

2011 HOUSE FINANCE AND TAXATION

HB 1148

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1148
January 17, 2011
12943

☐ Conference Committee

Committee Clerk Signature

Mary Brucker

Explanation or reason for introduction of bill/resolution:

A Bill relating to renaissance fund organization restrictions for smaller cities.

Minutes:

Please refer to testimony #1, #2, and #3

Representative Todd Porter: Sponsor. Support. This bill comes to you after a couple years of work with an economic development committee in the city of Mandan. As we were looking at the tools available to cities in economic development it was felt that the restrictions inside of the renaissance zone bill that talked about the use of the fund organization restricted some of the projects that may go forward. When we looked at that the prime example of course is in Mandan. We are hampered mainly by a city to the east. It's very difficult for Mandan to compete with that particular city. When you look at sales tax revenues which I'm sure all of you have looked at the charts, Mandan is ranked as one of the lowest as far as sales tax revenues for a city their size. Right now the projection for Mandan is 18,000 population but our sales tax revenue is at the bottom of those cities. That's very evident of the fact that it is very difficult to get retail type businesses to locate in Mandan when it's just a quick five mile jaunt across that mighty Missouri. We were looking at things that would help enhance and allow some of that competitive edge to go away so that a business could locate in Mandan and we could try to get them over there and compete. The reason that we were looking at outside that zone is another real particular interest in Mandan. From a geography standpoint we probably have the longest Main Street in the state. It goes the entire length of the strip, starting at the Memorial Bridge and goes all the way to the other end of town. So there are economic spurts in the existing renaissance zone in Mandan but there's also a need on the strip where an almost entirely different economic engine takes place. That's why we were looking at modifying that particular piece. There are people here from the city of Mandan who could go into this further with you.

Chairman Wesley R. Belter: So this would apply to any city with less than 25,000?

Representative Todd Porter: That is correct. The question that came up in our working group was does Fargo need this? Probably not. Does West Fargo need this? Maybe. Does Bismarck need this? Probably not. Does Mandan need this? Yes. That was the rationale behind what that working group presented as this bill draft. Now there's nothing to say that it can't be scratched right out of there and it's open to everybody but when we

looked at where the need was we thought that was an easy carve out for those fund organizations.

Ellen Huber, Business Development Director in Mandan: Support. Please refer to attached testimony #1.

Representative Lonny B. Winrich: You referred to this list of cities and apparently ranking them and showing sales tax collections per capita? Could you provide us with this list?

Ellen Huber: I surely can. I don't have it with me but I would be happy to submit it to you.

Representative Bette Grande: In that study that you are referring to, are the numbers based on the 5% tax or is it based on the taxes above and beyond from the cities?

Ellen Huber: It's on a 1% equivalent so there are some communities in North Dakota that have a 2 % local sales collection but the tax department converted that to a 1% equivalent for the purposes of comparison.

Representative Bette Grande: So is it noted then that there are some of these cities that do have those, is it asterisked somehow so we know that there is that in the survey?

Ellen Huber: Yes. The information that was supplied by the North Dakota Tax Department does indicate which cities have local sales tax percentages higher than 1% and then they have that conversion. I apologize that I didn't bring that information with this morning but I would be glad to submit that.

Representative Glen Froseth: Does this bill pertain both then to the property tax credit and the income tax credit?

Ellen Huber: My understanding as its drafted it's pertaining to the state income tax credit that an investor would get. If I would invest \$10,000, for example, in a renaissance fund organization for investment within my community I could get a 50% state income tax credit or a \$5,000 back over the course of my next five years of paying state income tax.

Representative Glen Froseth: But it also pertains to the property tax credit, doesn't it?

Ellen Huber: Yes, renaissance zone benefits, in general, for someone investing in new construction, rehab, or construction within a renaissance zone can qualify for up to five years of property tax exemption on a building that is improved and state income tax exemption. What the renaissance fund organization does is try to provide sources of additional capital for projects within a community beyond what the property owner themselves might be able to bring to the table. We have some properties in Mandan that need some extra incentive; one is a former grocery warehouse, we refer to it locally as the John Iverson building, it's a three story, 8,000 square foot per floor building that's estimated to take upwards of \$1,000,000 to rehab. At this point the local property owner has not been able to garner purchase of a floor or lease of a floor that would allow them to undertake that project. But perhaps by bringing in this additional outside investment to a project like that

we could get it over the tipping point and moving forward rather than having that vacant very prominent building on our Main Street.

Richard Mower, Vice President of Special Projects with the Bismarck Mandan Development Association: Support. I spend a lot of my time working with the rural communities, within Burleigh and Morton County, along with the city of Mandan. I am also the staff liaison for the committee that Representative Porter had mentioned earlier in his testimony. This small change to the legislation will provide us with an incentive where the local communities will be able to better utilize the tools that we already have on the table. And without going through a lot of the stuff Ms. Huber had talked about and Representative Porter, I'd just like to say that any time we could use a program like this that's controlled at the local level by citizens serving on the committees as well as the local jurisdictions with support of the state, we would encourage those types of programs. Also, I've been working with the Economic Developers Group of North Dakota and I would like to submit for the record, a letter in support of this. Their representatives are meeting with leadership this morning for both the house and senate and we unable to make this committee meeting this morning so I would like to introduce this as part of the record. Please refer to attached testimony #2.

Chairman Wesley R. Belter: No further testimony in support. No testimony in opposition. No neutral testimony. Joe Becker, do you recall when we did the renaissance, was there any significance to the 50% figure for the tax credit.

Joe Becker, ND Tax Department: I'd have to check my history, I don't recall.

Representative Dwight Wrangham: Can you tell me if the individuals who receive the tax credits, is that information available to the general public?

Joe Becker: Any information we get would not be; that's confidential information.

Chairman Wesley R. Belter: In that respect, I know individual names you can't divulge but can the total amount of credits information available?

Joe Becker: Yes, I can provide that. I have some numbers here and I could provide the numbers in writing if you like.

Chairman Wesley R. Belter: I would like it in writing please.

Letter from Joseph Becker, Office of State Tax Commissioner, was submitted as testimony #3.

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1148
January 24, 2011
#13319

☐ Conference Committee

Committee Clerk Signature

Mary Bruckner

Explanation or reason for introduction of bill/resolution:

A Bill relating to renaissance fund organization restrictions for smaller cities.

Minutes:

See attached testimony #1

Representative Dwight Wrangham: Reviewed amendments. Please refer to testimony #1.

Chairman Wesley R. Belter: What are the committee's wishes? We may need a consultation with the legal department to see if we are in violation or not with confidentiality rules.

Representative Lonny B. Winrich: I would support this amendment. I'd like to get the information we need to evaluate it.

Chairman Wesley R. Belter: We will get the information we need on that before we go any further.

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1148
January 25, 2011
#13402

☐ Conference Committee

Committee Clerk Signature

Mary Bruckner

Explanation or reason for introduction of bill/resolution:

A bill relating to renaissance fund organization restrictions for smaller cities.

Minutes:

See attached testimony #1

Donnita "Dee" Wald, General Counsel for Office of State Tax Commissioner: Distributed amendments to the committee. Please refer to testimony #1.

Vice Chairman Craig Headland: Would this open it up for those prior investors in these renaissance zone organizations that may have contributed under the assumption that it was private and now that would no longer be the case?

Dee Wald: That's a good question. This act as it is and the amendments as written do not limit it to those previously claimed credits. That could be easily fixed if the committee were to adopt the amendments. We could say "for renaissance fund organization investments made after "and that would make it very clear to investors that it would only be from those investments looking forward.

Chairman Wesley R. Belter: Could you give us any other type of tax credit investments that are public information?

Dee Wald: I believe it was 2005 or 2007 you passed a law that allowed for commerce to gather information on different grants and tax credits that were given out by the state to different projects. There was, after our initial examination of that law, only one particular income tax incentive that was open to the public and that we were required to report to commerce. That was a new and expanded business income tax exemption that is granted by the state board of equalization. There are no other income tax incentives that the tax department administers that you would find on your income tax returns that are open record. After looking at his amendment we still have a question as to what he means by the "taxpayer claim." As you all know sometimes investors make an investment and earn a tax credit however they are not able to claim it. They then have to carry it forward to future years. Claim in tax geek jargon means what they actually reported on their return. Depending on what Representative Wrangham's wishes are you may want to look at that.

Representative Dwight Wrangham: Dee and I had discussed this earlier and she had said it would be better if this were moved to chapter 57 where the other exemptions are and this amendment now does that, is that correct?

Dee Wald: That is correct.

Representative Steven L. Zaiser: Are the folks who invested previously protected or is it just protecting the names forward?

Dee Wald: The amendments and the bill as they exist, it is not clear.

Representative Steven L. Zaiser: I think we should clarify that so it's clear. Representative Wrangham should maybe clarify what he wanted it to be.

Representative Dwight Wrangham: My intention was going forward not to go into the history.

Representative Bette Grande: Just one other point of clarification. We were looking for a definition of "claimed." Would you address that?

Dee Wald: Within the amendments you used the word "tax credit that is claimed." As you know you can earn a tax credit in one year based on your investment but unable to claim it all on your income tax return. Our question is do you wish to have this exception to confidentiality for the amount that is claimed in a particular tax year or the amount that the taxpayer is entitled to claim over a series of years?

Representative Dwight Wrangham: The idea was to go forward. The idea was to follow just how much of the tax credit had been used in a given year. I'd have to give some further thought as to what the words "claimed" and "used" would be.

Dee Wald: To us tax geeks it makes a difference.

Representative Dwight Wrangham: I believe "claimed" is the word we would want to leave in there. We would want to know the total amount claimed in that year whether or not it was used in that year.

Dee Wald: Then the amendment as written is fine.

Chairman Wesley R. Belter: Do you have a quick fix for the change so that its' only the new ones that are covered and not to look back?

Dee Wald: Does this bill have an effective date on it? I would have an effective date of after December 31, 2010. Section 2 of this act is effective for investments made after June 30, 2011.

Representative Patrick Hatlestad: When is the effective date of the law, is it July 1 or August 1?

Dee Wald: Tax bills in general are effective for the tax year usually in which the session is in. All income tax bills have an effective date for the calendar year reported. Income tax bills after December 31, 2010 so that would be January 1 and forward. For sales tax laws those are usually effective beginning July 1. That is because all taxpayers have returns that would be due at that point in time and also because the state's fiscal years start on July 1.

Representative Patrick Hatlestad: If this law doesn't go into effect until August 1 can you make the action of this law retroactive?

Dee Wald: this bill because it deals with income tax credit and a measuring point of that I would prefer that section 1 of the bill tax years beginning after 12-31-10. But in order to give renaissance fund organization investors time to have notice of and appreciate the fact that their information and their investments may become public record, I suggest maybe you can make that particular section which is section 2 of this, the disclosure portions effective later on. You can make that whichever day you wish; June 30, August 1, July 31. What I'm trying to prevent with the disclosure is that for those investments that are made between January 1 and the end of session and when this bill becomes law that those individuals who made those investments all of a sudden have this information become public record. We'll have to do something about the disclosure provision separately.

Chairman Wesley R. Belter: Representative Wrangham is it your intent to pursue this? I would suggest that you work with Dee and get some language.

Representative Shirley Meyer: Renaissance zones are trying to develop downtown businesses in areas that maybe wouldn't happen normally. This disclosure may have a chilling effect on that where you would definitely want to invest in a renaissance zone but maybe you don't want it to be known that you have a lot of money to do that with. The intent of the renaissance zones were to go in and help these properties that weren't so economically feasible before.

Chairman Wesley R. Belter: Committee members, maybe we need to take a vote of discouragement or encouragement. If the committee does not want to pursue this disclosure then maybe we should take a vote as to whether we want to go that route or save Representative Wrangham the time as well as the tax department.

Representative Dwight Wrangham: I would like to remind the committee that up until now and at the present time this information is available to the Department of Commerce. As of now when applying for renaissance fund grant the developer or whoever it is that's going to be using it is required to claim on their application whether they intend to use the income tax credit or not and to what extent they plan to use it. We're not changing anything that isn't already being reported only it's through the Commerce Department and my thought is that may not continue as per some legislation this year. I think this would be a better way to do it anyway because its just an estimate and this way we'd know exactly those that are receiving tax dollars and using them.

Chairman Wesley R. Belter: When you're referring to the Commerce Department and the disclosures there is that dealing with the renaissance zones?

Representative Dwight Wrangham: Yes. My understanding is that the application for the renaissance zone grant includes requirements that they disclose whether they intend on using income tax credits and to what extent. I have received reports from the Commerce Department with that information on the report.

Representative Shirley Meyer: Could I have Dee clarify that point because I didn't think that's how it went?

Dee Wald: Representative Wrangham is correct when the application for renaissance zones projects that they do have to disclose what their intentions are with respect to the income tax credits or incentives that exist within the law. The specifics such as the taxpayers name and the investment are not subject to disclosure but general information is.

Chairman Wesley R. Belter: Committee members, can I get some sense of where you're at on this issue?

Representative Patrick Hatlestad: Will this amendment change anything that is currently being done?

Dee Wald: Yes. It would allow us, upon request, to provide names, addresses, investments that we currently do not disclose.

Vice Chairman Craig Headland: Have you had requests in the past for this information?

Dee Wald: None that I have dealt with. I think if there have been any questions about this particular tax credit it probably would have been handled by our tax education administration staff. In our confidentiality statutes unless there is an exception it's closed.

Chairman Wesley R. Belter: What are your wishes on this? Is there support for this amendment?

Representative Steven L. Zaiser: I support it.

Representative Shirley Meyer: I really think you have to step back a little and look at what will happen if you do this. Your taxpayers who have invested in these renaissance zones their name and address are open record. If I'm an entrepreneur out there that wants to meet some rich people I think it will really have a chilling effect on the very same people that we want to come into these renaissance zones. Downtown Mandan could use some help, I totally agree with that, but if the this is oh and by the way your name, address, and phone number are going to be out there for everything one of us who may be looking for someone who has disposable income I would suspect you wouldn't do that. It's one thing to have complete disclosure in government but for example, would you want all of your things that you've invested in with your name, address, and phone number on it? I don't.

Chairman Wesley R. Belter: I am going to have Representative Wrangham meet with the Tax Department to prepare the amendments and we'll deal with the amendments once they are done.

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1148
January 26, 2011
#13479

☐ Conference Committee

Committee Clerk Signature

Mary Brubaker

Explanation or reason for introduction of bill/resolution:

A Bill relating to renaissance fund organization restrictions for smaller cities.

Minutes:

Donnita "Dee" Wald, Legal Counsel for State Tax Commission: Dee distributed an amendment (please see attached). I was asked to draft some amendments that would make investments in the renaissance fund organization public record. If you'll notice these are a little bit different than what legislative counsel had drafted. We determined that the only thing we needed to do was to put this exception in the confidentiality statute. The real reason why we're hearing this today is because there was an issue with the effective date and how that would apply to investment tax credits earned prior to the enactment of this bill. What I did in this amendment was say that this open record law would apply only for those investments made after December 31, 2010. I have another set that would make that date effective June 30, 2011. I know the committee addressed that particular issue. I had a conversation with Representative Wrangham after the committee met and he said to move it back for those investments made this year.

Representative Dwight Wrangham: I think we should have the effective date June 30, 2011.

Representative Bette Grande: This says June 30, 2010.

Dee Wald: We will change it to June 30, 2011. So investments made in July looking forward will be open record.

Chairman Wesley R. Belter: Why wouldn't you go to December 31?

Dee Wald: Because a taxpayer could make an investment today not knowing that this investment could be open record and he may then choose to delay that or not make it at all. We're just saying to him that if you make it now then it is closed record, it's confidential. But if you make any investments in July it would be open record.

Representative Shirley Meyer: I plan on opposing this amendment. Are we going to apply this to the Angel Fund or income taxes? I realize it's state dollars but I just feel that

Representative Dwight Wrangham: I'd move the amendment.

Representative Glen Froseth: Seconded.

Representative Scot Kelsh: For many reasons Representative Meyer spelled out too, I think this is a road we don't necessarily want to go down. When we start picking and choosing which portion of which tax records should be open to the public. Dee even said they may not choose to invest at all once they find out that it's a matter of public record. This could have a very chilling effect on some of the renaissance zone investments and it's been very successful.

VOICE VOTE: MOTION FAILED.

Representative Dwight Wrangham: I'd like to propose another amendment. This is the bill that would affect cities of fewer than 25, 000. I've been informed in the last few days that West Fargo has passed 25,000. West Fargo was probably meant to be in this group. I would propose that we amend that to 30,000 in the two places where it's mentioned.

Representative Dave Weiler: Seconded this motion.

VOICE VOTE: MOTION CARRIES.

Representative Dwight Wrangham: Motion for DO NOT PASS AS AMENDED.

Representative Roscoe Streyle: Seconded.

A roll call vote was taken. AYE 9 3 NAYS 2 ABSENT

MOTION CARRIED-DO NOT PASS AS AMENDED.

Representative Mark S. Owens will carry HB 1148.

January 27, 2011

V/K
1/27/11

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1148

Page 1, line 11, replace "twenty-five" with "thirty"

Page 1, line 16, replace "twenty-five" with "thirty"

Renumber accordingly

~~Testimony #1~~

Prepared by the Office
of State Tax Commissioner
for Representative Wrangham
January 26, 2011

PROPOSED AMENDMENT TO HOUSE BILL NO. 1148

Page 1, line 1, after "Act" insert "to create and enact a new subsection to section 57-38-57 of the North Dakota Century Code, relating to disclosure information regarding renaissance fund investors;"

Page 1, line 2, after "cities" insert "and disclosure of information regarding renaissance fund investors; and to provide an effective date"

Page 1, after line 22 insert:

"SECTION 2. A new subsection to section 57-38-57 is created and enacted as follows:

The tax commissioner, upon written request, may disclose a taxpayer's name and address, the amount of tax credits the taxpayer claimed under section 40-63-07, and the name and address of the renaissance fund organization with which the taxpayer invested.

SECTION 3. EFFECTIVE DATE. Section 1 of this Act becomes effective for taxable years after December 31, 2010. Section 2 of this Act becomes effective for renaissance fund investments made after June 30, 2010."

Renumber accordingly

Date: 1-26-11
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1148

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☒ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Wrangham Seconded By Rep. Froseth

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Scot Kelsh		
Vice Chair. Craig Headland			Shirley Meyer		
Glen Froseth			Lonny B. Winrich		
Bette Grande			Steven L. Zaiser		
Patrick Hatlestad					
Mark S. Owens					
Roscoe Streyle					
Wayne Trottier					
Dave Weiler					
Dwight Wrangham					

Total (Yes) _____

Absent _____

Floor Assignment _____

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

A4E

NAY

MOTION FAILED.

Date: 1-26-11
Roll Call Vote # 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1148

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Wrangham Seconded By Rep. Weiler

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Scot Kelsh		
Vice Chair. Craig Headland			Shirley Meyer		
Glen Froseth			Lonny B. Winrich		
Bette Grande			Steven L. Zaiser		
Patrick Hatlestad					
Mark S. Owens					
Roscoe Streyle					
Wayne Trottier					
Dave Weiler					
Dwight Wrangham					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

12 AYE

W4Y 0

MOTION CARRIED.

Date: 1-26-11
Roll Call Vote # 3

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1148

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☐ Do Pass ☒ Do Not Pass as amended ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Wrangham Seconded By Rep. Streyle

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	✓		Scot Kelsh		✓
Vice Chair. Craig Headland	✓		Shirley Meyer		✓
Glen Froseth	✓		Lonny B. Winrich	AB	
Bette Grande	✓		Steven L. Zaiser	AB	
Patrick Hatlestad	✓				
Mark S. Owens	✓				
Roscoe Streyle	✓				
Wayne Trottier	✓				
Dave Weiler		✓			
Dwight Wrangham	✓				

Total (Yes) 9 No 3

Absent 2

Floor Assignment Rep. Owens

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

REPORT OF STANDING COMMITTEE

HB 1148: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (9 YEAS, 3 NAYS, 2 ABSENT AND NOT VOTING). HB 1148 was placed on the Sixth order on the calendar.

Page 1, line 11, replace "twenty-five" with "thirty"

Page 1, line 16, replace "twenty-five" with "thirty"

Renumber accordingly

2011 TESTIMONY

HB 1148

1-17-11

#1

p. 1

**Testimony for House Finance & Taxation Committee
HB 1148 — Regarding Renaissance Zone Fund Organizations
Jan. 17, 2011**

**Submitted by Ellen Huber, Business Development Director, City of Mandan
205 Second Avenue NW, Mandan, ND 58554, phone 667-3485, ehuber@cityofmandan.com**

Good morning Chairman Belter, Vice Chairman Headland and House Finance and Taxation committee members. I am Ellen Huber, business development director for the City of Mandan. I am here to testify in support of House Bill 1148 relating to Renaissance Fund Organization increased flexibility for cities with a population under 25,000.

The purpose of a Renaissance Zone Fund Organization is to raise funds to invest in approved zone projects or other businesses in Renaissance Zone cities. A credit against state tax liability is allowed for investments. The credit is 50 percent of the amount invested in the Renaissance Zone Fund Organization. The credit may be carried forward for up to five years.

Renaissance Zone Fund Organizations may provide financing to entities through any combination of equity investments, loans, or guarantees.

Mandan, like many North Dakota cities, faces challenges in attracting the capital necessary for downtown revitalization and overall community development. At the same time, we see large amounts of money being generated in North Dakota and then invested out of state.

Increasing the flexibility of the Renaissance Fund Organization by more readily allowing projects to drive location — be it within a Renaissance Zone or elsewhere in a community — and allowing an investor to recoup funds in five years, rather than 10 years, are steps that will better encourage community investment. The proposed legislative changes to Renaissance Fund Organization requirements will help foster interest in organizing investment groups to put money into development and business projects needed in a community. Such efforts will improve the commercial real estate in North Dakota communities that leads to job creation, the provision of goods and services, and an improved quality of life that residents desire.

Over the past five to six years, the City of Mandan has been working to encourage the growth of the retail and restaurant sector in our downtown and other commercial districts. These efforts have been in response to demands from citizens. A 2008 household survey with nearly 1,000 respondents found residents view more retail shopping as most important to improving Mandan.

Mandan underwent a strategic planning process in 2009. The resulting plan for continued community improvement has been dubbed Mandan Tomorrow. An Economic Opportunity and Prosperity committee consisting of business representatives and

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#1
p. 2

citizens is helping to implement the plan. A goal of the committee is to form an investment to help fill gaps in Mandan's retail and restaurant profile.

While Mandan has struggled to attract a corporately owned store such as a Walmart, Target, Kmart, Alco or Pamida; or to convince those with franchise rights for casual dining restaurants to locate in Mandan, we believe Mandan can grow its retail and restaurant sector by looking inward for sources of investment.

State income tax credits available through a Renaissance Fund Organization could help entice such investment by offsetting risk associated with business ventures. Funds raised through the effort may be used to purchase and improve real estate, to provide additional owner equity in a business, fund working capital, or initial equipment and inventory.

A population threshold of 25,000 for the added flexibility in Renaissance Fund Organizations makes sense because it provides the additional latitude in geographical investment and redemption to communities that need it most.

Sales tax collections are important to many North Dakota cities as a means of reducing property tax and special assessments for infrastructure as well as to fund economic development.

A N.D. Tax Department rundown of sales tax collections per capita for 2009 in 1 percent equivalents shows Williston, Minot, Fargo and Bismarck at the top of the list of the state's top 20 cities in collections. Their sales tax revenue per capita exceeds \$200. Mandan, in contrast, is 20th on the list, despite being the state's 6th largest city, with collections of only \$79 per capita.

We believe the proposed changes to Renaissance Fund Organization regulations could help over the long term to foster more retail, increase local sales tax collections and in turn reduce property taxes and special assessments for residents and businesses. Identifying ways to better encourage local investment is one of the most important things we can do to assist with maintaining and growing communities across North Dakota.



#2

Testimony of

Economic Development Association of North Dakota

HB 1148

January 17, 2011

Chairman Belter and members of the committee, my name is Cal Klewin. I am representing the Economic Development Association of North Dakota (EDND).

EDND is the voice of the state's economic development community and provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. Our mission is to increase economic opportunities for residents of the state by supporting primary sector growth, professionalism among economic development practitioners and cooperation among development organizations.

Appropriate financing tools are essential to the success of any business. North Dakota's menu of financing options has served the state well. We have worked over the years with those agencies in North Dakota to sculpt detailed yet flexible financing options.

The renaissance zone program is one of those valuable financing tools. The option to use the renaissance credits to develop economic capital investment for improvement allows the development of an area of a community which otherwise would be ineligible for the development tool. This bill offers flexibility for smaller North Dakota cities and rural communities to invest in future community development.

EDND urges a **do** pass on HB 1148.

Thank you.

#3



STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER
Cory Fong, Commissioner

Memorandum

To: Representative Belter
Chairman, House Finance and Taxation Committee

From: Joseph Becker
Research and Education Section

Date: January 17, 2011

Subject: House Bill 1148
Changes to Renaissance Fund Organization Limitations

As you requested, I am providing some statistics on the investment activity among the existing renaissance fund organizations (RFO) formed by a number of cities having a renaissance zone. An investment in an RFO qualifies for an income tax credit equal to 50 percent of the investment. There is a ceiling on the total income tax credits that may be allowed for all investments made in all tax years, which currently is set at \$7,500,000.

- Total income tax credits authorized by law: \$7,500,000
- Total investments made in all RFOs (all tax years): \$7,595,600
- Total income tax credits allowed (all tax years): \$3,797,800

Also, regarding your question on what the basis was for setting the credit rate at 50 percent, our office does not know. The bill that created the renaissance zone law in 1999, House Bill 1492, as introduced, contained the 50 percent rate, and my notes from the committee hearings do not indicate that there was any particular reason for that rate. My recollection after reviewing my notes is that there was little, if any, testimony on the RFO portion of the bill, and that testimony focused on the larger part of the bill dealing with the other aspects of the renaissance zone concept.

If there is anything else I can provide, please let me know.

Phone: 328-3451
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PROPOSED AMENDMENTS TO HOUSE BILL 1148

Page 1, line 1 after "Act" insert "to create and enact a new subsection to section 57-38-57 of the North Dakota Century Code, relating to disclosure of information regarding renaissance fund investors;

Page 1, line 2, after "cities" insert "and disclosure of information regarding renaissance fund investors"

Page 1, line 22, after the period insert "notwithstanding section 57-38-57, for purposes of this section the tax commissioner may disclose a taxpayer's name and address, the amount of tax credits the taxpayer claimed under this section, and the name and address of the renaissance fund organization with which the taxpayer invested under this section.

Page 1, after line 22, insert:

"SECTION 2. A new subsection to section 57-38-57 of the North Dakota Century Code is created and enacted as follows:

For purposes of section 40-63-07, the tax commissioner may disclose a taxpayer's name and address, the amount of tax credits the taxpayer claimed under this section, and the name and address of the renaissance fund organization with which the taxpayer invested."

Renumber accordingly

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