

2009 HOUSE FINANCE AND TAXATION

HB 1085

2009 HOUSE STANDING COMMITTEE MINUTES

#Bill/Resolution No. HB 1085

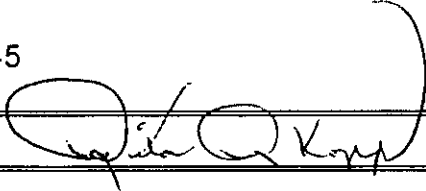
House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 7, 2009

Recorder Job Number: 6645

Committee Clerk Signature



Minutes:

Cory Fong, State Tax Commissioner, introduced the bill. (Testimony #1 attached.) The other person who will testify today is **Larry Anderson, Workforce Development out of the Commerce Dept.** We worked very closely with them the last time to develop this and I would be glad to answer any questions.

Chairman Belter: How much has been taken in tax credits for the internship program?

Cory Fong: Mr. Chairman, I do not have that with me, but I can get that to you. That's something that I had anticipated and I am sorry I was unable to prepare it for you today.

Chairman Belter: If you are going to get that information, I think it would be valuable to get numerous tax credits that we are offering to businesses and, if possible, I would like a list of the amount of tax credits that have been received by businesses in recent years, as well as the total corporate income tax collected. Mr. Weiler, is there anything more we might want in that area?

Representative Weiler: Mr. Chairman, did you ask for a list of all the tax credits and incentives and the amount that has been given? I just heard you ask for the amount that was in relation to the different credits.

Chairman Belter : Yes, I would a list, if possible, of the credits, the amount of tax credit taken for each one of those, as well as the total amount of corporate income tax.

Commissioner Fong: We have anticipated that this would be a question and we have developed some resources already. We will have to refine them for this purpose because we will add the amounts taken, but we have some things we will be able to pull together quickly for the committee. I assume they will encompass the internship tax credit so we won't spell that out separately if that is agreeable to you, Mr. Chairman.

Chairman Belter: I appreciate that.

Representative Froelich: Can we get a timeframe—a look back of one, two, three or five years?

Representative Weiler: I don't see a fiscal note on this. Is that available?

Commissioner Fong: Actually a fiscal note has been generated. Our analysis is that because we are not certain of how many employers may take advantage of both internship credits, the apprenticeship piece of it would be an expansion and cannot be determined at this point. It might be helpful for you, Representative Weiler, to hear from **Mr. Anderson** and also to take a look at the testimony provided by **Mr. Dutton from the Dept. of Labor (Testimony #2 attached)** as to the number of apprenticeships out there. However, keep in mind that that particular program has a lifetime cap of \$3,000 per employer taking advantage of it. Energy businesses right now are the ones using apprentices quite a bit. They would be tapped out at \$3,000 for the lifetime of the program so that would certainly have a limiting factor on this fiscal note; but at this point, because they are new credits, we do not have a number code.

Representative Grande: The definition on what the apprenticeship would be doing talks about a 16 year old and requiring a minimum of 2,000 hours of on-the-job work experience. A

16 year old going to school full time can't probably put in more than 10 to 15 hours. What's the timeframe that we are dealing with?

Commissioner Fong: I wish that Larry could be here to talk about how apprenticeships work. They do take some time. Maybe Larry can visit with you more about how that stands because obviously a 16 year old couldn't be putting that much time in at work. The goal obviously is to be a transition from a learning experience, in this case, an on- the-job learning experience into the workplace. I think with many of those where they have workers starting at a young age that it takes quite a length of time. I will defer to Larry to address that.

Representative Pinkerton: On page 1, Item b, Line 19 states that " The Internship must be taken for academic credit or for the completion of a vocational technical education program." Say they were in a nursing or a position where they are trying to learn those programs and they go to work for a clinic. That wouldn't count. They might meet all the other requirements, but unless the university had a program that was specifically set up for internships, that would not be applicable, would it?.

Commissioner Fong: That's why there are many apprenticeship programs with clinics, for example, and Mr. Anderson can speak to that. That's what we are trying to do. We are trying to expand it to include programs like apprenticeships with on-the job training, providing they meet all the other requirements for the program.

Representative Pinkerton: Maybe I am having trouble with definitions. I am thinking of internships like becoming a physician or a nurse and apprenticeships like more in the trades.

Commissioner Fong: Yes, I don't think those would qualify based on the current definitions. Our definitions of apprenticeship came from the Dept. of Labor so I think someone in that situation would not qualify unless it is identified as an actual internship under the current program where that is part of their academic training or complete as a part of a technical

education program. If it doesn't meet those requirements or fall within those two parts of the program, I would say it doesn't qualify, but I can do some more follow up for you.

Representative Drovdal: Is there a time limit for being an apprentice or an intern? I know some plumbers and electricians are apprentices for several years. Is there an actual amount of time? Is this a nonrefundable tax credit? You mentioned something about \$3,000 maximum credit.

Commissioner Fong: I think on your first question about the timeline,, I will defer to Mr. Anderson. There might be a need to cap that length of time and consider that for an amendment. As far as refundable, it is not refundable. The last question you asked is actually better than the current language of the law. Page 2, lines 19 and 20 state that "A taxpayer may not receive more than \$3,000". That is in current law...we didn't need to change that or add that because we are just bootstrapping the apprenticeship piece into existing law. I would also like to introduce **Donnita Wald, General Counsel**, who is here in case there are other questions.

Chairman Belter: Any other questions? Thank you, Commissioner.

Larry Anderson, Talent Coordinator, ND Department of Commerce, Workforce Development Division, I am here today in support of HB 1085. (**Testimony #3 attached.**) I will be happy to answer questions and try to recall the questions that the commissioner deferred to me. Representative Grande had a question.

Representative Grande: What kind of time frames do we have for apprenticeships?

Larry Anderson: Technically to become a skilled or journeyed electrician, plumber, pipe fitter, welder, the apprenticeshipable period is four years. A formally recognized apprenticeship requires a certain amount of on-the-job training experience, coupled with some academic credit that supports the academic learning necessary to be a successful plumber, pipefitter,

welder, etc. The typical timeframe is four years to become a recognized journey apprentice in a particular discipline. I believe, Mr. Chairman, that there was a question from Representative Kelch about whether nursing was a formally recognized apprenticeshipable occupation. The difference is in the nursing versus the apprenticeship is that you must obtain the educational credentials, but it doesn't prohibit that occupation from being apprenticeshipable under the US Dept. of Labor. Mr. Chairman, those are the questions I have a recollection of.

Representative Winrich: Thank you, Mr. Chairman. Mr. Anderson, in the written testimony from Mr. Dutton, he says that currently in the State of ND, there are over 850 apprentices in 72 programs in 47 different occupations. Do you anticipate that this program, if passed into law, would expand that number? It seems like we already have pretty good programs going in the state.

Larry Anderson: Representative Winrich, we do anticipate that this tax credit, as the commissioner has pointed out, would expand the number of young people entering into the skilled trades and technical occupations. We would expect to use the tax credit program for that very purpose because of the demands, for example, in the energy industry and the natural gas industry in our state. We have a documented need for those skilled trade workers, i.e. electricians, plumbers, pipefitters, welders, operating engineers, millwrights in order to expand our energy economy, for example.

Representative Pinkerton: Do you feel qualified to briefly compare our intern program with Minnesota's?

Larry Anderson: I don't claim to be an authority, but I do know that Minnesota has a much more robust apprenticeshipable or entry of young people into the skilled trades area. In fact, many of the apprentices in ND go off to educational training opportunities in northeast/northwest MN.

Representative Pinkerton: You are saying that MN seems to have a much more robust internship program than ND?

Larry Anderson: They have more young people who enter into the apprenticeshipable occupations. I am not speaking of their internship programs. I am referring specifically to the apprentices in MN that enter into the skilled trade occupations.

Chairman Belter: Any other questions? Thank you. Any other testimony in support of 1085? Any neutral testimony on 1085? Any opposition to 1085? If not, we will close the hearing on HB1085.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1085**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: February 3, 2009

Recorder Job Number: 8504

Committee Clerk Signature

Minutes:

Chairman Belter: Let's look at 1085. This bill adds apprenticeships into workforce recruitment.

Representative Wrangham: I can't remember the difference between internships and apprenticeships.

Representative Grande: Apprenticeship is a skilled labor job.

Representative Winrich: I move a "do pass".

Chairman Belter: I have a motion for a "do pass" from Representative Winrich and a second from Representative Kelsh. Is there any discussion?

Representative Pinkerton: I think this bill will need some work before it can be used. It has some advantages, but I just don't know if is workable in this form.

Representative Winrich: I am sorry, but I couldn't hear Representative Pinkerton's comments.

Representative Pinkerton: I just said I think the bill needs some work. Specifically, in line 19, the internship must be taken for academic credit or count toward the completion of a vocational technical education program. I find that confusing.

Representative Winrich: That is current law.

Representative Pinkerton: I don't particularly understand. It was current law and now they have added apprenticeship to that. It would seem like if you were an apprentice electrician that you would not be taking academic credit to count for completion of vocational technical education program. I don't understand how those two mesh.

Representative Winrich: An internship, which is like a professional training period and is usually supervised through the university or vocational technical program, must count for academic credit. The qualifications for the apprenticeship program are different and are detailed at the top of page 2. Those are the typical qualifications in a skilled trade.

Chairman Belter: So an apprenticeship program would have to be associated with a school.

Representative Froseth: I think it has to be a program approved by a school.

Representative Winrich: My understanding is that typically in the skilled trades they have various license qualifications, i.e. a journeyman plumber or a master plumber regulated by law or some licensing board. There are also specifications of what an apprenticeship is under those trades. Those, I believe have the force of law although there may very well be administrative regulations governing those professions.

Donnita Wald, Legal Counsel for the Tax Department: I agree with everything that Representative Winrich said. Last session we passed the bill for the internships, which requires participation in an institution of higher ed (page 1, line 16-22), has to be in a major field of study, could be academic credit or count toward completion of a vocational tech program. The apprenticeship program is language received from the Department of Labor. Those are your skilled journeymen, your plumbers, your electricians; you don't necessarily have to go to college to do those, but you do have extensive on-the-job training. Under this program, the apprenticeship must be registered with the Department of Labor. They also have some requirements. These are two separate things. We are adding just the apprenticeship

program. Jonathan, our intern, could possibly qualify for this program as he has a college education, but that is something that would be a little bit closer.

Vice Chairman Drovdal: I am going to oppose the "do pass". We have jobs for them; we don't need to give credits to employers to hire them because we can't find the people to work in those jobs. I think we need to figure out how to get people to take electrician's courses and spend their money that way.

Representative Froseth: Does the Tax Department know how many people took advantage of the internship program this past biennium?

Donnita Wald: Because last year was the first year of the credit, we don't have those tax returns in yet so we can't give you a hard number. I don't think it has been used much.

Representative Grande: Page 2, line 13 I have an issue with. There are no checks and balances on this. I don't like the way it is written. I think I agree with Representative Drovdal. I just can't see why we have a tax credit for the apprenticeship program.

Representative Headland: Looking through some of the testimony, a gentleman named Phil Dutton, who was the state director in the US Department of Labor Office of Apprenticeship stated that in the state we currently have 850 apprentices. I guess the question would be, what are they expecting to gain as far as numbers? It seems to me that 850 would be a successful program without the tax credit.

Chairman Belter: I am going to vote against the bill because it defeats the purpose of the bill. It is a whole new arena in a way. When you talk about an internship, it is tied to an educational institution, where the apprenticeship isn't. I'm not going to support that new concept.

Representative Wrangham: I think I am inclined to vote to pass the bill. If I substitute internship with the word "lawyer" and the word apprentice with the word "electrician", and if the purpose of this bill is to entice more people to get their education and get those jobs and skills,

I think we need more electricians more than we need more lawyers. As far as professional people, we graduate more people from universities than we can hire in the state. (inaudible).

Representative Headland: These 850 apprentices in the 72 programs with the 47 different occupations, are all those employers going to be eligible for the credit equal to 10% of their (inaudible).

Donnita Wald: Currently the credit is capped at \$3,000 per employer forever.

Representative Schmidt: I never heard of anybody on the committee opposing something that didn't cost anything. I am going to vote yes.

Representative Weiler: I couldn't agree more with Representative Drovdal. We don't have enough people in the state to fill the jobs we have. Now we are going to give tax credit to an employer to hire someone. They are already trying to hire people so why are we going to give them a tax break to hire someone?

Representative Winrich: I am very much aware we need electricians and plumbers very much in our workforce, but what we need are already licensed electricians and plumbers, journeymen if you wish. An apprentice has to work under the direct supervision of a journeyman. This would encourage those companies that do that work to take on an apprentice and train more of the kind of people we need.

Chairman Belter: We have a motion for a "do pass" on HB 1085. A roll call vote resulted in 5 yeas, 8 nays, and 0 absent/not voting. I have a motion for a "do not pass" on HB 1085 from Representative Drovdal and a second from Representative Brandenburg. A roll call vote resulted in 8 yeas, 5 nays, 0 absent/not voting. Representative Weiler will carry the bill.

FISCAL NOTE
Requested by Legislative Council
12/22/2008

Bill/Resolution No.: HB 1085

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).*

Section 1 of HB 1085 expands the existing internship employment income tax credit to include apprenticeships. Section 2 of HB 1085 eases the requirements for "extraordinary recruitment methods" necessary for the existing workforce recruitment income tax credit.

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.*

The number of income taxpayers that might take advantage of the apprenticeship employment tax credit or that might be affected by the change to the workforce recruitment credit 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:	01/05/2009

Date: February 3, 2009

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1085

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 Winrich Seconded By Kelsh

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) 5 No 8

Absent 0

Floor Assignment _____

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

Date: February 13, 2009

Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1085

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 Drovdal Seconded By Brandenburg

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) 8 No 5

Absent 0

Floor Assignment Representative Weiler

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

REPORT OF STANDING COMMITTEE

HB 1085: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (8 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1085 was placed on the Eleventh order on the calendar.

2009 TESTIMONY

HB 1085



STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER

Cory Fong, Commissioner

Testimony # 1

**TESTIMONY BEFORE THE
HOUSE FINANCE AND TAXATION COMMITTEE
Representative Wes Belter, Chairman
Testimony from Tax Commissioner Cory Fong Re: House Bill 1085
January 7, 2009**

Chairman Belter and Members of the House Finance and Taxation Committee, I am here today in support of House Bill (HB) 1085.

Last session, on the heels of the Business Congress and its efforts to address North Dakota's emerging workforce development challenges, I came to the Legislature advocating for the creation of two separate tax credits to help address our state's workforce needs.

The goals of the two credits were simple and straightforward.

1. Retain more of our college graduates by encouraging businesses to develop meaningful internships, thereby creating a bridge from a positive higher education experience directly into a positive work place experience; and
2. Provide assistance to our businesses struggling to fill positions by offering them tools to expand and target their workforce recruitment efforts.

The 2007 Legislature agreed, and the Internship Employment and Workforce Recruitment Credits were established.

Since the 2007 Legislative Session I have heard from businesses who have expressed their appreciation for these two programs. However, some of those businesses have told me the programs need to be more user-friendly, too. Businesses have suggested that the Internship Employment Credit should include apprenticeships, which serve as vehicles to filling critical vacancies in the skilled labor market. And, employers have also told me that the Workforce Recruitment Credit is too restrictive and the requirements are difficult to meet.

SECTION 1 – Internship Employment Tax Credit. Section 1 of HB 1085 incorporates apprenticeships into the existing law. Given our need for skilled labor in a number of skilled and technical industries across the state, like the energy industry, I am advocating that the Internship Employment Credit be expanded to include apprenticeships.

Highlights of the existing program are:

- The credit is available to all businesses and is equal to 10% of the stipend or salary paid to no more than five interns employed by the taxpayer at the same time.
- The internship position must be located in North Dakota.
- The intern must be a student enrolled in:
 - an institution of higher education; or
 - a vocational technical education program.

- The work performed by the intern must be related to the intern's field of study in the university or technical education school and must be taken for academic credit or count toward completion of the vocational educational program.
- The maximum that can be claimed by an employer for all tax years is \$3,000.

My proposed changes are based on definitions and requirements that are used by the United States Department of Labor for that agency's apprenticeship program and are:

- The apprentice must be at least sixteen years of age, except when a higher minimum age standard is otherwise fixed by law, to learn a skilled trade.
- The apprenticeship must be in a skilled trade that possesses all of the following characteristics:
 - It is customarily learned in a practical way through a structured systematic program of on-the-job supervised training, which is clearly identified and commonly recognized throughout the industry;
 - It involves manual, mechanical, or technical skills and knowledge which require a minimum of two thousand hours of on-the-job work experience; and
 - It requires related instruction to supplement the on-the-job training.
- The apprentice must be supervised and evaluated by the taxpayer.
- The apprenticeship must be located in the state.
- The apprenticeship program must be registered with the United States Department of Labor.

SECTION 2 - The Workforce Recruitment Tax Credit. Section 2 of HB 1085 will allow more employers to take advantage of the Workforce Recruitment Credit through the removal of the requirement that an employer use all of the extraordinary recruitment methods in order to be eligible for the credit.

Highlights of the existing program are:

- The credit is available to all businesses and is equal to 5% of the first 12 months salary paid to an individual placed in a "hard-to-fill" position.
- The salary for the hard-to-fill position must meet or exceed 125% of the state average wage published by Job Service North Dakota.
 - The most current average annual wage according to Job Service North Dakota is \$33,086 for 2007 - 125% of that would be \$41,358
- To qualify for this credit, the employer must use all of the following extraordinary recruitment methods for the hard-to-fill position:
 - Hire a recruiting firm;
 - Place advertisements in professional trade journals or magazines whose main emphasis is providing information to a particular trade or profession;
 - Advertise on a web-site that charges a fee to provide recruiting services, such as Monster.com; and
 - Pay a signing bonus, moving expense or other non-typical fringe benefit.

My proposed changes will allow an employer to take advantage of the credit by using one or more of the extraordinary recruitment methods, thereby making the program more accessible and user-friendly.

Having a growing economy that is creating good paying jobs is a great challenge to have in our state. HB 1085 expands the tools already available to our state's businesses to assist them in meeting those challenges in the future.

Thank you for your consideration and I ask that HB 1085 be given a do pass recommendation.



Testimony # 2
Bill 1085
January 7, 2009

January 6, 2009

William B. Dutton
ND State Director
U. S. Department of Labor
Office of Apprenticeship

Finance and Taxation Committee

RE: House Bill NO. 1085

Distinguished Chairperson and Committee members:

I would first offer my apologies for not being able to deliver this message in person. My office has partnered with North Dakota State College of Science to provide Associate of Arts degrees to businesses that operate Registered Apprenticeship programs within our state; so we will be conducting a press conference today to make this announcement, so once again I apologize for being absent from the hearing. If members of the committee have questions for me or about Registered Apprenticeship please contact my office and I will be happy to answer your questions.

Currently in the state of ND there are over 850 apprentices in 72 programs with 47 different occupations. NDSCS was quick to realize that apprenticeship combines OJL (on the job learning) with structured RTI (related training and instruction) their organization was able to offer high quality training to augment numerous occupations that are currently operating in the state.

In apprenticeship, industry sets the standards for training while the educational providers develop curriculum to augment the hands on learning. This most certainly is a way to generate revenue and to increase enrollment. In the past social attitudes prevented students, parents and educators for identifying apprenticeship education as a viable career path. Although this is no longer the case, they viewed the trades as less desirable and attempted to misdirect the youth into other studies, thus reducing the numbers of apprentices entering the system. Trades were also viewed as "low-paying" when today's research clearly shows that the skilled trades earn an above the average income that rivals

many accredited professions. This attitude in part has created some of the problems we face today.

In today's economic times we have a chronic shortage of skilled tradespersons, and this will continue without abatement if we continue to use the same old "tools". We seem to be using the same old pair of pliers to fix everything; while we have a brand new "Craftsman" tool box just sitting in the corner; full of better tools that fit the job we are trying to complete. We complain about our youth leaving the state and not having any high paying jobs, we complain about the out migration of workers (our tax base). These losses occur primarily because North Dakota businesses are unable to attract, train and / or retain skilled trades persons. We are not sustaining our position and unless we create an environment that provides training for North Dakotas youth in sufficient numbers so as to have an impact on the problem, we will continue to fall behind. It will take many years to reach a balance against the current demand but these objectives are reasonable and achievable with the correct stimulus.

The majority of employers participating in formal apprenticeship training are small to medium sized companies with 10 to 60 employees, who contribute throughout their education through income taxes, and do not rely on financial assistance to complete this form of post-secondary education. Estimated costs to train a Tool and Die apprentice over a four year period (8000) hours are approximately \$125k. This places real economic pressures on the small and medium sized companies' carrying out the majority of apprenticeship training across the state. Currently there are no vehicles available to any company that trains apprentices to recover these training expenses.

Rumors of tax credits for Registered Apprenticeship programs at the National Level have been mentioned to assist businesses during present economic times. At this time approximately 10 states already have Tax credits for apprenticeship in place; some of the states being: Virginia, Michigan, Arkansas, Rhode Island, and Wisconsin.

By providing Tax Credits for Registered Apprenticeship programs our state would be providing an effective, long term, income generating, effective stimulus that falls in line with the Governors Talent Initiative. The Talent Initiative is designed to recruit, retain, train (grow our own workforce) which would boost our economy, strengthen our workforce, create a talent pipeline to fill the current and upcoming vacancies of our workforce grows closer to retirement.

Here's how easily it works:

Tax Credits for employers in Registered Apprenticeship programs, coupled with AA degree programs, marketed by ND Job Service, backed by ND Department of Commerce, and Apprenticeship Programs monitored by the Office of Apprenticeship= A Talent pipeline for future workforce solutions, increased commerce for the state, highly trained and educated workforce. Truly a Win-Win for all parties and our State!

Please give this bill your support; the language used in this bill is the same as the language in the Internship Tax Credit bill which has a proven track record in our state.

I have attached a list of the most prevalent occupations in ND.

Sincerely,

William B. Dutton, ND State Director
U. S. Department of Labor
Office of Apprenticeship
304 E. Broadway Ave. #332
Bismarck, ND 58501-5900
701-250-4700
dutton.barry@dol.gov

Attachment(s)

Current Occupations in North Dakota

Occupation code

Lineman	283
Sheet Metal	510
Automobile Body Repairer	24
Powerhouse Mechanic	443
Electrician Powerhouse	163
Instrument Technician	252
Laboratory Technician	267
Electronics Mechanic	170
Substation Operator	553
Relay Tester	687
Carpenter	67
Millwright	335
Bricklayer	52
Plumber	432
Child Care Development Specialist	840
Central Office Repairer	77
Station Installer & Repairer	647
Telecommunications Tech	618
Elevator Constructor	173
Fire Medic	754
Pipe Fitter	414
Gas Appliance Servicer	917
Welder-Combination	622
Truck Driver Heavy	980
Cook Industrial	90
Housekeeper Industrial	943
Electric Meter Repairer	151
Electrical Appliance Servicer	156
Electrician Substation	166
Line Repairer	284
Electrician Maintenance	643
Troubleshooter	858
Gas Main Fitter	964
Insulation Worker	909
Construction Craft Worker	661
PainterConstruction	379
Structural Steel Worker	669
Trouble Locator Test Desk	805
Internetworking Technician	1038
Line Installer Repairer	282
Machinist	296
Screw Machine Operator	500
Construction Equipment Mechanic	336
Electronics Utility Worker	967
Pipe Fitter (sprinkler systems)	414a
Protective Signal Installer	459
Refrigeration Mechanic	666
Cable Splicer	58

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1085
JANUARY 7, 2009, 10:30 A.M.
HOUSE FINANCE AND TAX COMMITTEE
FORT TOTTEN ROOM
REPRESENTATIVE WESLEY BELTER, CHAIR

LARRY ANDERSON –TALENT COORDINATOR, WORKFORCE DEVELOPMENT DIVISION

Mr. Chairman and members of the Committee, my name is Larry Anderson, Talent Coordinator, Workforce Development Division with the North Dakota Department of Commerce.

I am here in support of HB 1085.

Mr Chairman and members of the committee workforce shortages are a critical issue especially in the skilled trades and technical occupations for business and industry statewide. These conditions are projected to prevail in North Dakota despite the downturn in the National economy due to the following factors:

- North Dakota's workforce is aging 30to 50% of the working population in the state is projected to reach eligibility for retirement in 3 to 7 years
- A low population base upon which to develop talent
- Outmigration of youth
- A high labor force participation rate as compared to the national rate
- Relatively low unemployment

- An expanding economy

These factors are expected to continue to create workforce shortage issues for business and industry in our state despite the national economic conditions.

A majority of the shortages of workers are in the skilled trades and technical occupations that require two years or less of postsecondary education. Many of these occupations are covered under apprenticeship. Income tax credits for employment of apprentices is a tool to help expand opportunities for our youth in high demand and high wage occupations where there are shortages at this time. These tax credits become one more tool in our toolbox to help retain youth in North Dakota.

The North Dakota Workforce Development Council has gone on record through a resolution supporting the expansion of the Operation Internship Program to secondary students in the 11th and 12th grades who are pursuing careers in the skilled trades or technical occupations. A copy of this resolution is attached to my written testimony.

Mr. Chairman, this concludes my testimony. At this time I would be happy to answer any questions from the committee.

**A RESOLUTION REGARDING
EXPANION OF OPERATION INTERN**

WHEREAS, all students will eventually enter the workforce sometime in their lives, and

WHEREAS, in order for North Dakota business to remain competitive in a global economy, they need access to an available and trained workforce, and

WHEREAS, employers have identified shortages in the skilled trades and a lack of secondary students electing to pursue skilled trades as a career, and

WHEREAS, Cooperative work experience is an integral part of career and technical education instructional programs which may be offered for credit to meet graduation requirements, and

WHEREAS, before a student can make an informed career decision, they need to be aware of the career opportunities that North Dakota employers have available, and

WHEREAS, youth apprenticeship, work experience, cooperative work experience, job shadowing, and internships are tools to assist students make career choices and are proven work based learning activities that help students develop the skills, competencies, work attitudes and work ethic, and

WHEREAS, the North Dakota Youth Development Council and the North Dakota Workforce Development Council recognizes the importance of career promotion and universal access to supporting activities to expand to talent pipeline for skilled trades and technology occupations, and

WHEREAS, the North Dakota Workforce Development Council has gone on record in support of expanding the Operation Intern program to secondary students in the 11th and 12th grade who are pursuing careers in skilled trades or technology occupations , and

THEREFORE BE IT RESOLVED that the North Dakota Department of Commerce Division of Workforce Development actively work with the USDOL Office of Apprenticeship, the Department of Career and Technical Education, the Governor's Office and the North Dakota State Legislature to seek expansion of Operation Intern to include secondary students in the 11th and 12th Grades who express interest in pursuing careers in skilled trades and technology occupations.

CERTIFICATION:

We, the undersigned, hereby certify that the North Dakota Workforce Development Council is comprised of 25 members, of whom 15 members, constituting a quorum were present at a meeting duly and regularly called, noticed, convened and held this 12th day of June, 2008, and that the foregoing Resolution was duly adopted at said meeting by the affirmative vote of 15 members, and opposed by 0 members, and that said Resolution has not been rescinded or amended in any way.

Signed this 12th Day of June, 2008

T. J. Russell, Chairperson



OFFICE OF STATE TAX COMMISSIONER
STATE OF NORTH DAKOTA

Cory Fong
TAX COMMISSIONER

MEMO

DATE: January 13, 2009

TO: Chairman Wes Belter and Members of the House Finance and Taxation Committee

FROM: Cory Fong, Tax Commissioner *cgf*

SUBJECT: Tax Credits, Deductions, Exemptions and their Associated Costs

Attached are listings of the various tax credits, deductions, exemptions, and their associated costs for which we were asked during last week's hearing on House Bill 1085, relating to the Internship Employment Tax Credit and the Workforce Recruitment Tax Credit.

Attached you will find the following:

1. A listing of individual income tax deductions and credits and information on the amount being claimed for those deductions and credits.
2. A listing of corporation tax deductions and credits and information on the amount being claimed for those deductions and credits;
3. A listing of the various sales tax exemptions and the estimated value of those exemptions;

Thank you once again for the opportunity to address your committee last week. And, please feel free to contact me or the staff of the department if you need additional information or have further questions.

Best wishes for the Legislative Session.

ND-1 Deductions (Reduces Taxable Income)	Count of Returns				
	2007	2006	2005	2004	2003
Interest from U.S. Obligations	15,990	15,310	14,444	13,911	14,015
Net Long-Term Capital Gain Exclusion	57,588	52,587	47,772	47,378	37,020
Exempt Income of an Eligible Native American	1,429	1,214	1,126	983	948
Benefits Received from U.S. Railroad Retirement Board	1,673	1,591	1,561	1,512	1,531
Income from Passthrough Entity Subject to North Dakota's Financial Institutions Tax	543	533	552	552	521
National Guard / Reserve Member Federal Active Duty Pay Exclusion	152	135	290	360	632
Nonresident Only: Servicemembers Civil Relief Act Adjustment	1,715	1,766	1,851	775	#
Deduction for Contribution to College SAVE Account at Bank of North Dakota	419				
Renaissance Zone Income Exemption	245	162	144	162	98
New or Expanding Business Income Exemption Under N.D.C.C. ch. 40-57.1	12	31	39	21	31
Human Organ Donor Expense Deduction	9	21	22		

Total Dollar Amount					
2007	2006	2005	2004	2003	
\$536,291,758	\$520,404,574	\$154,333,365	\$150,075,235	\$91,312,572	
\$333,672,967	\$307,700,882	\$233,867,207	\$1,195,226,775	\$630,138,953	
\$46,715,559	\$40,844,736	\$32,600,082	\$27,720,820	\$25,129,480	
\$16,865,563	\$24,939,837	\$23,616,588	\$21,189,640	\$19,668,628	
\$40,341,214	\$47,953,703	\$48,078,379	\$32,235,518	\$31,729,365	
\$2,644,768	\$2,144,558	\$8,785,431	\$4,023,998	\$9,636,168	
\$55,062,290	\$56,157,745	\$55,960,077	\$23,645,569	#	
\$1,412,971					
\$14,654,010	\$5,837,489	\$3,555,845	\$3,365,200	\$2,053,922	
\$1,803,340	\$11,394,808	\$13,425,152	\$9,975,593	\$7,911,660	
\$3,191	\$285,686	\$213,028			

ND-1 Credits (Reduces Income Tax)	Count of Returns				
	2007	2006	2005	2004	2003
Credit for Income Tax Paid to Another State	5,183	4,834	4,634	4,441	4,142
Marriage Credit for Joint Filers Only	19,724				
Commercial Property Income Tax Credit	12,115				
Residential and Agricultural Property Income Tax Credit	143,381				
Family Member Care Credit	8	12	18	26	18
Renaissance Zone Credit	143	124	141	149	107
Agricultural Commodity Investment Credit	428	436	466	229	251
Seed Capital Investment Credit	654	694	760	560	183
Planned Gift Credit	51	20	15		
Blodisel Fuel Supplier Credit	*	6	18		
Blodisel Fuel Seller Credit	*	6	20		
Employer Internship Program Credit	16				
Microbusiness Credit	*				
Research Expense Credit	62				
Research Expense Credit Purchased from Another Taxpayer	0				
Angel Fund Investment Credit	30				
Endowment Fund Credit from Passthrough Entity	46				

Total Dollar Amount					
2007	2006	2005	2004	2003	
\$10,060,708	\$8,939,615	\$7,781,041	\$5,694,788	\$4,179,518	
\$2,435,945					
\$3,123,071					
\$37,081,439					
\$6,797	\$8,612	\$14,750	\$18,031	\$16,548	
\$805,141	\$629,199	\$1,176,279	\$3,268,365	\$456,739	
\$832,757	\$596,463	\$478,877	\$119,677	\$114,394	
\$3,539,476	\$1,672,742	\$1,567,484	\$907,488	\$394,878	
\$118,482	\$35,592	\$14,009			
*	\$3,943	\$14,009			
*	\$62,929	\$92,605			
\$3,499					
*					
\$419,413					
\$0					
\$219,089					
\$110,189					

Notes:

Grayed box indicates the deduction or credit was not available.

* * * Indicates there were less than 5 instances of the deduction or credit being used and is non-reportable because of the Tax Department's policy on the release of statistics.

* Indicates information is not available.

ND-2 Deductions (Reduces Taxable Income)	Count of Returns			
	2007	2006	2005	2004
Interest from U.S. Obligations	96	176	210	210
Military Pay Exclusion	73	70	82	123
Additional Military Pay Exclusion for Overseas Duty	24	28	23	45
Military Retirement Pay Exclusion	14	24	31	30
Income from a Federal Civil Service Pension, a North Dakota City Firefighter or Police Officer Pension, or the North Dakota Highway Patrol Pension Fund	58	81	84	114
Interest Income from Sale of Land to a Qualifying Beginning Farmer	*	*	*	5
Rental Income from Leasing of Land to a Qualifying Beginning Farmer	*	*	9	9
Gain from Sale of Land to a Qualifying Beginning Farmer	5	*	*	7
Interest Income from North Dakota Financial Institutions	259	561	631	698
Rental Income from Leasing a Business to a Qualifying Beginning Entrepreneur	*	0	*	*
Medical Expenses not Allowed due to 7.5% of Adjusted Gross Income Limitation	2,874	3,468	2,927	2,889
Additional Exemption (\$300.00 for Married Filing Jointly; Head of Household; or Qualifying Widow(er))	4,659	5,379	4,509	4,789
Other Deductions	203	291	287	383

	Total Dollar Amount				
	2007	2006	2005	2004	2003
Interest from U.S. Obligations	\$534,933	\$1,588,051	\$1,286,834	\$1,588,635	\$1,058,580
Military Pay Exclusion	\$81,562	\$98,795	\$86,539	\$128,000	\$171,801
Additional Military Pay Exclusion for Overseas Duty	\$48,512	\$112,624	\$56,923	\$99,733	\$145,065
Military Retirement Pay Exclusion	\$67,974	\$120,300	\$139,067	\$137,536	\$131,297
Income from a Federal Civil Service Pension, a North Dakota City Firefighter or Police Officer Pension, or the North Dakota Highway Patrol Pension Fund	\$272,572	\$328,792	\$313,125	\$469,388	\$509,048
Interest Income from Sale of Land to a Qualifying Beginning Farmer	*	*	*	\$33,080	\$23,884
Rental Income from Leasing of Land to a Qualifying Beginning Farmer	*	*	\$78,298	\$94,986	\$58,728
Gain from Sale of Land to a Qualifying Beginning Farmer	\$134,946	*	*	\$835,406	\$122,103
Interest Income from North Dakota Financial Institutions	\$84,907	\$189,692	\$199,891	\$201,803	\$236,240
Rental Income from Leasing a Business to a Qualifying Beginning Entrepreneur	*	\$0	*	*	*
Medical Expenses not Allowed due to 7.5% of Adjusted Gross Income Limitation	\$18,599,973	\$19,055,276	\$13,579,469	\$12,425,856	\$10,125,245
Additional Exemption (\$300.00 for Married Filing Jointly; Head of Household; or Qualifying Widow(er))	\$1,367,700	\$1,613,700	\$1,671,000	\$1,800,900	\$1,885,200
Other Deductions	\$7,862,723	\$7,228,528	\$8,088,259	\$5,693,464	\$5,873,133

ND-2 Credits (Reduces Income Tax)	Count of Returns			
	2007	2006	2005	2004
Credit for Income Tax Paid to Another State		9	13	16
Credit for Contributions to Nonprofit Private Colleges in ND		10	7	9
Credit for Contributions to Nonprofit Private High Schools in ND		10	12	8
Long-Term Care Insurance Credit		417	505	572
Nonprofit Development Corporation Investment Credit		0	0	0
Qualified Business Seed Capital Investment Credit		*	7	*
Other Credits	244	7	6	8
Commercial Property Income Tax Credit	105			
Residential and Agricultural Property Income Tax Credit	476			

	Total Dollar Amount				
	2007	2006	2005	2004	2003
Credit for Income Tax Paid to Another State		\$684	\$1,675	\$1,989	\$763
Credit for Contributions to Nonprofit Private Colleges in ND		\$497	\$345	\$577	\$557
Credit for Contributions to Nonprofit Private High Schools in ND		\$1,025	\$955	\$325	\$1,038
Long-Term Care Insurance Credit		\$58,195	\$71,168	\$81,396	\$96,778
Nonprofit Development Corporation Investment Credit		\$0	\$0	\$0	\$0
Qualified Business Seed Capital Investment Credit		*	\$4,036	*	\$0
Other Credits	\$39,195	\$3,386	\$9,598	\$1,058	\$1,624
Commercial Property Income Tax Credit	\$22,205				
Residential and Agricultural Property Income Tax Credit	\$103,256				

Notes:

Grayed box indicates the deduction or credit was not available.

* * * Indicates there were less than 5 instances of the deduction or credit being used and is non-reportable because of the Tax Department's policy on the release of statistics.

"Other Deductions" and "Other Credits" include all deductions and credits available on the ND-1, but not identified.

Starting with 2007, all credits except the property income tax credits were combined in "Other Credits".

Corporate Income Data - Credits and Exemptions

2

(as of 12/30/08)

Tax Form Year		2003	2004	2005	2006	2007
Exemptions	(number claimed) (dollars claimed)					
1 New and Expanding Business Exemption	10	7	6	5	8	
	\$2,764,824	\$9,888,138	\$7,763,563	\$2,321,925	\$777,482	
2 Renaissance Zone Exemption	6	7	11	13	14	
	\$960,506	\$949,475	\$3,788,542	\$4,702,584	\$821,722	
Tax Credits						
1 Contribution to Private Colleges	24	28	24	31	25	
	\$29,013	\$34,780	\$33,554	\$40,190	\$36,042	
2 Contribution to Private High Schools	11	8	11	11	11	
	\$11,230	\$8,093	\$12,786	\$16,960	\$13,439	
3 Venture Capital Corp.	0	0	0	0	0	
	\$0	\$0	\$0	\$0	\$0	
4 ND Small Business Investment Co.	0	0	0	0	0	
	\$0	\$0	\$0	\$0	\$0	
5 Geothermal, Solar, Wind Device (Purchased)	n/a	n/a	n/a	n/a	0	
	n/a	n/a	n/a	n/a	\$0	
6 Research & Experimental Expenditures	13	16	18	15	12	
	\$1,456,743	\$1,307,494	\$1,214,063	\$519,406	\$539,539	
Research & Experimental Expend. (Purchased)	n/a	n/a	n/a	n/a	0	
	n/a	n/a	n/a	n/a	\$0	
8 Payment to Certified Nonprofit Devel. Corp.	0	0	0	0	0	
	\$0	\$0	\$0	\$0	\$0	
9 Biodiesel Fuel Sales Equipment Costs	0	0	0	0	0	
	\$0	\$0	\$0	\$0	\$0	
10 Contribution to Endowment Fund	n/a	n/a	n/a	n/a	8	
	n/a	n/a	n/a	n/a	\$23,920	
11 New Investment in Microbusiness	n/a	n/a	n/a	n/a	0	
	n/a	n/a	n/a	n/a	\$0	
12 Workforce Recruitment	n/a	n/a	n/a	n/a	n/a	
13 Property Tax Paid on Commercial Property	n/a	n/a	n/a	n/a	389	
	n/a	n/a	n/a	n/a	\$201,876	

Note - Information on the following credits is not provided due to confidentiality laws. There were less than 5 taxpayers who claimed the following credits in each of the tax years reported:

Geothermal, Wind, Solar Device
 Employment of Developmentally Disabled
 New Industry
 Renaissance Zone
 Biodiesel Fuel Production
 Biodiesel Fuel Blending
 Seed Capital Business Investment
 Ag Commodity Processing Facility Investment
 Employee Internship
 Investment in Angel Fund

Sales Tax Business Incentive Exemption

	FY 04		FY 05	
	Est. Value	Est. Tax	Est. Value	Est. Tax
Machinery & Equipment - Build or Expand Manufacturing Facility	57,866,459	2,893,430	104,434,580	5,221,735
Machinery & Equipment - Build or Expand Recycling Facility			(1) 1,083,679	56,384
Tangible Pers. Property - Build or Expand Ag Commodity Proc. Facility	19,685,854	984,293	12,381,035	619,053
Computer & Telecomm Equip - Integral Part of New or Expanding Primary Sector Business	8,859,161	442,959	1,579,718	78,986
Tangible Personal Property & Production Equipment to Construct Power Plant				
Environ, Upgrade Equipment - for Power Plant or Processing Unit (Oil & Gas Plant)				
Tangible Personal Property - Build or Expand Gas Gathering or Compressing Facility or Gas Processing Plant				
Tangible Personal Property - Construct or Expand an Oil Refinery				
Total By Fiscal Year	86,411,474	4,320,682	119,479,012	5,976,158

(1) Note – Information on the above exemptions is not provided due to confidentiality laws. There were less than 5 taxpayers who claimed the exemptions in the referenced tax year.

Prepared by: ND Office of State Tax
Commissioner - January 9, 2009

Sales Tax Business Incentive Exemption

	FY 06		FY 07	
	Est. Value	Est. Tax	Est. Value	Est. Tax
Machinery & Equipment - Build or Expand Manufacturing Facility	45,444,477	2,272,226	46,304,526	2,303,930
Machinery & Equipment - Build or Expand Recycling Facility	1,808,973	90,449	2,454,305	122,715
Tangible Pers. Property - Build or Expand Ag Commodity Proc. Facility	146,227,601	7,297,738	305,410,347	15,270,519
Computer & Telecomm Equip - Integral Part of New or Expanding Primary Sector Business	16,950,136	869,519	1,494,520	74,725
Tangible Personal Property & Production Equipment to Construct Power Plant		(1)		(1)
Environ, Upgrade Equipment - for Power Plant or Processing Unit (Oil & Gas Plant)				
Tangible Personal Property - Build or Expand Gas Gathering or Compressing Facility or Gas Processing Plant				
Tangible Personal Property - Construct or Expand an Oil Refinery				
Total By Fiscal Year	210,431,187	10,529,932	355,663,698	17,771,889

(1) Note – Information on the above exemptions is not provided due to confidentiality laws. There were less than 5 taxpayers who claimed the exemptions in the referenced tax year.

Prepared by: ND Office of State Tax
Commissioner - January 9, 2009

Sales Tax Business Incentive Exemption

	FY 08	
	Est. Value	Est. Tax
Machinery & Equipment - Build or Expand Manufacturing Facility	90,232,128	4,511,618
Machinery & Equipment - Build or Expand Recycling Facility	1,197,242	59,863
Tangible Pers. Property - Build or Expand Ag Commodity Proc. Facility	582,287,995	29,114,400
Computer & Telecomm Equip - Integral Part of New or Expanding Primary Sector Business	5,714,300	285,714
Tangible Personal Property & Production Equipment to Construct Power Plant		(1)
Environ, Upgrade Equipment - for Power Plant or Processing Unit (Oil & Gas Plant)		(1)
Tangible Personal Property - Build or Expand Gas Gathering or Compressing Facility or Gas Processing Plant		(1)
Tangible Personal Property - Construct or Expand an Oil Refinery		(1)
Total By Fiscal Year	679,431,665	33,971,595

(1) Note – Information on the above exemptions is not provided due to confidentiality laws. There were less than 5 taxpayers who claimed the exemptions in the referenced tax year.

Prepared by: ND Office of State Tax
Commissioner - January 9, 2009