

2009 SENATE FINANCE AND TAXATION

SB 2416

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2416

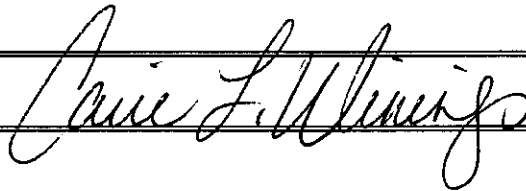
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 02/02/2009

Recorder Job Number: 8307

Committee Clerk Signature



Minutes:

Chairman Cook: Opened hearing on SB 2416.

Senator Tracy Potter, District 35: Testified as a sponsor and in support of bill.

I saw that sparkling wine is a dollar a gallon, and regular wine is fifty cents a gallon. I could find nothing to make sense of that. Generally the schedule is set up based on alcoholic content, and sparkling wine does not belong where it is. Free the bubbles!

3.20 **Senator Triplett:** To make sure that we are not leaving sparkling wine out all together, can you verify that sparkling wine would then fit within one of these two categories?

Senator Potter: Yes, it would fit under wine containing less than 17%.

Senator Triplett: So, we are not talking about exempting, we are talking about putting them into a different category.

Senator Potter: I understand that you have a fiscal note of about \$40,000m but I have seen data that it would be less \$25,000.

Chairman Cook: We are using this one right?

Senator Potter: Yes you are.

Senator Hogue: I do not drink a lot of sparkling wine, but at other than celebratory events, do people regularly consume this apart from special occasions, are there any other uses?

Senator Potter: I believe so. There is a trend line here. These are not wines that are expensive, and consumed more and more.

Senator Anderson: This ends at 24% alcohol, is there anything above that?

Senator Potter: None that I am aware of.

Vice Chairman Miller: It is almost fiscally impossible to do that.

Chairman Cook: Any further support?

Closed hearing on SB 2416.

Vice Chairman Miller: Do we need to remove the definition?

Daniel Rause, Tax Department: I am not sure if it is referred to elsewhere in the century code that would cause problems in other locations.

Senator Anderson: Could it be "wine, including sparkling wine, "on line 13?

Senator Anderson: It would get it in there.

Dan Rause: As a drafter, I am much more comfortable with that solution on that. I can visit with Senator Potter on that.

Chairman Cook: It is our bill now, we will contend with it.

Senator Hogue: Is it 50 cents or 60 cents?

Senator Triplett: Fifty cents.

Chairman Cook: The amendment would be on line 13?

Senator Triplett: Or it could be said.....

Dan Rause: My suggestion would be "wine, including sparkling wine, "

Senator Triplett: Moved to approve the amendment.

Senator Dotzenrod: Seconded.

Chairman Cook: Any Further Discussion?

All in Favor.

Senator Triplett: Moved a do pass as amended.

Senator Dotzenrod: Seconded.

Chairman Cook: Do we have to refer to appropriations?

Senator Triplett: No, it is over \$50,000

A Roll Call Vote was taken: Yea 7, Nay 0, Absent 0.

FISCAL NOTE
Requested by Legislative Council
01/28/2009

Bill/Resolution No.: SB 2416

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			(\$40,000)			
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).*

SB 2416 changes the wholesale tax rate for sparkling wine.

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.*

SB 2416 reduces the wholesale liquor tax rate for sparkling wine from \$1.00 per gallon to \$.50 per gallon. If enacted, SB 2415 is expected to reduce state general fund revenues by an estimated \$40,000 during the 2009-11 biennium.

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:	01/30/2009

February 2, 2009

PROPOSED AMENDMENTS TO SENATE BILL NO. 2416

Page 1, line 13, after "Wine" insert ", including sparkling wine."

Renumber accordingly

Date: 02/02/09

Roll Call Vote #: |

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 2416

Senate Finance and Taxation Committee

Check here for Conference Committee Amendment

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended

Motion Made By Senator Triplett Seconded By Senator Miller

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman			Sen. Arden Anderson		
Sen. Joe Miller - Vice Chairman			Sen. Jim Dotzenrod		
Sen. David Hogue			Sen. Constance Triplett		
Sen. Dave Oehlke					

All clear down

Total: Yes 7 No 0

Absent 0

Floor Assignment _____

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

Date: 02/02/09

Roll Call Vote #: 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 2416

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended ^{AS}

Motion Made By Senator Triplett Seconded By Senator Dotzenrod

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman	/		Sen. Arden Anderson	/	
Sen. Joe Miller - Vice Chairman	/		Sen. Jim Dotzenrod	/	
Sen. David Hogue	/		Sen. Constance Triplett	/	
Sen. Dave Oehlke	/				

Total: Yes 7 No 0

Absent 0

Floor Assignment Senator Triplett

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

REPORT OF STANDING COMMITTEE

SB 2416: Finance and Taxation Committee (Sen. Cook, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2416 was placed on the Sixth order on the calendar.

Page 1, line 13, after "Wine" insert ", including sparkling wine,"

Renumber accordingly

2009 HOUSE FINANCE AND TAXATION

SB 2416

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2416

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 03/11/09

Recorder Job Number: 10698

Committee Clerk Signature

Lou Engelson

Minutes:

Chairman Belter opened the hearing on SB 2416.

Sen. Tracy Potter: This is a very simple bill. I looked at the code and found this portion of the code where it says that sparkling wine is taxed at double the rate of other wine with the same alcohol value. Look at the schedule. You'll see that the way that we tax alcohol in North Dakota is generally based on the amount of alcohol within that beverage. Sparkling wine has an identical alcohol content to other wines. Eleven, 12%. Yet it's taxed at double the rate. In 1936, there was an initiated measure. I would be willing to bet that it was my forbearers in the nonpartisan league that brought this initiated measure forward to tax alcohol after the repeal of prohibition. North Dakota was a wet state, and we had alcohol being sold here. So they initiated this schedule of taxation on alcohol, and sparkling wine had a double or triple rate than other wines. I've got to think this is an anti ileitis thing. The law has only been amended once, and that was in the 1967 session. All this does is removes the discrimination against bubbles. The bill in the senate had no opposition. It is supported by the State Hospitality Association.

Rep. Froseth: Isn't sparkling wine generally quite a bit higher priced than other wines so that's the reason why it would probably be taxed more per volume.

Sen. Potter: When it is more expensive, of course it is taxed higher on the sales tax part. This is basically the sin tax that you're seeing here. No, sparkling wine is not necessarily more. It has that illusion to it.

Rep. Winrich: I've gotten a few emails from people telling me to vote against this bill because it raises taxes on alcohol.

Sen. Potter: I can't imagine how they see that because all it does is lower the tax on sparkling wine. I think the impact on this is about 13 cents a bottle.

Rep. Kelsh: Are there any varieties of grapes that can be grown in North Dakota that would be able to produce sparkling wines?

Sen. Potter: I believe that the case is that it could be done. Sparkling wine is simply a matter of a second fermentation process.

Chairman Belter: Any further testimony in sport of 2416. Any testimony in opposition to 2416. Any questions from the committee for the tax department on 2416. If not, we will close the hearing on 2416

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2416**

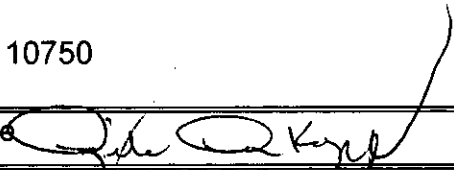
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: March 11, 2009

Recorder Job Number: 10750

Committee Clerk Signature



Minutes:

Chairman Belter: Okay, 2416; that is the one that reduces the tax on sparkling wine. I guess I would entertain a motion. We have a motion for a “do not pass” from Representative Headland and a second from Representative Grande. Is there any discussion?

Representative Winrich: I guess I am going to resist a “do not pass” because I like to lower taxes.

Chairman Belter: (inaudible). Any discussion?

Representative Grande: A tax for the rich.

Representative Wrangham: I am going to vote against the “do not pass”. I think it is a fairness issue.

Representative Schmidt: Is that a dollar a gallon? Is that what we are trying to save here?

Representative ?: 50 cents a gallon.

Chairman Belter: Whatever we do, they will read it in the paper tomorrow.

Representative Schmidt: If they can afford a gallon of sparkling wine, they can pay the tax.

Chairman Belter: Any other discussion? **A voice vote on a “do not pass” on 2416**

resulted in 5 ayes, 6 nays, 2 absent/not voting. Motion failed.

Chairman Belter: We have a motion for a "do pass" from Representative Pinkerton and a second from Representative Kelsh. **A roll call vote on a "do pass" resulted 10 ayes, 1 nays, 2 absent/not voting (Froelich and Weiler). Representative Winrich will carry the bill.**

(Discussion on whether it had to be referred to appropriations.)

Chairman Belter: No, because it is revenue reducing. I don't think it has to go to appropriations; it doesn't affect any department directly.

Representative Drovdal: \$40,000 reduction in general funds.

Chairman Belter: Yes, (inaudible) they have enough to do.

Date: March 11, 2009

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2416

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 Headland Seconded By Grande

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 6

Absent 2

Floor Assignment _____

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

Date: March 11, 2009

Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2416

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 Pinkerton 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) 10 No 1

Absent 2 (Froelich + Weiler)

Floor Assignment Winrich

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

REPORT OF STANDING COMMITTEE

SB 2416, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **DO PASS** (10 YEAS, 1 NAY, 2 ABSENT AND NOT VOTING). Engrossed SB 2416 was placed on the Fourteenth order on the calendar.