04, sections 57-39.2-04.2, 57-39.2-04.3, 57-39.2-04.4, 57-39.2-28, 57-40.2-04.2, and chapter 57-39.5 of the North Dakota Century Code including, for each exemption or reduction, a detailed analysis of the fiscal impact to the state, benefits to the state economy from eliminating the exemption or rate reduction, benefits to the state economy of retaining the exemption or rate reduction, relationship of the exemption or rate reduction to tax policies of other states and to federal or state laws or regulations, and who are the beneficiaries of each exemption or rate reduction, specifically including the extent to which the benefits flow to out-of-state concerns. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixtieth legislative assembly."

Renumber accordingly

Date: 2-7-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2393

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number 50794.0102

Action Taken Adopt Amendments

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 _____

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

Date: 27-05
Roll Call Vote #: 2

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2393

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass As Amended

Motion Made By Wardner Seconded By Cook

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 Cook

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

February 7, 2005

PROPOSED AMENDMENTS TO SENATE BILL NO. 2393

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative council study of sales, use, and gross receipts tax exemptions and rate reductions.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE COUNCIL STUDY. The legislative council shall study sales, use, and gross receipts tax exemptions and reductions, with emphasis on those that are available for only certain purchasers, including, for each exemption or reduction, a detailed analysis of the fiscal impact to the state, benefits to the state economy from eliminating the exemption or rate reduction, benefits to the state economy of retaining the exemption or rate reduction, relationship of the exemption or rate reduction to tax policies of other states and to federal or state laws or regulations, and who are the beneficiaries of each exemption or rate reduction, specifically including the extent to which the benefits flow to out-of-state concerns. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixtieth legislative assembly."

Renumber accordingly

Date: 2-7-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2393

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number 2393

Action Taken DO Pass as amended

Motion Made By Cook Seconded By Wardner

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

Total (Yes) 5 No 1

Absent 0

Floor Assignment Cook

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

REPORT OF STANDING COMMITTEE

SB 2393: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (5 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SB 2393 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative council study of sales, use, and gross receipts tax exemptions and rate reductions.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE COUNCIL STUDY. The legislative council shall study sales, use, and gross receipts tax exemptions and reductions, with emphasis on those that are available for only certain purchasers, including, for each exemption or reduction, a detailed analysis of the fiscal impact to the state, benefits to the state economy from eliminating the exemption or rate reduction, benefits to the state economy of retaining the exemption or rate reduction, relationship of the exemption or rate reduction to tax policies of other states and to federal or state laws or regulations, and who are the beneficiaries of each exemption or rate reduction, specifically including the extent to which the benefits flow to out-of-state concerns. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixtieth legislative assembly."

Renumber accordingly

2005 HOUSE FINANCE AND TAXATION

SB 2393

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2393

House Finance and Taxation Committee

Conference Committee

Hearing Date **March 8, 2005**

Tape Number	Side A	Side B	Meter #
2	X		5.4
Committee Clerk Signature <i>Janie Stein</i>			

Minutes:

REP. WES BELTER, CHAIRMAN Called the committee hearing to order.

SEN. DWIGHT COOK, DIST. 34, MANDAN Introduced the bill. This is simply a study resolution of all sales tax exemptions with emphasis on those that are not product based. The key to this resolution is that we define the criteria for the study which would provide a detailed analysis of the fiscal impact to the state, for having the sales tax exemptions, the benefit to the states economy of retaining this exemption, and the relationship of the exemption to other state policies. A perfect example there is farm machinery. We have dealers across the state that compete with policy in other states. How do we evaluate which ones we should and which ones we shouldn't pass. We all agree that property tax needs to be addressed, education funding formula needs to be addressed, I fully expect to see a bill next session, that says none of the above, "exemptions". This is a very important study.

REP. WRANGHAM To what extent did we study these things last interium?

Page 2

House Finance and Taxation Committee

Bill/Resolution Number **SB 2393**

Hearing Date **March 8, 2005**

SEN. COOK We studied them to the extent of the first thing, the fiscal impact of the state. I chaired that. It was part of the study as preferential treatment, we had a report which basically said, this is the fiscal impact to the state. We cannot make a decision based on just that.

REP. HEADLAND How many sales tax exemptions do we have?

SEN. COOK The way this bill was initially introduced was to try to identify all of them. They were not all identified, they are all over, there are a lot of them. We will know the answer to that question when we get into the study, if this bill gets that far.

With no further testimony, the committee hearing was closed.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2393**

House Finance and Taxation Committee

Conference Committee

Hearing Date **March 9, 2005**

Tape Number	Side A	Side B	Meter #
2		X	41.8
Committee Clerk Signature			

Minutes:

COMMITTEE ACTION

REP. BELTER Suggested an amendment which would change the word "shall" to "may" on page 1, line 4.

REP. DROVDAL Made a motion to adopt the amendment as presented.

REP. GRANDE Second the motion.

REP. KELSH Stated that he has seen it used as "shall consider" in a study resolution.

The motion to use "shall consider" carried by voice vote.

REP. GRANDE Made a motion for a **do pass as amended**.

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

11 YES 3 NO 0 ABSENT

REP. IVERSON Was given the floor assignment.

Date: 3-9-05
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2393

House FINANCE & TAXATION Committee

Check here for Conference Committee

Legislative Council Amendment Number 50794.0201

Action Taken Do Pass as amended

Motion Made By Rep. Grande Seconded By Rep. Iverson

Representatives	Yes	No	Representatives	Yes	No
BELTER, WES, CHAIRMAN	✓				
DROVDAL, DAVID, V-CHAIR	✓				
BRANDENBURG, MICHAEL	✓				
CONRAD, KARI	✓				
FROELICH, ROD		✓			
GRANDE, BETTE	✓				
HEADLAND, CRAIG		✓			
IVERSON, RONALD	✓				
KELSH, SCOT	✓				
NICHOLAS, EUGENE	✓				
OWENS, MARK	✓				
SCHMIDT, ARLO	✓				
WEILER, DAVE	✓				
WRANGHAM, DWIGHT		✓			

Total (Yes) 11 No 3

Absent 0

Floor Assignment Rep. Iverson

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

REPORT OF STANDING COMMITTEE (410)
March 10, 2005 8:30 a.m.

Module No: HR-44-4589
Carrier: Iverson
Insert LC: 50794.0201 Title: .0300

REPORT OF STANDING COMMITTEE

SB 2393, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman)
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends
DO PASS (11 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2393
was placed on the Sixth order on the calendar.

Page 1, line 4, replace "study" with "consider studying"

Renumber accordingly

2005 TESTIMONY

SB 2393

SB 2393

Mr. Chairman, for the record my name is Dwight Cook, State Senator from District 34, Mandan. I am here to introduce SB 2393 and to ask for your favorable consideration.

Mr. Chairman, It is my intent to explain this bill, to explain why I introduced this bill, and hopefully, convince all of you why it is important that we pass this bill. I must also say, right up front that this bill needs to be amended. It was drafted quickly in the days before our bill filing deadline and does not yet accomplish what my original intent was.

I am looking forward to the testimony that will follow, both for, if there is any, and against. I have had some conversations already by email and in the hall and I'm hopeful that we can reach a point where we can all agree and accomplish what I want to accomplish.

The other thing I want to say before I explain why I Introduced this legislation is that section 1 has nothing to do with the intent of the bill. It is needed language because of streamline sales tax. I believe it is needed in the bill because our effective date for streamline is different then the effective date of this bill. So the meat of the bill Mr. Chairman, is really only the last three sections found on page four.

So why did I introduce this bill.

Mr. Chairman we basically have a three legged tax stool to finance government in our state. We have sales tax, income tax, and property tax. For years this three legged stool has served us well. We've, for the most part enjoyed annual growth in both our economy and state government. My concern is that times might be changing.

This morning, we heard a bill that calls for elimination of both corporate and personal income tax. Sponsors of that legislation believe this will improve our state's economy even more. Their plan for replacing that income is to model our sales tax law after South Dakota's. How will that effect these exemptions?

This committee has heard many bills dealing with property tax. My personal opinion is it's the property tax leg of this stool that is broken. Property taxes are too high. If we don't fix this then the education equity lawsuit could very well fix it for us. Fixing it is going to require a new source of state tax dollars. Will these exemptions be that choice?

Amex Bill 570M

Mr. Chairman, you know how this list of exemptions keeps growing. It seems like every year we add to it. You know the discussions we've had in this committee this year alone about how do we intelligently decide whether we can justify these requests. Is it just another me too, or will it actually benefit the state's economy.

We need a sound criteria for justifying these exemptions, but Mr. Chairman, and this is the most important part of my testimony, we also need this same criteria for justifying the ones that already exist.

Today the political winds say "me too". Tomorrow those winds might be saying "none of the above". We need to make the right decision despite these political winds. We need sound criteria.

We don't want to make a decision that will have a negative effect

With that Mr. Chairman, let's go to what I consider the most important part of the bill, section three.

on our economy.

TESTIMONY
SENATE BILL 2393
SENATE FINANCE & TAXATION
FEBRUARY 1, 2005

- Mr. Chairman and members of the committee. My name is Bob Lamp and I am appearing on behalf of the North Dakota Implement Dealers Association which consists of 131 farm equipment dealers in our state.
- I am appearing before you in opposition to Senate Bill 2393. This bill calls for the repeal of the sales tax exemption on used farm machinery and repair parts on December 31, 2007. The exemption that is being repealed became effective on January 1, 2003. This exemption was achieved after four years of study, extensive debate and finally consensus by legislators.
- In Sections 1 and 2 of Senate Bill 2393, we now face the threat of losing this exemption. This is very unfortunate since this exemption has had a broad-based impact on not only producers farming the land but also the farm equipment dealers and other agri-businesses up and down main street.
- When this exemption became effective, it did exactly what it was intended to do. The sale of used farm equipment in calendar year 2003 jumped nearly \$109,000,000 or an increase of 20.5% over 2002. Sales in the first three quarters of 2004 totaled in excess of \$580,000,000 which is more than all of 2002. The exemption has worked.
- One of the principal reasons for this exemption was to put North Dakota dealers and producers on a level playing field with most other states and Canadian provinces. With the exception of South Dakota (which does not impose an income tax), other states and provinces surrounding North Dakota and throughout the central corridor exempt farm machinery and repair parts.
- **For example, Minnesota imposes no sales tax on new or used farm machinery or repair parts. Montana does not impose a sales tax. Manitoba and Saskatchewan do not impose sales tax on farm machinery or repair parts.**
- Until the exemption was enacted, North Dakota's tax policy on farm equipment and repair parts was out of balance with our surrounding states and provinces and these jurisdictions were using their tax advantage to solicit North Dakota producers to make their major purchases out of state.

- The exemption also addressed the inequity with auctions. Farm equipment sold at auction is **NOT** taxable. The dealers I represent found it very difficult to compete with this 3% differential. Farm auctions are not addressed in this bill.
- Senate Bill 2393 not only removes the exemption for used farm machinery and repair parts, it also moves the sales tax rate on both new and used machinery to 5%. To make matters worse, it repeals the trade-in credit provision of our tax law. **If you decide to do all of this I can safely say you will have seriously damaged our dealer's business environment.**
- North Dakota does not want to lose any more dealers. Dealer attrition has been significant over the past 20 years. Over ½ of our dealer population is gone. And these businesses have a significant economic impact on not only their communities but the entire state.
- The dealers in North Dakota do not believe it is necessary to study this exemption. It was enacted very recently after careful deliberation, implemented over a reasonable period of time and has had a very positive impact on both producers and dealers. Again, it is meeting every expectation.
- Two other provisions in Section 2 of the bill also have a regional impact on dealers. The repeal of the Montana exemption and the Canadian rebate program will certainly affect the dealers along those borders. It will not only impact sales, but service as well since dealers will once again have to charge tax on repair parts installed in their service departments. Both residents and out-of-state customers will consider this tax differential.
- Finally, regarding Section 3, the language seems to indicate the only exemptions to be studied are those set for repeal in Section 2.
- Thank you, Mr. Chairman, for giving me the opportunity to address the committee.

ROBERT L. LAMP
NORTH DAKOTA IMPLEMENT DEALERS ASSOCIATION

ECONOMIC IMPACT OF NORTH DAKOTA'S RETAIL FARM EQUIPMENT DEALERS

- There are **131** retail farm equipment dealerships in North Dakota.
- Dealers average **\$6.3 million** in annual retail sales per dealership.
- Dealers generated nearly **\$836 million** in annual retail sales statewide.
- Retail farm equipment dealerships comprise **1%** of the total retail establishments in North Dakota.
- Dealerships generate **8.9%** of the total retail sales in the state.
- Over **2,500** people statewide are employed by retail farm equipment dealerships.
- The average dealership employee earns over **\$33,500** per year.
- The average annual payroll per dealership is over **\$636,500**.
- Dealership payroll statewide is over **\$83 million** annually.
- Dealer payroll comprises **8.9%** of ND's total retail payroll.
- Dealers statewide pay nearly **\$16 million** in payroll taxes and employee benefits annually.
- ND dealers collectively spend over **\$5.1 million** per year in advertising.
- In addition to time and talent, ND's retail farm equipment dealers contribute over **\$1.3 million** annually to charitable and civic concerns.



Administration:
1101 1st Ave N
Fargo, ND 58102
P.O. Box 2064
Fargo, ND 58107-2064
701-298-2200 • 1-800-367-9668
Fax: 701-298-2210

State Headquarters:
4023 State St
Bismarck, ND 58503
P.O. Box 2793
Bismarck, ND 58502-2793
701-224-0330 • 1-800-932-8869
Fax: 701-224-9485

North Dakota Farm Bureau

www.ndfb.org

Senate Finance & Taxation Committee

February 1, 2005

SB 2393 Testimony by North Dakota Farm Bureau

presented by Sandy Clark, public policy team

Good morning, Mr. Chairman and members of the committee. For the record, my name is Sandy Clark and I represent the 27,500 members of the North Dakota Farm Bureau.

NDFB opposes SB 2393. Agriculture is still the number one industry in North Dakota. Agriculture makes a substantial contribution to the economy. These exemptions are beneficial, not only to producers, but to the state in the number of dollars that agriculture turns over.

- 1) I was of the understanding that the gross receipts tax language for new farm machinery was cleaned up last Session. Removing new farm machinery from Page 3 would put new machinery at 5% gross receipts tax. We oppose that action. If you increase the sales tax on machinery, both new and used, producers will go out-of-state to purchase their machinery.
- 2) We are adamantly opposed to repealing all of the tax exemptions on agriculture in Section 2. As Bob Lamp said, any repeal action should take place after the study, not before.
- 3) We are opposed to amending the bill to repeal ALL tax exemptions. You will be adding a substantial number of items and they will not have received a public hearing before.
- 4) We are not opposed to an interim study.

NDFB would request a "do not pass" recommendation on SB 2393. Thank you for your consideration.