

2009 HOUSE FINANCE AND TAXATION

HB 1066

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1066

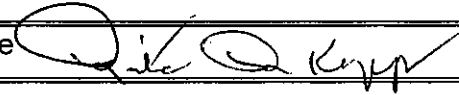
House Finance and Taxation Committee

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Minutes:

Chairman Belter: We will begin the hearing on House Bill 1066.

Senator Grindberg: For the record, I am Tony Grindberg, State Senator from District 41. It is a pleasure for me to provide some opening comments regarding House Bill 1066. As

Chairman of the Interim Workforce Committee, we had a very comprehensive effort to engage the taxpayer's leaders beginning a year ago. The goal of the committee was to speak to people across the state to see what we should be doing to try to resolve some of the issues.

There were focus groups in Grand Forks, West Fargo, Jamestown, Minot and Dickinson.

Hundreds of ideas came out of that. We had a full Workforce Congress with 400+ people

invited to Bismarck April 10 of last year. We tried to condense these ideas into four areas,

suites if you will—behavioral changes. I will email you that interim report. It talks about all the

things we learned and what we prioritized, i.e. behavioral changes: what government should

do differently, what education should do differently, what employers should do differently. I

have forgotten the fourth one right now but it will come back to me. This bill is one of those

ideas that surfaced from the economic development and manufacturing community members

who were participants in that process. **Jennifer Clark from ND Leg. Council**, who was our

staff person, is here to explain the bill more in detail. I know there are some other groups here

to give you more insight into areas of this legislation. I think we all recognize that we have a shortage of workers in ND, not only in Ashley or Rugby or Minot. It's across the board from Fargo to Dickinson in every corner. Our manufacturing base is strong in ND. Obviously some of that is being affected now by the credit crunch going on and the global financial crisis. We are going to come through this and manufacturing will remain strong, but we need to be sensitive to our manufacturing base to become more competitive globally. Finding workers to supply is really the fundamental question and providing the tools to be more competitive globally. We have heard reports about the growth of trade in ND, the success of the International Trade Office, etc. This all ties together, in my perspective, in strengthening our manufacturing base. This has been noted by other people who have worked on this bill in the economic development community and their discussions with various companies who are doing business in ND with satellite operations, as well as folks in the National Manufacturing Association in Washington, D. C. I think there is a lot of intrigue and folks are watching what is being proposed here and that this could ultimately put ND in a leadership role with a global competitive economy to market. This bill does need some work. I have had some brief conversations with **Donnita Wald from the Tax Dept.**, who will have some comments later, I believe, as well as some folks from the economic development community on some areas to improve the bill. Maybe I can pass on the answer to your question and talk about the interim workforce process and note that **Jennifer Clark** will explain in a little more detail.

Chairman Belter: Are there any more questions of Senator Grindberg? Other testimony?

Jennifer Clark, ND Legislative Council: What I would like to do is walk you through the basics of this bill and bring to your attention the fact that **Brian Walters, Fargo-Moorhead Economic Development**, is here. We worked together closely on drafting and with **Donnita Wald from the Tax Dept.** as well. This bill contains three different sections that create three

different tax credits. The way they are drafted is very similar so let me talk about the commonalities between them first and then we will talk about how we can distinguish between them. All three of them would be added to the short form. All three are allowed in the year the purchase expense was incurred and can then be carried forward for five years. They are available for partnerships, subchapter S corporations and limited partnerships. Those are common features for each one of them. Now we will talk about specifically what the credits are for. The first credit which is on Page 1, Section 2 starting with Line 12 is a credit for automating manufacturing processes. If you are going to buy some equipment for the purposes of automating manufacturing processes, you can receive a credit of up to 7.5% of the expenses for those purchases. For short, we will call this the automation credit. The second credit begins on Page 3, Section 3 for lean manufacturing. If you have expenditures necessary for implementing lean manufacturing, and I'm probably not the expert to talk to you on lean manufacturing, but I can tell you is it is an approach to manufacturing to make the most of what you have and to be as efficient as possible. There are others here who can talk about that in more detail. If you incur qualified expenses for lean manufacturing, you would be eligible for a credit of up to 10% of the expenses for the purchases. Notice in this section of the bill there are some definitions of lean manufacturing and qualified expenditures. The third credit begins on Page 4, Section 4 for Innovation. There are two different classifications under this credit:

- (1) You can get a credit for 25% of the expenses for innovation if they are done in collaboration with a ND research university.
- (2) You can get 20% of expenses if done in collaboration with a ND based contract organization.

Again in this provision there are some definitions in subsection 2 talking about what a contract organization is, what qualified research expenses are and what a research university is. One thing I probably ought to add to this is that I believe all three of these credits are limited to businesses in our primary sector so there are some limitations on the credits that way. Any questions?

Chairman Belter: Jennifer, on this innovation credit, for clarification here, it has to be tied to a ND research university?

Jennifer Clark: Mr. Chairman, it has to be done in collaboration with a ND research university or what we are calling a ND based contract organization. We bootstrapped in the definition from the Internal Revenue code on this. I do not have a copy of what that is with me. **Mr. Walters** can give you more details on what would qualify as a contract organization.

Representative Kelsh: Does this include both new and used equipment purchases?

Jennifer Clark: I can't speak to that. I guess I would have to defer.

Representative Kelsh: On Section 2 credit, for instance, if you have a machine shop and they are cutting things out by hand and they buy some machine to do that, does that count as automation equipment or robotic equipment even though they keep the same number of employees but it helps speed things along?

Jennifer Clark: I can't speak to this specific equipment you mention, but I think the basic concept is sound in that it is not requiring the business to increase its workforce. The Interim Committee looked at how to get more people into the workforce. Along with that, one of the things the committee recognized is how we can help out businesses to continue to thrive that are having problems filling those positions and how can they do more with less without adding additional employees.

Representative Winrich: Is there some rationale as to why it is 7 1/2% for automation, 10% for something else, and 25% for something else? Are those numbers picked out of the air or are they based on experience or what?

Jennifer Clark: I would never say they were picked out of the air. What I would say is that we worked closely with Brian Walters and those were numbers he recommended. I would defer to him on that.

Representative Pinkerton: This credit could apply to an existing manufacturer if they actually went out and bought equipment-- they could get a credit for it and they could reduce the existing workforce that they had in their facility and they would still get the credit?

Jennifer Clark: It is not intended to reduce the workforce, but is that a possibility? I wouldn't rule it out. I don't believe there is a prohibition here.

Representative Pinkerton: So say Bobcat would go out and buy, in conjunction with the universities which are limited to NDSU and UND, and they, in conjunction with the universities, created a new program. They could get quite a tax break and then maybe they could reduce their workforce by 10% and all this scenario could play out.

Jennifer Clark: I think I understand what you are asking. Generally speaking, there is not a prohibition, but one thing I want to be careful about is that we bootstrapped on the definition of a qualified research expense and I don't know enough about that definition to tell you if there are limitations on that.

Representative Pinkerton: Where is that definition?

Jennifer Clark: If you go to Page 5, Line 10 and 11.

Representative Pinkerton: So that is a reference to something we don't have a copy of?

Jennifer Clark: That's correct.

Representative Froseth: Jennifer, just for information purposes, you said the credit could be extended over five years. Could that be taken all in one year or does it have to be spread over a certain period of time?

Jennifer Clark: I will defer to.... Correct me if I am wrong in this, but I do believe if you have got credits available, you could use it all in one year. I believe the reason you have it carry forward is that frequently businesses can't take advantage of it all in one year so they can break it up over several years.

Representative Headland: For the purposes of this bill, could we define "innovation" because I think innovation can be interpreted really broadly, and I am not sure what innovation means in this particular case.

Jennifer Clark: You are right. That is kind of a crafty use of innovation, but it sounds good. I think that the beauty is that when we talk about what we can use it for, the details are in the next provision when we talk about on Page 4, Line 29, 30 and 31 the substantive component when you can say it is for research expenses for conducting qualified research activity in collaboration with. We don't have explanations of what "qualified research expense" is. It is probably worth investigating. That's where the substance of that is.

Representative Schmidt: Is there any sales tax exemption under this machinery?

Jennifer Clark: This bill does not address sales tax. I believe in the code there are some existing sales tax opportunities, but that is not addressed in this bill.

Chairman Belter: Any other questions?

Jennifer Clark: Mr. Chairman, would you like me to stick around for awhile?

Chairman Belter: I think most of the questions would be of the Tax Department as far as technicalities go. Further testimony in support of 1066?

Brian Walters, Greater Fargo-Moorhead Economic Development Corp. I will keep my remarks brief and try to answer some of the questions that came up under Jennifer Clark's testimony. The origin came from our business retention program. We have about 170 or so primary sector companies in our county that we survey every year. We discuss issues facing their business, barriers to growth, constantly looking at local and state issues and what we can do to help them expand employment in ND. Two years ago we, through our survey process, learned that for two thirds of our manufacturing companies, labor availability was their No. 1 barrier to growth. The other issue that came up from time to time was the increased global competition, where, in some cases, wages are a dollar or two an hour. It is hard to outlabor those countries that have that low cost of labor. We have to get it by efficiency and productivity gains. It is through those conversations that we discuss ways to retain jobs and grow jobs in a climate where labor availability was the No. 1 barrier for growth. Even with our workforce recruitment efforts that we have had ongoing for 10 years for certain occupations, it is hard to recruit labor for certain pay levels, especially in an occupation like welding where there are shortages across the country. The only real answer to that was to get into automation and to do more with the incumbent labor that we have. The productivity issue goes hand-in-hand with automation and lean manufacturing. I know that Randy Schwartz from Dakota MEP has had several conversations with our companies and our staff about that. We understand that we have to figure out how to help boost the productivity again and help the global competition issue at the same time. The issue of innovation was really spurred from the fact of global competition too in that if it is a commoditized product and our employers are facing competition from these low-cost countries, they need to innovate and find new products.

Under the current research and development tax credit, larger companies like Bobcat, Case-New Holland with sophisticated engineering departments and with sophisticated accounting

departments can usually access that incentive under the current R&D tax credit. It tends to be the more rural companies and the smaller companies that don't have engineering departments and don't have the same capacity to find a new product line with higher margins and less competition as a way to sustain and grow their employment. With that, I also, on short notice, sent out notice through Justin Pearson, who is our VP, Business Retention, who is with me today and 15 of those companies responded with a letter of support saying that this is what they need to boost employment **(See Attachment 1.)**. This also helps us really shift our policy from lower paying quantity jobs with quantity focus. Many of our incentive programs say you create "X" number of jobs and we will give you an incentive. In many cases, when labor availability has been the challenge it has, we have been asking them to create jobs and they can't find the workforce. I think with your consideration of this bill goes a policy shift that I think is in order for our current situation. It's a shift from quantity of jobs to higher paying jobs so it is a shift from a quantity to a quality focus which I think is in order for our State at this time. I will be happy to answer any questions you may have.

Chairman Belter? Are there any questions?

Representative Winrich: Mr. Walters, the question that I asked before of Jennifer Clark...what is the rationale for the percentages in the bill?

Brian Walters: As we went about our research on this (and I think the question earlier referenced sales tax exemptions for equipment purchases which we have in our state as do 30 other states), we called the National Association of Manufacturers, we called some of the larger states that have really large manufacturing associations trying to find an example of this bill when we worked with many of you on the rewrite of the research and development tax credit that happened last session. What we did was collect all the policies from the other states and sort of ripped off different concepts and ideas and tried to "one up" them on trying to

get these higher paying jobs again. In this case, as we did our search we contacted the National Association of Manufacturers and the California Manufacturing Association and we couldn't find an example of this type of policy. This great interest we are seeing with the competition of a lot of jobs going overseas, this is the type of policy shift we need in economic development and I think you will see a lot of states trying to replicate this. As we went through, we did not have an example other than the State of Ohio which had something that was sort of heading this direction, but not for the same reasons we had—just a straight purchase incentive—so that the No. 4 Automation came from what Ohio had done several years back that got discontinued. The innovation tax credit—the lean was fairly arbitrary. What would it take to get our employers to work with MEP and other agencies to adopt these principles. The innovation portion was really sort of looking at our current R&D tax credit that our larger companies enjoy in using something similar, a number to encourage the smaller companies to work with our engineering departments at our universities and contract research organizations.

Representative Winrich: If I may continue, you said Ohio had some sort of program and then discontinued it? Is there any record of what experience they had with it?

Brian Walters: Several years ago, more for the general business climate purpose than for the purposes of productivity and efficiency, we did this on a trial basis. I believe they only did this for a year or two and discontinued it for budget concerns the state had at the time, but it wasn't really a benchmark because they weren't saying because of labor shortages, we want higher paying jobs; we are going to do policy changes. They didn't really come at it from that angle. They looked at it with the sales tax exemptions and other tax exemption incentives generally speaking for manufacturers.

Representative Winrich: It strikes me that there is a curious sort of tension between Section 2 and 3 of the bill. In Section 2 we are encouraging automation and more machinery and so

on and Section 3 seems to say that we need to get along with a minimum of resources. Could you talk a little bit more about lean manufacturing and what that concept really means.

Brian Walters: I think the expert on lean manufacturing is Randy Schwartz so I will leave the lean definitions, but I can tell you the intent is to help our employers who say that their No. 1 issue or barrier for growth has been lack of labor and in international competition. This past year, we ran into a situation where Case-New Holland was looking at moving their whole construction equipment line to Brazil for some cost reasons and others. Fortunately for us, the work that you had done previously on the R&D tax credit and some other programs that we had in the state were enough, along with some local assistance that we put together with Case-New Holland, to prevent them from moving those jobs. But the reality is when they have challenges filling positions in our community and labor costs are much lower in other parts of the world that this is an issue facing our nation. I am happy to be a part of this policy conversation because I think it is where our country needs to go. The intent of the first two items is really to boost productivity, help efficiency to retain jobs, to create higher paying jobs because they are automated, not manual, and increase the competitiveness of our companies. The third issue is really brought on as a separate issue that many of our smaller companies do not have the engineering resources that our larger companies have and we do have these research universities with great engineering departments that could be helping our companies diversify their product lines, get new product lines that would face less competition from Chinese manufacturers that use commoditized product that helps them develop new product lines. That might be what keeps these companies in business.

Representative Grande: On page 4 at the bottom it says "Twenty-five percent of the qualified research expenses for conducting qualified research activities in collaboration with a ND research university". There are a lot of words in there that need explanation and that would be

qualified research expenses, qualified research activities. What are those and who determines that?

Brian Walters: That language currently exists in our research and development tax credit in our statute and I apologize if you don't have those definitions today, but I think that the intent was that many of our larger companies with engineering departments had the resources to take advantage of this and I think this is the part where Senator Grindberg needed more work too. The intent here is to help these smaller companies access the resources that we have. It tends to be under the R&D tax credit. An engineering patent, those types of expenses are considered to be eligible so it is sort of modeled after the R&D tax credit and how can we help our small companies have access to it.

Representative Grande: Is that listed somewhere?

Brian Walters: In current statute under the R&D tax credit, I believe. Again regarding definitions, as we do the work that Senator Grindberg has referenced, we can answer that.

Representative Weiler: Along the same lines on page 3, line 12, it says that "The amount of the credit under this section is 10% of expenses for qualified expenditures necessary for implementing lean manufacturing."

Brian Walters: I think that would fall in the category of what needs work as well and I would say that the Commerce Dept. Manufacturing Partnership and the Tax Dept. would have a lot of "weigh in" on defining that. I would believe that we need to certify those expenses as well on an ongoing basis, much as we do in programs currently.

Representative Drovdal: Brian, as a sidebar, you mention that one of the needs for this bill is because of labor shortages. Is that labor shortage because of body count or because of skill revenue that is lacking?

Brian Walters: I believe we have more jobs than we have workers in the state at the present time. Deteriorating economic conditions, both nationally and globally, I think, are changing things as we go, but I think that as the farm equipment sector, construction equipment sector, hopefully will rebound in 2009. Recently a West Fargo company had some layoffs. I think the demands for workforce will continue to exceed our supply and so I think it is encouraging companies to buy the equipment, engage in the lean processes and practices and go through the training, at the same time, to make sure the skill levels are met. I think there is a component and it would tag along existing programs to train our workforce to make more money and to have higher paying jobs.

Chairman Belter: Any other questions? Thank you, Brian. Any further testimony in support of 1066?

Randy Schwartz, Director MEP both North and South Dakota: We are part of a national system that has been around for about 25 years and is dedicated to growing domestic U.S manufacturing. There are 15 million programs across the country. We happen to be working with two of those programs in North and South Dakota. By the way, the Dakotas have a very similar economic environment, very similar manufacturing economic environment so we have been very pleased to work with the companies in the Dakotas. We probably work with about 300 companies a year and one of the expertises we are very strong in across the country is the whole area of lean manufacturing. In fact, I have been blessed to be able to visit a lot of companies not just in the Dakotas, but overseas to study how lean manufacturing is being implemented there. So if you would like to ask me questions about lean manufacturing, I am here to help answer those. I think that the intent of this bill is a very good intent and it takes advantage of three things: Being able to spur on manufacturers to invest more in automation, which they are going to need to, and that is no secret. Manufacturers do that whenever they

see the need. They typically invest a lot in equipment and assets and R&D so lean manufacturing is a given. To really bring it to you simply, lean manufacturing simply enhances the value that your organization provides to its customers. In doing so, looking at all the things that inhibit providing value to your customers. We call them wastes. Manufacturers have been working on this for some time. Probably the number one manufacturer working on lean (although they don't call it lean; they call it "the throw it away") is the automobile company. Many other companies have been trying to emulate it. It has been really going for 50 years, just in the last 10 years. The innovation part of it, and I know it is difficult to provide a definition for innovation, but you have to begin to integrate innovation, new processes, new techniques, new product ideas into your organization or company if you are going to succeed globally. We are working on a national project right now called next generation manufacturing. I don't want to digress too much into that, but the national MEP is hoping to bring on board 5,000 manufacturers across the U.S. to be part of next generation manufacturing. What we are talking about here today, Brian's testimony on the bill and so on is very much complimentary to next generation manufacturing. Who are going to be the companies who are going to survive in this country into the next generation? We are trying to pull it back to like 2015 so we are trying to engage about 200 manufacturing companies in the Dakotas on talking about where are you at right now? If this is where the bar is going to be raised, where are you at currently in terms of how you operate? Continuing to improve on lean manufacturing, innovation, workforce practices are embedded deeply into next generation manufacturing. I have probably said enough about who we are and what we do and a little bit about manufacturing. You were very astute to notice that there is a tension here in this bill. The tension is should you wish to see manufacturers continue to automate, continue to implement process and prudence, living lean if it means jobs because in economic development, and I was in economic development

in the state myself at one time, many times we get judged by the number of jobs we are able to help businesses create. What we are talking about here is not necessarily focusing so much on jobs, but what are the quality of jobs by this venture, what is the output of the job? We do a lot of work with Best Practices and manufacturing studies and best practices and we can tell you right now that some manufacturers that are moving towards being globally competitive are averaging about \$250-300,000 in value per output per worker. It is a relatively simple calculation. Just go to a company and ask for their total sales, then divide it by the number of full-time employees. In North Dakota we have a lot of work to do to get up to that number. We have some companies that are there and we have a lot of companies down under \$100,000 per employee in output. We need to seek to improve that if we can. With that, I would entertain any questions you may have.

Chairman Belter: Any questions?

Representative Pinkerton: The bottom line is that this is a productivity bill and that is what you are trying to accomplish here by automating. This bill doesn't really address that that productivity translates into greater income for ND. Is there a way of doing that?

Randy Schwartz: Yes, I believe there is. That's another good observation and what might be the expected outcomes of this bill. From the State of North Dakota's perspective, what might we be seeking to accomplish in terms of employment, quality employment, number of manufacturers and so on. I think that in getting back to what Senator Grindberg and Brian have already spoken to, these are opportunities to take the bill and strengthen it now and to talk about what might be the expected outcomes and results, how might we measure that, how might we be accountable to achieve these results. It is very easy for me to speak to these states because our program, our national program, our MEP program goes back every three months and looks at all the work we have done. In fact, we have to present every

improvement project we have done with a manufacturer through an independent third party that goes back and checks in with them to find out what happened to increases in sales, cost reductions, investments, and jobs. It's a tough program. In fact, sometimes manufacturers don't like the surveys because it puts them on the spot, but those are some of the accountabilities and measurements that we use. I think something similar could be added to this. The other thing that manufacturers need to do when they are adopting investments in new equipment and lean, they need to have a plan. We have done a lot of "drive-by" work with manufacturers where they do the easy stuff to pick "low hanging fruit" but they don't have a sustainable long-term game plan. We have probably trained 15,000 manufacturing employees in both Dakotas on the principles of lean manufacturing. That's great, but what often times we find that manufacturers need to have a stronger mechanism to engage more of the employees as they come to work every day and find a way to improve their jobs. That's the kind of next generation manufacturing employees we need in North and South Dakota—people who come to work every day looking for an opportunity to improve. Oh by the way, the leadership in the company wants them to do that. That's what we are up against. I was in Japan in April and that's exactly what we are up against. The manufacturers in Japan built 1700 new companies in 2006 alone. They built 1700 new plants. Meanwhile, we are reducing plants and getting rid of people. What's the difference? Well, if I may, I asked my cousin who has been with John Deere for 35 years and he worked for a Japanese engine supplier. He had just been there in February. I asked him what they were doing that we were not and he summed it up very succinctly by saying, "Randy, the employees of Japanese manufacturing virtually come to work every day looking for an opportunity to improve their job, their organization. That's the difference." That's the difference with Toyota. They implemented 20 million ideas from their workers in 20 years. I was in a Hano truck plant in Japan that implements 10,000 ideas a

month. We are not talking about suggestion boxes here. We're talking about the creativity and innovation when every worker comes to work day and making it better. That's the kind of energy and enthusiasm I would hope they would rekindle in the country. Sorry for a long-winded answer.

Representative Froseth: Randy, in my years here on the IBL Committee and this one, we always have tough time defining "primary sector" and in the fiscal note under B it talks about the primary sector. Do we actually have the certification program now in place that defines the primary sector?

Randy Schwartz: I think we do, but I think that Paul from Economic Development might answer that. Should I just hold off, Paul?

Paul : Yes

Chairman Belter: Any other questions? Further testimony in support of 1066?

Beth Zander, Job Service North Dakota: I just want to say that we at Job Service are very supportive of lean manufacturing and work closely with Randy and his staff and want just to remind you that there is the opportunity for some of portion of reimbursement to employers for the training expenses of their first 20/20 for lean manufacturing through the workforce 20/20 program. Just a reminder. Also there were some questions about the workers and job openings and I do have some data should you want it on the openings that we have posted on in our online system, which is heavily used, and the resumes. Any questions?

Chairman Belter: Any questions? Further testimony on HB 1066? Further testimony in support?

Jeb Oehlke, ND Chamber of Commerce: This is a coalition of local chambers of commerce across the state and their member businesses, as well as the Economic Development Assoc. of North Dakota. Much of what I planned to say has already been said so I will keep my

remarks very brief. I just want to voice the business community's support for this bill as noted by at least one of the speakers earlier about the workforce shortage in ND right now requires businesses to increase their efficiency if they are going to expand in many cases and allowing a tax credit to encourage expansion of businesses is very favorable. Any questions:

Chairman Belter: Any questions? Further testimony? Tax Department, do you want to come forward for neutral testimony?

Donnita Wald, Legal Counsel for the State Tax Department: Some of the questions that you have raised this morning on this bill are some of the same questions that we at the Tax Dept. have. In order to implement and administer this process in the manner that we should, and if we are going to be the leader, we should get a good bill out there. If we could work with the sponsors of the bill, Mr. Schwartz, Mr. Walters to get some amendments together to get some of these things tied up and some of the loose ends taken care of, we would appreciate that. I will stand for any questions you may have.

Chairman Belter: Any questions?

Donnita Wald: One thing we did want to mention is that you may want to think about the innovation tax credit. It uses some of the same definitions that the current R&D tax credit has and so we do see that there could be some expenses that would qualify for both of these credits right now. There is nothing in the bill that prohibits someone from doing that so that is one of the things we want to clarify. The definition of R&D expenses is in the Internal Revenue Code. Our current R&D code does piggyback on some of those. One of the other questions I think Representative Kelsh had about new and used equipment—we had that question too.

Chairman Belter: Any other question of the Tax Dept?

Representative Winrich: Are you in a position to shed any light on these definitions that are incorporated from the IRS code?

Donnita Wald: No, not at this time. There are a lot of different things under Section 41, it covers a lot of different industries from the pharmaceutical industries to manufacturers such as Bobcat, Microsoft and other companies that are in the state. I can get that for you in you so desire.

Representative Winrich: Is it very voluminous?

Donnita Wald: Yes, it is very voluminous.

Representative Winrich: I was afraid of that. I will think about it.

Representative Pinkerton: Is there some place that there is an overlook of how many dollars are spent on credits for programs going through the Commerce Dept.?

Donnita Wald: Yes, we do have numbers for some of those credits which are administered in conjunction with the Commerce Dept., the ag commodity investment tax credit. We are also doing a study with the Commerce Dept. on other credits we administer, but we do have data on them.

Representative Kelsh: Would you have data on the energy credits too? Is that all one study?

Donnita Wald: We can get that. We keep that information.

Chairman Belter: Any other questions? Any other testimony in support of 1066? Any opposition to 1066? Any opposition to 1066? If not, we will close the hearing on 1066.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1066

House Finance and Taxation Committee

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Committee Clerk Signature

Lou Engelson

Minutes:

Chairman Belter: Let's go to 1066.

John Walstad, Legislative Council: I'm not an advocate for or against this amendment. I'm going to explain hopefully what the amendment does. The amendment is .0202. It's dated January 30th. The first line of the amendment on the second page of the bill just specifies that the manufacturing machinery and equipment that qualifies for this income tax credit can be new or used. On page 4, this is where the more significant changes are made. First of all, on line 27, they are replacing the phrase qualified research expenses with contract research expenses and then putting in a provision that says "If a taxpayer takes the innovation credit, that taxpayer cannot also take a credit for research and development expenses." There is an existing credit available. It's just to make sure that the same credit doesn't apply to the same expenditures. On page 4, line 29, the change is the amendment would make it a 20% credit for contract research expenses and then over at the top of page 5, the second option would be a 25% credit for contract research expenses under contract with a North Dakota research organization.

Chairman Belter: What is a North Dakota-based contract organization?

John Walstad: I'm afraid I don't know. The amendment came to me in an email. In the definitions portion, a change is made. Contract organization. Apparently there is a definition in the internal revenue code of what that means. They are taking out that reference. We're going to take out that definition completely and say "contract research expenses means any amount paid or obligation incurred to a person living or working in North Dakota other than an employee of the taxpayer or a North Dakota research university, for qualified research." A little further down we talk about qualified research expenses and apparently we've got a bum reference there to the internal revenue code subsection and so it's corrected from 41(b) to 41(d).

Rep. Winrich: If we take out the university and put North Dakota research, is the University of North Dakota considered a research facility? Is North Dakota State considered a North Dakota research facility? When I read this, it looks like you are taking it away from the university and going to Fargo.

John Walstad: I'm afraid I don't know.

Rep. Winrich: I believe the University of North Dakota at Grand Forks and North Dakota State University in Fargo are considered the two research universities in the university system.

Rep. Grande: My concern would be using the term Dakota there. Does South Dakota have a research university and then is this going to qualify in South Dakota?

John Walstad: I can't answer that one. The word North is left in so it would still read North Dakota research university.

Rep. Grande: I'd like to move .0202 amendments.

Chairman Belter: We have motion from Rep. Grande to move the .0202 amendments. Is there a second?

Rep. Headland: Second.

Chairman Belter: Second from Rep. Headland. Any discussion? Is the language clear to everybody on page 5, line 5 of the amendments?

Rep. Grande: The amendments will just read "contract means any amount paid or obligation incurred by the taxpayer to any person living or working in North Dakota other than an employee of the taxpayer or a North Dakota research university for qualified research." The rest of that stuff is gone.

John Walstad: The term defined would be contract research expenses.

Rep. Winrich: In the language describing the credits on line 27, page 4 and line 29 we replace the word qualified with contract. It says something about contract research expenses.

John Walstad: Correct.

Rep. Winrich: However on page 5, line 5 we're talking about research expenses meaning any amount paid or obligation incurred by the taxpayer to any person living or working in North Dakota other than an employee of the taxpayer or a North Dakota research university for qualified research. So we're still playing with the term qualified research in one place and contract research in another place. I don't understand the difference.

John Walstad: I'm not sure I do either. What they did was change the reference to contract research expenses. On page 5, line 5 that definition of contract organization, we're leaving the word contract and taking everything else away and then adding the words research expenses so the definition becomes a definition of contract research expenses which is what we've got on page 4. But then they go through the definition of contract research expenses and tell us it's for qualified research.

Chairman Belter: Have we defined qualified research anywhere?

John Walstad: Qualified research expenses are defined in the internal revenue code, page 5, line 10 definition. That definition is being corrected with these amendments.

Donnita Wald: I think the one thing that might need to be done on that is on line 10 you might want remove the word expenses.

Rep. Grande: The amendments do.

Donnita Wald: The credit is 25% of the amount paid to someone who is not employed by the taxpayer who does the research defined under the internal revenue code.

Chairman Belter: Any more discussion on the amendments? We have a motion to accept the amendments .0202 dated January 30, 2009. All those in favor of the proposed amendments signify by saying aye. Opposed? Motion carries. The amendments are adopted.

Rep. Wrangham: I move we **do not pass**.

Rep. Weiler: Second.

Chairman Belter: We have a motion for do not pass from Rep. Wrangham with a second from Rep. Weiler for a do not pass as amended on 1066. Any discussion?

Rep. Weiler: This bill gives three tax credits. One is for the purchase of equipment for turning a manufacturing company over to becoming more automated. And if that's going to benefit them, then that's great. We encourage them to do that. That's one tax credit. The other tax credit is for them to become more lean. In other words get rid of employees. I remember the testimony because we have so many jobs in this state, and some of the manufacturers operate with fewer employees. Then those employees can leave and fill other jobs that we have in the state. It was brought up that the only way that these corporations or manufacturing companies are going to continue to stay competitive into the future is to become more lean. And they want a tax credit to be able to do that. I just can't accept that. And thirdly, it's a tax credit for innovation research, and we were never able to come up with a definition for innovation.

Those are the reasons I oppose the bill.

The clerk read the roll for a do not pass as amended on 1066.

10 yes, 2 no, 1 absent. Rep. Weiler was assigned to carry the bill.

FISCAL NOTE
Requested by Legislative Council
12/08/2008

Bill/Resolution No.: HB 1066

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 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.*

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1066 creates three new income tax credits for primary sector businesses. The credits are available to corporations, pass-through entities and proprietorships that have been certified by the Department of Commerce as primary sector businesses.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 creates an income tax credit for purchases of robotic and other equipment for automating manufacturing processes. Section 3 creates an income tax credit for expenditures relating to implementing lean manufacturing. Section 4 creates an income tax credit for innovation research.

The total corporation income tax paid by manufacturers for tax year 2007 was \$36.527 million. Individuals filing individual income tax returns and listing "manufacturing" as their income source code paid \$11.825 million for tax year 2007. These are provided only as a measure of the likely tax revenue that could be partially offset by the automation and lean manufacturing tax credits. (Businesses taking advantage of the innovation tax credit could come from many different industry sectors). The actual amount of revenue loss that will occur if HB 1066 is enacted is dependent upon the companies that become certified as primary sector, the value of the qualifying expenditures and the tax liability that is offset by the tax credit(s) all of which are unknown. The expected fiscal impact of this bill cannot be determined.

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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a*

continuing appropriation.

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	12/31/2008

YK
2/3/09

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1066

Page 2, line 3, after "means" insert "new or used"

Page 4, line 27, replace "qualified" with "contract" and after the underscored period insert "A taxpayer may not claim a credit under this section for expenses for which the taxpayer claims a credit under section 57-38-30.5."

Page 4, line 29, replace "Twenty-five" with "Twenty", replace "qualified" with "contract", and remove "for conducting"

Page 4, remove line 30

Page 4, line 31, remove "university"

Page 5, line 1, replace "Twenty" with "Twenty-five", replace the first "qualified" with "contract", and replace the second "qualified" with "contract"

Page 5, line 2, replace "in collaboration" with "under contract" and replace "Dakota-based contract" with "Dakota research university"

Page 5, line 3, remove "organization"

Page 5, line 5, replace "organization means contract organization as defined in section" with "research expenses means any amount paid or obligation incurred by the taxpayer to any person living or working in North Dakota, other than an employee of the taxpayer or a North Dakota research university, for qualified research."

Page 5, remove line 6

Page 5, line 10, remove the first "expenses" and remove the second "expenses"

Page 5, line 11, replace the first "41(b)" with "41(d)" and replace the second "41(b)" with "41(d)"

Renumber accordingly

Date: February 3, 2009

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1066

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 90301.0202 January 30, 2009

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Grande Seconded By Headland

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Representative Froelich		
Vice Chairman David Drovda			Representative Kelsh		
Representative Brandenburg			Representative Pinkerton		
Representative Froseth			Representative Schmidt		
Representative Grande			Representative Winrich		
Representative Headland					
Representative Weiler					
Representative Wrangham					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Motion carries.
Amendments adopted.

Date: 2/3/09

Roll Call Vote #: _____

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1066

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☐ Do Pass ☒ Do Not Pass ☒ Amended

Motion Made By Wrangham Seconded By Weiler

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	/		Representative Froelich		
Vice Chairman David Drovdal	/		Representative Kelsh		/
Representative Brandenburg	/		Representative Pinkerton		/
Representative Froseth	/		Representative Schmidt	/	
Representative Grande	/		Representative Winrich	/	
Representative Headland	/				
Representative Weiler	/				
Representative Wrangham	/				

Total (Yes) 10 No 2

Absent 1

Floor Assignment Representative Weiler

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

REPORT OF STANDING COMMITTEE

HB 1066: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (10 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). HB 1066 was placed on the Sixth order on the calendar.

Page 2, line 3, after "means" insert "new or used"

Page 4, line 27, replace "qualified" with "contract" and after the underscored period insert "A taxpayer may not claim a credit under this section for expenses for which the taxpayer claims a credit under section 57-38-30.5."

Page 4, line 29, replace "Twenty-five" with "Twenty", replace "qualified" with "contract", and remove "for conducting"

Page 4, remove line 30

Page 4, line 31, remove "university"

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Page 5, remove line 6

Page 5, line 10, remove the first "expenses" and remove the second "expenses"

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Renumber accordingly

2009 TESTIMONY

HB 1066

Attachment #1
January 7, 2009

H.B. 1066 Support Responses

Letters

Fargo Automation, Inc.

-Kevin Biffert, President

Mid-America Aviation / Roll-A-Ramp / Skeet-R-Gone / Flockbuster

-T.E. Kenville, President and CEO

R& S Casework, Inc.

-Douglas Carney, President

Composite America

-Scott Greelis, President

Northern Grain Equipment, LLC

-Lynn Jalbert, VP of Operations

Afast Robotics, Inc.

-Kevin Biffert, President

Global Electric Motorcars, a Chrysler Company

-Richard Kasper, President and COO

E-Mails

SpaceAge Synthetics, Inc.

-Carolyn Nilles, Director of Finance

Case New Holland

-Erik Olson, Plant Manager

Rommismo Companies

-Dan Kadrmas, President

Precision Equipment MFG, LLC

-Bill Adams, Production Manager

Red River Commodities, Inc. / SunGold Foods

-Bob Majkrzak, President and CEO

Mandan Steel Fabricators, a Rommesmo Company

-Luke Richter, General Manager



January 6, 2009

969 34th Street NW
Fargo, ND 58102

Phone: 701-232-1780
Toll Free: 888-616-0188

Dear Chairman Belter and House Finance and Taxation Committee Members,

Fax: 701-232-1929

On behalf of Fargo Automation Inc., please accept this letter in support of H.B. 1066, establishing tax credits for automating manufacturing processes, implementing lean manufacturing, and innovation.

The primary focus of this legislation is the retention and expansion of North Dakota's existing manufacturing companies. It addresses two distinct and very important issues that threaten the long-term viability of these companies; one, global competitiveness, and two, workforce availability.

Fargo Automation is a manufacturer of automated packaging equipment who provides automation and robotic technologies to other manufacturing companies. With this bill we see a direct and indirect benefit for us. The indirect benefit may lead to an increase in sales volume based on ND manufacturing companies taking advantage of this tax incentive. The direct benefit is based on Fargo Automation purchasing equipment and software to automate portions of our own manufacturing processes. For example, we would implement additional CNC Milling Centers, and purchase new design software to utilize the automated features within the CNCs to alleviate manual milling operations. The implementation of these purchases would help us better utilize our current employees and increase our productivity without increasing our workforce.

Not only is automation a benefit for businesses, as it helps address workforce shortages and global competition, it is also a benefit to workers and to the State of North Dakota. Aside from the obvious benefit of retaining jobs by maintaining competitive, working in an automated environment requires a higher level of skills; highly-skilled positions demand a higher salary for workers; and higher salaries equal higher tax revenues for the State of North Dakota, therefore bolstering the State's economy.

Passing H.B. 1066 would make North Dakota the first state in the country to offer incentives to manufacturers for the purpose of automation, lean principles and innovation. Our state can be a leader in encouraging our businesses to do business in a way that allows them to remain competitive and growing.

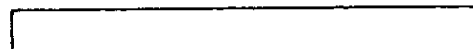
Again, I encourage your support of H.B. 1066.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Biffert". The signature is fluid and cursive, with a large, stylized "K" and "B".

Kevin Biffert
President

Custom-Designed Packaging Integration





January 6, 2009

Wes
Dear Wes Belter and House Finance and Taxation Committee Members:

On behalf of Mid-America Aviation, Inc. (MAA) and its 30 plus employees, please accept this letter in support of H.B. 1066, establishing tax credits for automating manufacturing processes, implementing lean manufacturing and innovation.

The primary focus of this legislation is the retention and expansion of North Dakota's existing manufacturing companies. It addresses two distinct and very important issues that threaten the long-term viability of these companies; one, global competitiveness, and two workforce availability.

MAA just purchased a new Coordinating Measurement Machine (CMM) for approximately \$90,000. We received a sales tax exemption that was much appreciated. As a primary sector business, we have been "lean" for several years. The real issue is efficiency or production per employee. Any assistance from the legislature would accelerate our 100% improvement program toward this goal and employ additional citizens as we bring in more revenue from outside North Dakota.

Not only is automation a benefit for businesses, as it helps address workforce shortages and global competition, it is also a benefit to workers and to the State of North Dakota. Aside from the obvious benefit of retaining jobs by maintaining competitive, working in an automated environment requires a higher level of skills; highly-skilled positions demand a higher salary for workers; and higher salaries equal higher tax revenues for the State of North Dakota, therefore bolstering the State's economy.

I also own Roll-A-Ramp (www.rollaramp.com) and Skeet-R-Gone (www.skeetrgone.com and www.flockbuster.com). Flockbuster will prevent birds from eating sunflowers while they are maturing. These companies also must adhere to "lean" processes and procedures.

Passing H.B. 1066 would make North Dakota the first state in the country to offer incentives to manufacturers for the purpose of automation, lean principles and innovation. Our state can be a leader in encouraging our businesses to do business in a way that allows them to remain competitive and growing.

Again, I encourage your support of H.B. 1066.

Sincerely,


T. E. Kenville
President/CEO

FAA Repair
Station VMDR806L
159 8th Avenue Northwest
West Fargo, North Dakota 58078

Telephone
701 282-7782



Fax
701-282-4041



3362 35th Avenue South • Fargo, ND 58104 • 701.298.0252 • FAX: 701.298.0254 • www.randscasework.com

Craftsmen of High Quality Casework • Millwork • Cabinetry • Countertops

January 5, 2009

Dear Chairman Belter and House Finance and Taxation Committee Members,

On behalf of R&S Casework, Inc. please accept this letter in support of H.B. 1066, establishing tax credits for automating manufacturing processes, implementing lean manufacturing, and innovation.

The primary focus of this legislation is the retention and expansion of North Dakota's existing manufacturing companies. It addresses two distinct and very important issues that threaten the long-term viability of these companies; one, global competitiveness, and two, workforce availability.

Nationwide the architectural woodwork industry is facing severe shortages of skilled craftsmen; North Dakota is certainly no exception. Young people entering the workforce have grown up using computers and playing video games and are much more interested in learning how to operate a CNC machine than a router or table saw. This bill and the tax incentives it will provide should provide us with the incentive to purchase CNC equipment, train and employ someone to run it (maybe keeping a young North Dakotan from leaving the state) and remain competitive.

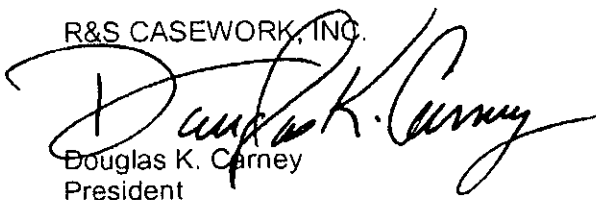
Not only is automation a benefit for businesses, as it helps address workforce shortages and global competition; it is also a benefit to workers and to the State of North Dakota. Aside from the obvious benefit of retaining jobs by maintaining competitive, working in an automated environment requires a higher level of skills; highly-skilled positions demand a higher salary for workers; and higher salaries equal higher tax revenues for the State of North Dakota, therefore bolstering the State's economy.

Passing H.B. 1066 would make North Dakota the first state in the country to offer incentives to manufacturers for the purpose of automation, lean principles and innovation. Our state can be a leader in encouraging our businesses to do business in a way that allows them to remain competitive and growing.

Again, I encourage your support of H.B. 1066.

Sincerely,

R&S CASEWORK, INC.


Douglas K. Carney
President

CC: File





401 27th Street North
PO Box 2844
Fargo, ND 58108
phone: 701-364-2844
fax: 701-364-2846
www.compositeamerica.com

1/5/09

Dear Chairman Belter and House Finance and Taxation Committee Members,

On behalf of Composite America, LLC, please accept this letter in support of H.B. 1066, establishing tax credits for automating manufacturing processes, implementing lean manufacturing, and innovation.

The primary focus of this legislation is the retention and expansion of North Dakota's existing manufacturing companies. It addresses two distinct and very important issues that threaten the long-term viability of these companies; one, global competitiveness, and two, workforce availability.

Not only is automation a benefit for businesses, as it helps address workforce shortages and global competition, it is also a benefit to workers and to the State of North Dakota. Aside from the obvious benefit of retaining jobs by maintaining competitive, working in an automated environment requires a higher level of skills; highly-skilled positions demand a higher salary for workers; and higher salaries equal higher tax revenues for the State of North Dakota, therefore bolstering the State's economy.

Passing H.B. 1066 would make North Dakota the first state in the country to offer incentives to manufacturers for the purpose of automation, lean principles and innovation. Our state can be a leader in encouraging our businesses to do business in a way that allows them to remain competitive and growing.

Again, I encourage your support of H.B. 1066.

Sincerely,

Scott Greelis
President



ISO 9001:2000 CERTIFIED
16037-QMS-1035



One Company - Everything You Need

PH. 888.280.2816 - 701.280.2816
FAX. 701.281.2022

1100 WEST MAIN AVENUE
WEST FARGO, ND 58078

www.northerngrainequipment.com

January, 5, 2009

Dear Chairman Belter and House Finance and Taxation Committee Members,

On behalf of Northern Grain Equipment, LLC please accept this letter in support of H.B. 1066, establishing tax credits for automating manufacturing processes, implementing lean manufacturing, and innovation.

The primary focus of this legislation is the retention and expansion of North Dakota's existing manufacturing companies. It addresses two distinct and very important issues that threaten the long-term viability of these companies; one, global competitiveness, and two, workforce availability.

Northern Grain Equipment definitely can see a need for this lean manufacturing tax credit to be passed due to many reasons. First of all with manufacturing, we see a positive in becoming fully automated in some areas of our business. Over the next five years we are looking at bringing a new division to Fargo which will require several new jobs, but also will require stamping and cutting machines for the steel products required on our dryers. This will require specific, highly trained and compensated personnel. Second, we see that the innovations on our dryer control units (PLC'S) that we have written the software for will make us very competitive against the "me to" products around the world. To implement these innovations requires positive cash flow and any initial tax credits or other programs to get these ideas to the workplace floor would be a great benefit.

Not only is automation a benefit for businesses, as it helps address workforce shortages and global competition, it is also a benefit to workers and to the State of North Dakota. Aside from the obvious benefit of retaining jobs by maintaining competitive working in an automated environment requires a higher level of skills, highly skilled positions demand a higher salary for workers, and higher salaries equal higher tax revenues for the State of North Dakota, therefore bolstering the State's economy.

Passing H.B. 1066 will make Northern Grain and other manufacturers in the community feel that the State is committed to supporting manufacturing and innovation. This will encourage other manufacturers to invest in automation and innovation, which will create more jobs and increase the State's tax revenue.



AFAST ROBOTICS INC.
969 34TH STREET N. FARGO, ND 58102

PHONE 701-237-4077
FAX 701-232-1929

January 6, 2009

Dear Chairman Belter and House Finance and Taxation Committee Members,

On behalf of AFAST Robotics Inc., please accept this letter in support of H.B. 1066, establishing tax credits for automating manufacturing processes, implementing lean manufacturing, and innovation.

The primary focus of this legislation is the retention and expansion of North Dakota's existing manufacturing companies. It addresses two distinct and very important issues that threaten the long-term viability of these companies; one, global competitiveness, and two, workforce availability.

AFAST Robotics Inc. sells industrial robots used for automating manufacturing processes. Currently our robots are being sold through electrical distributors, such as Border States Electric. With this bill we see a potential increase in sales volume based on ND manufacturing companies taking advantage of this tax incentive. AFAST Robotics would also benefit from the automation incentive portion of this bill that would provide tax incentives for us to automate our own manufacturing processes. Currently AFAST Robotics out-sources its machining needs and to be cost effective in our market-place we would like to be able to bring these processes in-house.

Not only is automation a benefit for businesses, as it helps address workforce shortages and global competition, it is also a benefit to workers and to the State of North Dakota. Aside from the obvious benefit of retaining jobs by maintaining competitive, working in an automated environment requires a higher level of skills; highly-skilled positions demand a higher salary for workers; and higher salaries equal higher tax revenues for the State of North Dakota, therefore bolstering the State's economy.

Passing H.B. 1066 would make North Dakota the first state in the country to offer incentives to manufacturers for the purpose of automation, lean principles and innovation. Our state can be a leader in encouraging our businesses to do business in a way that allows them to remain competitive and growing.

Again, I encourage your support of H.B. 1066.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Biffert", written over a horizontal line.

Kevin Biffert
President

Global Electric Motorcars
1301 39th Street N. Suite 2
Fargo, ND 58102



Global Electric Motorcars

A Chrysler Company
ISO Registered 9001:2000

Local: 701.232.2500
Toll Free: 888.871.4367
Fax: 701.446.0104

January 6, 2009

Dear Chairman Belter and House Finance and Taxation Committee Members,

On behalf of Global Electric Motorcars, LLC, please accept this letter in support of H.B. 1066, establishing tax credits for automating manufacturing processes, implementing lean manufacturing, and innovation.

The primary focus of this legislation is the retention and expansion of North Dakota's existing manufacturing companies. It addresses two distinct and very important issues that threaten the long-term viability of these companies; one, global competitiveness, and two, workforce availability.

Such tax incentives will further assist in the development of the mutually beneficial opportunities for many North Dakota businesses (like Global Electric Motorcars and our suppliers) to remain competitive, grow manufacturing, and fill the workforce shortage issue in North Dakota.

Not only is automation a benefit for businesses, as it helps address workforce shortages and global competition; it is also a benefit to workers and to the State of North Dakota. Aside from the obvious benefit of retaining jobs by remaining competitive, working in an automated environment requires a higher level of skills; highly-skilled positions demand a higher salary for workers; and higher salaries equal higher tax revenues for the State of North Dakota, therefore bolstering the State's economy.

Passing H.B. 1066 would make North Dakota the first state in the country to offer incentives to manufacturers for the purpose of automation, lean principles and innovation. Our state can be a leader in encouraging our businesses to do business in a way that allows them to remain competitive and growing.

Again, I encourage your support of H.B. 1066.

Sincerely,

Richard J. Kasper,
President and COO



www.gemcar.com



GIANT
SNACKS

GIANT Snacks, Inc.

1/6/09

Dear Chairman Belter and House Finance and Taxation Committee Members,

On behalf of Giant Snacks Inc., please accept this letter in support of H.B. 1066, establishing tax credits for automating manufacturing processes, implementing lean manufacturing, and innovation.

The primary focus of this legislation is the retention and expansion of North Dakota's existing manufacturing companies. It addresses two distinct and very important issues that threaten the long-term viability of these companies; one, global competitiveness, and two, workforce availability.

To be competitive with other large multi-nationals it is imperative to automate and be as efficient as possible to compete. This increases our wages and allows us to be more competitive. This bill would spur companies such as ours to continue building "better" jobs in ND.

Not only is automation a benefit for businesses, as it helps address workforce shortages and global competition, it is also a benefit to workers and to the State of North Dakota. Aside from the obvious benefit of retaining jobs by maintaining competitive, working in an automated environment requires a higher level of skills; highly-skilled positions demand a higher salary for workers; and higher salaries equal higher tax revenues for the State of North Dakota, therefore bolstering the State's economy.

Passing H.B. 1066 would make North Dakota the first state in the country to offer incentives to manufacturers for the purpose of automation, lean principles and innovation. Our state can be a leader in encouraging our businesses to do business in a way that allows them to remain competitive and growing.

Again, I encourage your support of H.B. 1066.

Sincerely,

Jay Schuler
President

Justin Pearson

From: Carolyn Nilles [cnilles@spaceagesynthetics.com]
Sent: Tuesday, January 06, 2009 8:57 AM
To: Justin Pearson
Subject: RE: Manufacturing Tax Credits- ND Legislature

Thank you for this information.
You may add SpaceAge Synthetics, Inc. on the list of one of your supporters.

Carolyn Nilles
Director of Finance
SpaceAge Synthetics, Inc.
701-277-5631 ext 15
FAX 701-277-5689
cnilles@spaceagesynthetics.com

From: Justin Pearson [mailto:jpearson@gfmedc.com]
Sent: Monday, January 05, 2009 2:34 PM
To: Justin Pearson; Brian Walters; Mary Batcheller
Subject: Manufacturing Tax Credits- ND Legislature

Greetings,

This is a follow-up to the email that Brian Walters, GFMEDC President, and I sent to you on Friday regarding testimony on manufacturing tax credits for the N.D. Legislature (see attached email). We have had a few people respond asking how they can show support for House Bill 1066. If you are unable to travel to Bismarck to give a testimony and would prefer showing support through a letter, that would be great. We have drafted a template that you can use to help give written support of the bill. If you would like the draft emailed to you, please reply and I will send it out. If you would just like your name and company added to the list of supporters, you can email me your info as well.

I apologize, but because of the short notice, we would need to have all info and support letters from you by Tuesday (6th) afternoon. If there are any questions you may have, please do not hesitate to contact us.

Best Regards,

Justin Pearson
V.P. Business Retention/Expansion
Greater Fargo Moorhead EDC
701.364.1918 office
701.799.1248 cell
701.293.7819 fax
www.gfmedc.com

Justin Pearson

From: Dan Kadrmas [Dkadrmas@rommesmo.com]
Sent: Monday, January 05, 2009 6:28 PM
To: Justin Pearson
Cc: Ole Rommesmo; Pete Silbernagel; Bryan Zingraf; Brad Odegard; Luke Richter
Subject: RE: Manufacturing Tax Credits- ND Legislature

Justin,

If you prefer to have a separate letter, send me a draft. If a simple endorsement is sufficient, please add my name to the endorsement. I am forwarding a copy to Ole Rommesmo, owner/CEO Rommesmo Companies, Pete Silbernagel, President, Johnston Fargo Culvert, Brad Odegard, President, Minnkota Windows, Bryan Zingraf, General Manager, Fargo Tank & Steel Company and Luke Richter, General Manager, Mandan Steel Fabricators. All of these individuals from our North Dakota related companies support this measure. I am asking they respond to you via e-mail authorization inclusion of their names.

Please let me know if you have any questions.

Sincerely,

Dan Kadrmas, President
 Rommesmo Companies

From: Justin Pearson [mailto:jpearson@gfmedc.com]
Sent: Monday, January 05, 2009 2:34 PM
To: Justin Pearson; Brian Walters; Mary Batcheller
Subject: Manufacturing Tax Credits- ND Legislature

Greetings,

This is a follow-up to the email that Brian Walters, GFMEDC President, and I sent to you on Friday regarding testimony on manufacturing tax credits for the N.D. Legislature (see attached email). We have had a few people respond asking how they can show support for House Bill 1066. If you are unable to travel to Bismarck to give a testimony and would prefer showing support through a letter, that would be great. We have drafted a template that you can use to help give written support of the bill. If you would like the draft emailed to you, please reply and I will send it out. If you would just like your name and company added to the list of supporters, you can email me your info as well.

I apologize, but because of the short notice, we would need to have all info and support letters from you by Tuesday (6th) afternoon. If there are any questions you may have, please do not hesitate to contact us.

Best Regards,

Justin Pearson
V.P. Business Retention/Expansion
Greater Fargo Moorhead EDC
 701.364.1918 office
 701.799.1248 cell
 701.293.7819 fax
www.gfmedc.com

Justin Pearson

From: OLSON Erik A (Fargo Plt Mgr) [Erik.OLSON@cnh.com]
Sent: Tuesday, January 06, 2009 8:27 AM
To: Justin Pearson; Brian Walters; Mary Batcheller
Cc: DAHL Corey
Subject: RE: Manufacturing Tax Credits- ND Legislature

Add our name to the list please

From: Justin Pearson [mailto:jpearson@gfmedc.com]
Sent: Monday, January 05, 2009 4:38 PM
To: OLSON Erik A (Fargo Plt Mgr); Brian Walters; Mary Batcheller
Cc: DAHL Corey
Subject: RE: Manufacturing Tax Credits- ND Legislature

Erik,

Thank you for your support. Attached is the letter template. Brian will also be testifying on behalf of the area manufacturing companies. We would appreciate your approval to add CNH to that list of supporters. Please let me know if you have any questions or comments.

Best Regards,

Justin Pearson
V.P. Business Retention/Expansion
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From: OLSON Erik A (Fargo Plt Mgr) [mailto:Erik.OLSON@cnh.com]
Sent: Monday, January 05, 2009 4:39 PM
To: Justin Pearson; Brian Walters; Mary Batcheller
Cc: DAHL Corey
Subject: RE: Manufacturing Tax Credits- ND Legislature

Email me both, doubt that I will be able to attend in Bismarck

From: Justin Pearson [mailto:jpearson@gfmedc.com]
Sent: Monday, January 05, 2009 2:34 PM
To: Justin Pearson; Brian Walters; Mary Batcheller
Subject: Manufacturing Tax Credits- ND Legislature

Greetings,

This is a follow-up to the email that Brian Walters, GFMEDC President, and I sent to you on Friday regarding testimony on manufacturing tax credits for the N.D. Legislature (see attached email). We have had a few people respond asking how they can show support for House Bill 1066. If you are unable to travel to Bismarck to give a testimony and would prefer showing support through a letter, that would be great. We have drafted a template that you can use to help give written support of the bill. If you would like the draft emailed to you, please reply and I will send it out. If you would just like your name and company added to the list of supporters, you can email me your info as well.

Justin Pearson

From: Bill Adams [bill@precisionequipmfg.com]
Sent: Monday, January 05, 2009 4:32 PM
To: Justin Pearson
Subject: RE: Manufacturing Tax Credits- ND Legislature

Justin, Got your e-mail add me to the list, Bill Adams, Precision Equipment MFG LLC #ph (701) 237 5161 2719
40th av n Fargo N Dak 58102. Tks Bill

From: Justin Pearson [mailto:jpearson@gfmedc.com]
Sent: Monday, January 05, 2009 2:34 PM
To: Justin Pearson; Brian Walters; Mary Batcheller
Subject: Manufacturing Tax Credits- ND Legislature

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This is a follow-up to the email that Brian Walters, GFMEDC President, and I sent to you on Friday regarding testimony on manufacturing tax credits for the N.D. Legislature (see attached email). We have had a few people respond asking how they can show support for House Bill 1066. If you are unable to travel to Bismarck to give a testimony and would prefer showing support through a letter, that would be great. We have drafted a template that you can use to help give written support of the bill. If you would like the draft emailed to you, please reply and I will send it out. If you would just like your name and company added to the list of supporters, you can email me your info as well.

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Justin Pearson

From: Bob Majkrzak [bobm@redriv.com]
Sent: Monday, January 05, 2009 3:20 PM
To: Justin Pearson
Subject: RE: Manufacturing Tax Credits- ND Legislature

Justin,
 Please add my name, Red River Commodities, Inc. and SunGold Foods as supporters of this bill.

Although, I can not be there to give direct testimony, I feel the letter and information given by GFMEDC is clear and responds directly to issues that are hitting us everyday. As a manufacturer and processor of Agricultural products we compete in the world marketplace. Sometimes the playing field is just not fair between a US company and those from other countries making price the only reason customers choose not to do business with us. Low cost production along with quality products will always win in the marketplace. The clear direction for the future is Automation and advancing technologies. This helps to create and maintain jobs that are much more desirable within the state. I would rather employ 3 people on a line who are automation operators compared to 5 who are laborers. Finally, the 5 laborers would be lost to unemployment as the company becomes non-competitive.

I support the change in mentality from job creation (just to get numbers) to job enhancement, while focusing on improved competitiveness of current businesses.

We have a chance in North Dakota to lead the nation in building the better business economy, let's get it done!

Best regards,

Bob Majkrzak
 President and CEO
 Red River Commodities
 SunGold Foods

From: Justin Pearson [mailto:jpearson@gfmedc.com]
Sent: Monday, January 05, 2009 2:34 PM
To: Justin Pearson; Brian Walters; Mary Batcheller
Subject: Manufacturing Tax Credits- ND Legislature

Greetings,

This is a follow-up to the email that Brian Walters, GFMEDC President, and I sent to you on Friday regarding testimony on manufacturing tax credits for the N.D. Legislature (see attached email). We have had a few people respond asking how they can show support for House Bill 1066. If you are unable to travel to Bismarck to give a testimony and would prefer showing support through a letter, that would be great. We have drafted a template that you can use to help give written support of the bill. If you would like the draft emailed to you, please reply and I will send it out. If you would just like your name and company added to the list of supporters, you can email me your info as well.

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Best Regards,

Justin Pearson
V.P. Business Retention/Expansion
 Greater Fargo Moorhead EDC
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www.gfmedc.com

Justin Pearson

From: Luke Richter [lrichter@mandansteel.com]
Sent: Tuesday, January 06, 2009 2:43 PM
To: Luke Richter; Justin Pearson
Subject: RE: Manufacturing Tax Credits- ND Legislature

Justin,
I support this bill. Please keep me abreast of the status.

Respectfully,

Luke Richter
Mandan Steel Fabricators
General Manager
Western Operations, Structural Steel
(701)214-9771
lrichter@rommesmo.com

From: Justin Pearson [mailto:jpearson@gfmedc.com]
Sent: Tuesday, January 06, 2009 8:04 AM
To: Dan Kadrmas
Cc: Ole Rommesmo; Pete Silbernagel; Bryan Zingraf; Brad Odegard; Luke Richter
Subject: RE: Manufacturing Tax Credits- ND Legislature

Dan,

Thank you and everyone within the Rommesmo organization for the support. Attached is a copy of the draft letter. If you prefer, I will take each email that I receive supporting this measure to Bismarck with us in lieu of a written letter.

I will be sure to follow up with everyone in the near future.

Best Regards,

Justin Pearson
V.P. Business Retention/Expansion
Greater Fargo Moorhead EDC
701.364.1918 office
701.799.1248 cell
701.293.7819 fax
www.gfmedc.com

From: Dan Kadrmas [mailto:DKadrmas@rommesmo.com]
Sent: Monday, January 05, 2009 6:28 PM
To: Justin Pearson
Cc: Ole Rommesmo; Pete Silbernagel; Bryan Zingraf; Brad Odegard; Luke Richter
Subject: RE: Manufacturing Tax Credits- ND Legislature

Justin,

If you prefer to have a separate letter, send me a draft. If a simple endorsement is sufficient, please add my name to the endorsement. I am forwarding a copy to Ole Rommesmo, owner/CEO Rommesmo Companies, Pete