

2011 SENATE FINANCE AND TAXATION

SB 2329

2011 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB 2329
February 1, 2011
Job # 13836

Conference Committee

Committee Clerk Signature 

Explanation or reason for introduction of bill/resolution:

Relating to an individual and corporate income tax credit for targeted retail businesses; and to provide an effective date.

Minutes:

"Attached Testimony"

The Senate Finance and Tax Committee opened hearing on SB 2329 by Vice Chairman Joe Miller.

Senator Dwight Cook, District 34, supports SB 2329. (Attached Testimony A). There are two ways for a local government to get their money. There are two sources of dollars that they can be in control of themselves. Those being, the mill levy, (that generates their property tax) and their sales tax. This has become a very big tool for the cities of ND. This handout, is going to shed a little light, on the problem, we are trying to correct with SB 2329. The bill that is going to be introduced here, is simply meant, to give targeted income tax credits, to businesses that would locate in cities, that are below the average, as far as what a 1% sales tax, will collect.

Senator Triplett asks if **Senator Cook** can describe in lines 20-22, on the first page, where you reference, that the city would have to qualify, would have to rank below the state average of city sales tax collection, per capita, at 1% equivalent, as computed by the tax department, for the most recent calendar year? What does, below the state average, mean? Do you take all of the cities and run an average of all the cities?

Senator Cook states, "Yes, that is exactly what it means". We discussed, if it should be the average of all cities, or whether we should look at the median. The tax department has run both of those numbers and you will see, from the handout, what they are. We are taking the highest number that encompasses the vast majority of cities. A slight moving target.

Dot Frank, Mandan City Commissioner supports SB 2329. (Attached Testimony B).

Senator Miller asks, "Why is it, that cities with large sales tax bases, continue to have high property taxes, in your opinion?"

Dot Franks responds by saying that it would be a good question for local representative, especially on the city side. I think taxes, in general, no matter how high or low, are going to be perceived as high, for the resident who has to pay them. The challenge is, for communities like Mandan and 92 other cities, that are eligible for this type of incentive, is when you have a community which is in close proximity to a heavy retail area and people are in a position to travel outside that city to purchase products and services, they go to that larger city.

The statement was made about the way ND developed with the railroads and too many small towns, that just weren't viable, and that really what the state ought to be doing, was focusing its attention, from an investment standpoint, on the 12-16 larger cities and accept times, have changed. Why should we be putting the resources towards the small towns that are virtually dead, from the retail standpoint?

Dot Franks states that she is glad she is not from a small town. That is probably for the benefit of Chairman Cook and Senator Triplett. If I was from one of those smaller cities, I would be much more passionate about a proposal like SB 2329. The communities still exist. There are residences in those communities and they are trying to revive those communities, such as the community of Garrison. It saw a lot of their downtown dying but with "sure willpower and determination" they have recreated a community that attracts thousands of visitors each year.

Chairman Cook asks, "When you look at this bid application or this application process, for a small community, if there was a business that was going to be successful, it would have quite an investor and be quite a benefit to that community"

Dot Frank states that one thing I pointed out in my testimony, is that if you pay particular attention to the wording in the bill, there are a lot of safeguards. Like the city of Mandan, and the incentives we offer for businesses, we pay close attention, with a lot of pressure from our tax payers on our requirements, before we hand out any type of money. In SB 2329, there are a lot of requirements that "pave the road" towards a successful business applying for and receiving this incentive. Additionally, there has to be 60% of their own investment, that has to be a part of this, and it is up to 40%, which does not guarantee that they will get the entire 40%. I am confident, that we will be frugal, but also creative on how this money is awarded, to make sure that the businesses that are getting it, can survive and contribute back to those communities.

Senator Burckhard asks if there are any particular retail businesses that you are going after with this kind of legislation?

Dot Frank responds that it depends on "who you ask". Again, recalling the conversation I had with constituents this summer, it ran the gamete. Some want Cabelas and Walmart to a mom and pop donut shop. Our business development in Mandan has discovered, through surveys and community polls, those residents of Mandan, are seeking retail and restaurant businesses. One of the pieces of the legislation deals with "gap analysis". The city of Mandan did conduct a "gap analysis" survey, to determine where we have expectations that exceed the amount of services that are currently being delivered. That,

as part of this legislation, will help insure, that the businesses that are getting the funding or tax incentive, are filling a niche, not duplicating services.

Jay Feil, resident of Mandan, President of Starion Financial. He states that he has watched Main Street deteriorate as the big box stores and Kirkwood Mall have opened up. We had a diesel spill in downtown Mandan that took time and energy, to get it resolved. We have a community of 18,000+ and we are not a dying community. We have a lot of young families and Mandan is not in rural ND. We have people who are looking for services. That is why this "gap analysis" has been very beneficial. Everyone knew it but we have the numbers to show it. We have no real sales tax base and we are trying not to compete with Bismarck. We are trying to keep up with Bismarck, with the sales tax base; we are trying to keep our property taxes, somewhat equivalent, so that we can be one major metro area here. We are looking for some effort, in getting us over the hump, so that we can bring in some retail. This tax credit would help us in bringing in "grass roots" investments. Several of us have met and come up with investor names and we are trying to come up with capital, to try and bring some retailers and restaurateurs, into Mandan. We need to increase our sales tax base in Mandan. Once the bill gets passed, we will have to go out and find the business and investors.

Senator Dotzenrod states that it looks like, the people that this is designed to help, are retail businesses. If a construction company or manufacturer would like to take advantage of this, they are not going to fit, are they?

Jay Feil states it is on a scoring system. There are going to have to fill the "retail gap" and they are going to have to project out, the sales tax collection, that they are going to bring to the community. In theory, they possibly could, but it would be unlikely that they would score high enough, to do that.

Senator Burckhard asks, "Do you think this will attract the big box stores then to Mandan?"

Jay Feil states he doesn't see that happening. What I see, is us reaching out to some retail franchises, restaurant franchises and non franchises, where a group of Mandan investors, put together \$1.2 million to put up a restaurant and bring in an operator. All these things are possibilities. We are going to give it our best shot.

Representative Todd Porter, District 34, Mandan supports SB 2329 and concept. He thinks by passing SB 2329 will level the playing field.

Chairman Cook states that we do have some amendments to SB 2329 that will be offered. It is a work in progress right up to the last filing day. If anyone wants to speak to the amendments, we will get them on the table.

Niles Hushka, Mandan resident and person who works with the companies that move into the communities, across ND, supports SB 2329. (Attached Testimony C).

Russ Steiger, president of Bismarck-Mandan Development Association supports SB 2329 and handed out (Attachment D) on behalf of **Cal Kiewin, Economic Development Association of ND.**

Jerry Hjelmstad, speaks on behalf of **ND League of Cities** and we support SB 2329.

Senator Triplett asks "I thought I heard you say you supported "gross expansion" of all cities, so how is it possible, that the League of Cities can support a bill that divides the state in two?"

Jerry Hjelmstad states that there are incentives needed for some that are lagging in the retail sector. We are trying to improve the health of all communities, if they are struggling in the retail sector.

Senator Triplett asks "When your leadership group was considering what bills to support or not support, did you have any "push back" or criticism from the larger cities, who are not going to benefit from this?"

Jerry Hjelmstad states that there is competition among cities but larger cities realize that by having helped the communities across the state, it would be beneficial to the entire state.

Kevin Hullet, President of the Bismarck-Mandan Chamber, supports SB 2329. (Attached Testimony E). I want to give you context, related to this bill and also walk through the amendments; we want to propose on this bill. There has been discussion about what has happened, in the City of Mandan, over the last couple of decades. About 4 years ago, our Board of Directors had a long conversation about Mandan and what did our organization need to do, to move the community forward. Our organization said to the City Commission, School Board and Park Board, we need to move forward together. The business community led the effort, in hiring a consultant to come in and put together, a strategic plan for the city of Mandan. We paid for \$80,000 out of the \$116,000 that was required for the consultant. It is called "**Mandan Tomorrow**". We got the plan updated a couple of days ago. We went through each of the committees and it is working. The business community stepped up and "opened their checkbook". Their direction to the organization was "we will pay for it but you better implement it". So, we are implementing it. One of the key challenges has been the issue of the sales tax collections. It is not just the property tax issue. In Bismarck, a 1 cent sales tax equals about \$11-11.5 million per year. In Mandan, that same 1 cent tax is a little under \$1.5 per year. In Mandan, one of the key projects, we have talked about is an events center for 2500 seats. How do we pay for this with a sales tax base of \$1.5 million except for property taxes? Property taxes are high. This bill begins to address our ability to move forward on a couple of different fronts in Mandan.

Mr. Hullet walks through amendments. (E1/ proposed amendment for SB 2329). He states it would be much less complicated and more effective to do ongoing grants throughout the year. It would be \$2.5 million/yr. for a total of \$5 million of a biennium. We accept applications throughout the whole year and awards may be made throughout the whole year. We make this for new and existing businesses but the qualifications are different. They cannot be closing or moving their business, from another community, to move in and take advantage of the income tax credit.

Page 2, line 24, we say that it would be easier to do a 10% credit per year, up to 40%, over the course of 5 years.

Ellen Huber, Business Development Director for the City of Mandan supports SB 2329. "Gap Analysis" (Attached Testimony F). We worked with Bismarck-Mandan Development Association, each year, where we analyze our market area. Currently, we are a "donor" community, to other parts of the state. On a local level, the community has been working hard to recruit retail, implementing a number of programs, the renaissance zone, a local store front improvement program, a retail and restaurant incentive program, \$2 million and revolving loan pools etc. We have sought input from resident and business community.

Senator Miller asks what it cost to have "Gap Analysis' conducted?

Ellen Huber state it is about \$100/annually.

Closed hearing on SB 2329.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB 2329
2/15/2011
Job Number 14543

Conference Committee

A. Bittmiller

Explanation or reason for introduction of bill/resolution:

Relating to an individual and corporate income tax credit for targeted retail businesses

Minutes:

Committee Work

Chairman Cook opened discussion on SB 2329.

Donnita Wald, Tax Department went through the proposed amendments.

Chairman Cook – I appreciate the work you have done I think the only thing that really is lost from the original intent and it's really not totally lost is the competitive nature of the bidding for these credits. I understand why we couldn't, but we still have the 75 point requirement so there is a certain degree of competition there yet. Otherwise, it accomplishes what the original intent was.

Senator Oehlke – I don't see anything in this bill that would prevent someone from putting off a project and wait for us so they could claim this. Do we need to put something in this bill so that if someone has already gone through a lot of things with the Department of Commerce and they are ready to roll but then decide to hold off until this bill passes, do we need something like that?

Donnita Wald, Tax Department – I think there is a lot of tax incentives out there that if people are watching what you do they will either start making purchases or hold off on what they are doing or plan to do because of what they think is coming down the road. I don't think it's uncommon. If you want to put something in there, that is a decision the committee would have to make.

Chairman Cook – I've always felt the minute we come to town a lot of things halt until we go home.

Donnita Wald, Tax Department said that sometimes too people go forward with projects without knowledge or intent and end up qualifying for something just passed into legislation. It's just how it works out sometimes.

Senator Triplett – If you really wanted to do that Senator Oehlke you would have to make the effective date 1 or 2 years down the road so people would be less likely to sit around and wait for it, however then you wouldn't get the impact of what you are trying to do as quickly.

Senator Dotzenrod – On page 3 line 4 it says the credit to an applicant is limited to not more than 40%. It doesn't say 40% and it doesn't say 35% or 30% which would also be not more than 40%. Is this a prorated type thing? Is it that you don't want to be committed to that number 40? It could be some other number if there were a lot of applications?

Chairman Cook – If you go to page 2 line 18 the intent of this credit is that somebody comes in and says I don't want 40% I want 20%, that's all I need to make this project work, they would score more points than someone asking for 40% credit. The intent is to be able to leverage as much venture capital as we can with the \$5 million worth of credits out there.

Senator Dotzenrod – On page 2 we set up this scoring process, a through g. Is that scoring process similar to things being done or are we creating something here for the first time?

Donnita Wald, Tax Department – I'm not sure. This is the first tax credit that has been set up in this particular manner.

Chairman Cook – Department of Commerce will have to determine the scoring. They will have to come up with policy or rules that will determine how the points are awarded.

Senator Dotzenrod – The language in this bill as far as how we are going to do the scoring has been coordinated and developed with the Department of Commerce so they are fully aware of this so that this is something that they feel they can accommodate.

Donnita Wald, Tax Department – That's correct.

Senator Triplett – I think that in conversation there was a suggestion that the department would prefer if some more local entity made the decision or at least made recommendations and passed it forward rather than leaving it with commerce.

Chairman Cook – There were a lot of conversations with Department of Commerce. They are comfortable with the way we have it set up.

Senator Triplett – I'm okay with the amendments if they've been worked through. I don't like the bill at all but we can discuss that later. I'll move the amendments.

Seconded by **Vice Chairman Miller**.

Chairman Cook – All in favor of the motion to amend signify by saying yea. (7-0-0)

Senator Triplett – I would move a Do Not Pass.

Seconded by **Senator Dotzenrod**.

Senator Triplett – I'm not aware that we have ever done a tax incentive for strictly retail in the state before, but it seems to me that we are kind of drifting off in to sort of dangerous territory here. I think that in all the years that the state has done tax incentives it's pretty much been focused toward primary sector businesses which specifically don't include retail. I know some exceptions have been made in small rural towns. I served for a number of years on the Red River Regional Council and we struggled with doing economic development in very tiny towns where they were struggling to keep a single grocery store open or a single gas station open, these were communities that really had lost all of their businesses. Sometimes we did make exceptions to the primary sector businesses for those tiny towns in an effort to keep some retail out in the remote parts of the state. There is no argument that can be made that the city of Mandan is that remote city that doesn't have access to basic retail. I can understand people in Mandan being frustrated that they may have to drive 5 or 7 miles to get to Bismarck for a particular restaurant that they like, but it is not the same thing as a town of 300 that has no grocery store within 20 miles or no gas station within 15 or 20 miles. It's a whole different thing. For our established communities I just think that this is bad tax policy to start suggesting that we would give taxpayer money for retail business which really just ought to follow the market and be developed where it is. I have sympathy for the community of Mandan, but I just don't think this is the right response for the state as a use of taxpayer money.

Chairman Cook – As this bill was introduced, the problem that is trying to be corrected is the disadvantage certain cities have because of their proximity to other cities, large shopping cities, and their ability to collect or generate sales tax revenue. The disadvantages that places on a city. We in the state created local governments to levy sales tax and collect it and use it for various things but as this disparity continues to increase it does put a burden on certain communities.

Senator Triplett – I could make the same arguments that Grand Forks suffers immensely from being within 75 miles of Fargo. We have lots of anecdotal evidence that many people from Winnipeg drive right on past Grand Forks and go to Fargo because of the better and larger retail opportunities in Fargo. Certainly we were exacerbated by the disastrous flood where a lot of our businesses were really struggling for a number of years. It may be a little less intense than the difference between Mandan and Bismarck but it's certainly there. We suffer from our airport not getting as much traffic, we suffer from not having as many choices in air travel, there are a lot of things that proximity does for a community. Maybe Mandan should be asking for more tourism dollars and promoting itself as the beginning of the great American west or something and distinguishing itself from Bismarck in other ways. Giving tax incentives to new and expanding retail is just going down the wrong road in my opinion.

Senator Dotzenrod explained that in looking at the numbers of sales in Mandan, they have very high automobile sales however that is an excise tax therefore there is no sales tax generated on those sales.

Senator Hogue – I have to agree with Senator Triplett. I think this bill is going the wrong road. It seems like all the real estate professionals that you talk to will tell you the same thing. Location, location, location. To think that we are going to tempt a retailer to come to

West Fargo or Mandan with a tax incentive like this is just another one of these giveaways where you have to lay out your business plan and you try to put your retail location in an area that is going to draw the most traffic. The unfortunate thing for Mandan is that there are more people in Bismarck and it's got more traffic. To try to, we in this committee and the legislature can change that dynamic, I just don't think we can. I am against giving away tax dollars when I don't think it's going to create the incentive that you want. I think it's just going to be a giveaway that happens to be locating a retail business in West Fargo or Mandan.

Senator Dotzenrod – When Donnita was explaining on page 1, there was 3 characteristics that the applicant has to meet or it has to be 1 of 3 categories. I'd like to make sure I understand what those are.

Donnita Wald, Tax Department – A new retail business, an expanding retail business, or the owner of a building who wants to or is attracting or has commitments from a new retail business or an expansion of a retail business.

Senator Dotzenrod – That would not apply then to someone that has a warehouse. It has to be related to a retail activity. You can't have a large building and get this credit if it's used in part of a shipping business or something. It's got to be retail.

Donnita Wald, Tax Department – That's right.

Chairman Cook – It has to be retail, it's going to be scored on how much it's going to increase the retail sales subject to sales tax in the community and it has to be located in a community below the average sales tax collections.

Senator Oehlke – Frankly I don't know that it would make any difference whether we pass this bill or not. In the communities where it really matters if there is not a will for the community as a whole to utilize its own area, this is not going to work.

Chairman Cook – Senator Hogue you raised the question, and I think some of the economic development people would probably disagree, Bismarck Mandan as a community together is a metropolitan area, and you can see it happening as the metropolitan area went over 100,000 people they became a target area for many businesses throughout the country that were not here. The dart was thrown at the Bismarck area. So then they come here and they look for a location to build their facility or store or whatever it is and ultimately they are choosing location. Its traffic, but they choose Bismarck. There are some areas in Mandan that are very accessible to Bismarck and the location there is just as good but ultimately when they weigh everything out, the demographics, and I think the biggest thing is that people from Mandan will drive over to Bismarck and they are doing it all the time right now because that's where they go and that creates traffic. The argument has been made to me and I agree with it, that if this was what would tilt the scale that maybe some of these businesses that are coming in may or may not but the chances will be a little better that they will consider Mandan.

Senator Triplett – Another concern that I have is the competition within the city of Mandan between existing retailers who may not be interested in expanding either because they are at the limits of growth in the location they are at and just don't want to make the effort and by giving a tax credit to a new restaurant or new gas station or a new grocery store, you are depriving existing, possibly long-term well established businesses in that very city, your giving their competition an edge and that's why retail businesses have frequently been excluded from economic development kinds of things because we try to use economic development sort of tools to get a new type of business to locate in an area so then it will contribute to new jobs and new people moving in which would then, sort of as a trickledown effect, would benefit the entire community. This is not going to benefit the entire community; it will be a benefit to some and a detriment to others within the very city that you are trying to help. I think that's another reason that it's really not fair to existing retail businesses in your own town.

Chairman Cook – We don't have any retail. You can't buy clothes in Mandan. That's the problem.

Senator Triplett – You can buy groceries and you can buy gasoline, you can buy some clothes, you can buy antiques.

Senator Hogue – Does any part of the cities one cent, does any of that go to property tax relief or is that all for economic?

Chairman Cook – They will say 25% I think goes to property tax relief but the way they calculate that is, they buy down, they will pay for certain projects that if they didn't would probably be paid for with property tax.

Senator Dotzenrod – What I see when I look at the bill is, it may be somewhat precedent because I think what we are doing is taking state general fund dollars and using those dollars to try to correct an imbalance in retail sales. I don't know that if we did this that it would say that the general fund is responsible to correct market imbalances under certain conditions that exist in the way people shop and where they buy things. If we adopt this and it becomes state law there is going to be other cases where people may say, well, we should be able to use the general fund then to help balance other differences that occur, whether its manufacturing based or labor pool. I am a little concerned about the precedence here if we are going to use general fund dollars in this way.

Chairman Cook – How many places do we use general fund dollars to get a desired result?

Chairman Cook – We have a motion for a Do Not Pass as Amended. Ask the clerk to take the roll. (3-4-0)

Chairman Cook – That failed.

Vice Chairman Miller – I'll move a Do Pass as Amended.

Seconded by **Senator Oehlke**.

Senator Oehlke – I said before I didn't think this would work, I'd like to prove it. I just don't think it's going to make a difference but I don't see that we could know that unless we come back in a few years and look at it.

Chairman Cook – Ask the clerk to take the roll. (4-3-0)

Carried by **Chairman Cook**.

FISCAL NOTE

Requested by Legislative Council
03/23/2011

Amendment to: Engrossed
 SB 2329

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.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 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.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 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).*

Engrossed SB 2329 with House Amendments creates an individual and corporate income tax credit targeted for new or expanding retail businesses in qualifying cities.

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.*

Engrossed SB 2329 with House Amendments authorizes the Department of Commerce to grant tax credits to new and expanding retail businesses located in cities that meet defined criteria. The aggregate amount of tax credits that may be awarded is limited to \$1.25 million per year, or \$2.5 million during the 2011-13 biennium. However, the actual amount of tax credits that will be awarded is unknown. The program sunsets in 2013.

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
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Phone Number:

328-3402

Date Prepared:

03/24/2011

FISCAL NOTE
 Requested by Legislative Council
 02/17/2011

Amendment to: SB 2329

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.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 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.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 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).*

Engrossed SB 2329 creates an individual and corporate income tax credit targeted for new or expanding retail businesses in qualifying cities.

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.*

Engrossed SB 2329 authorizes the Department of Commerce to grant tax credits to new and expanding retail businesses located in cities that meet defined criteria. The aggregate amount of tax credits that may be awarded is limited to \$2.5 million per year, or \$5 million during the 2011-13 biennium. However, the actual amount of tax credits that will be awarded is unknown.

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:	02/18/2011

FISCAL NOTE

Requested by Legislative Council
01/26/2011

Bill/Resolution No.: SB 2329

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.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 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.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 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 2329 creates a targeted individual and corporate income tax credit for new or expanding retail businesses in qualifying cities.

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 2329 authorized the Department of Commerce to utilize grant rounds to award tax credits to new and expanding retail businesses located in cities that meet defined criteria. Each of the four grant rounds that could occur during the 2011-13 biennium could issue \$1.25 million in tax credits, for a total of \$5 million for the biennium. However, the actual amount of tax credits that will be awarded is unknown.

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
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Phone Number: 328-3402

Date Prepared: 02/01/2011

February 15, 2011

JFB
2-16-11
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PROPOSED AMENDMENTS TO SENATE BILL NO. 2329

Page 1, line 8, remove "or operator"

Page 1, line 8, after "business" insert "or the owner of a new or expanding retail business location"

Page 1, line 10, replace "taxpayer" with "applicant"

Page 1, line 11, remove "must be made in credit grant rounds"

Page 1, replace lines 12 through 16 with "may be made on the basis of applications submitted and may be awarded until the credits available for the calendar year are fully utilized."

Page 1, line 17, replace "or operator" with "of the retail business or the owner of the retail business location"

Page 1, line 17, after "and" insert "the"

Page 1, line 18, after the first "business" insert "or retail business location"

Page 1, line 18, after the second "business" insert "or retail business location"

Page 2, line 1, replace "encouragement" with "the establishment"

Page 2, line 1, after "businesses" insert "and the expansion of existing retail businesses"

Page 2, line 8, after "expected" insert "additional"

Page 2, line 8, replace ", as estimated" with "or the businesses that are expected to occupy the new or expanding retail location must be reviewed"

Page 2, line 10, remove "or operator"

Page 2, line 12, replace "percentage that" with "ratio of"

Page 2, line 12, replace "is of" with "to"

Page 2, line 12, after "investment" insert "from all sources"

Page 2, line 21, after "4." insert "To be eligible for a credit, an applicant must score at least seventy-five percent of points available under subsection 3 and the applicant may not be closing or reducing its business operations in one area of the state and relocating substantially the same business operations to another area."

5."

Page 2, line 21, replace "total" with "aggregate amount"

Page 2, line 22, replace "one" with "two"

Page 2, line 22, replace "two" with "five"

Page 2, line 22, remove "fifty"

Page 2, line 22, replace "grant round" with "calendar year"

2 of 3

Page 2, line 22, after the underscored period insert "The credit awarded to an applicant is limited to not more than forty percent of the initial or estimated investment in the business or the retail business location, which may be awarded:

- a. In a single installment;
 - b. In an amount equal to twenty percent per year for five years; or
 - c. In annual installments for a period not to exceed five years, in an amount to be determined by the department of commerce contingent on the applicant meeting the annual performance goals as set forth in the original grant application.
6. The department of commerce shall notify the tax commissioner of the credit amount awarded to each applicant.
7. For purposes of the determination of the credit, qualifying initial investments are material investments in the business, including the purchase of land, equipment, inventory, building materials, and payments for construction contracts and franchise fees. The applicant must notify the department of commerce of any material changes to, or withdrawal of, an application. If an approved application is withdrawn by the applicant before the credit being awarded, the credit amount allocated to the withdrawn application must be added back into the aggregate amount of credits that may be awarded during the calendar year. The department of commerce shall place conditions on the credit award including circumstances that will trigger a clawback and the amount of the credit that may be recouped if those circumstances occur. The department of commerce shall notify the tax commissioner of the amount of credit to be recouped."

Page 2, line 23, replace "5." with "8."

Page 2, line 23, remove "The credit awarded to an applicant is limited to not more than forty percent of the initial"

Page 2, line 24, remove "investment in the business."

Page 2, line 29, replace "6." with "9."

Page 2, line 29, replace "An" with "The owner of an"

Page 2, line 29, after "business" insert "or the owner of an expanding retail location"

Page 2, line 30, after "business" insert "or a new business location"

Page 3, line 3, after "business" insert "or of the businesses that are expected to occupy the expanding retail location"

Page 3, line 3, replace "fifty" with "twenty-five"

Page 3, line 3, replace "five" with "three"

Page 3, line 4, remove "Not more than twenty-five percent of the credits available in the credit grant"

Page 3, line 5, replace "round may be awarded to expanding existing businesses" with "If the expansion is of a retail location, the investment in the expansion must be an amount equal to or in excess of twenty-five percent of the current true and full value of the commercial portion of the existing structure"

Page 3, line 6, after "business" insert "or existing retail location"

Page 3, line 6, replace "twenty" with "forty"

Page 3, line 7, after the first "the" insert "initial or estimated"

Page 3, remove lines 8 through 10

Page 3, line 11, replace "under this section and used in any previous taxable year" with:

"10. Upon certification by the department of commerce that the credit or any portion of the credit is revoked, the amount certified"

Page 3, line 12, replace "paid" with "assessed"

Page 3, line 12, replace "subject to enforcement" with "collected"

Page 3, line 13, after "chapter" insert ", notwithstanding the time limitations in section 57-38-38"

Page 3, line 14, replace "8." with "11."

Renumber accordingly

Date: 2-15-11
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2329

Senate _____ 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 Senator Triplett Seconded By Senator Miller

Senators	Yes	No	Senators	Yes	No
Dwight Cook - Chairman			Jim Dotzenrod		
Joe Miller - Vice Chairman			Connie Triplett		
Randy Burckhard					
David Hogue					
Dave Oehlke					

Total (Yes) 7 No 0

Absent 0

Floor Assignment _____

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

Verbal vote

Date: 2-15-11
Roll Call Vote # 2

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2329

Senate 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 Senator Miller Seconded By Senator Oehlke

Senators	Yes	No	Senators	Yes	No
Dwight Cook - Chairman	X		Jim Dotzenrod		X
Joe Miller - Vice Chairman	X		Connie Triplett		X
Randy Burckhard	X				
David Hogue		X			
Dave Oehlke	X				

Total (Yes) 4 No 3

Absent 0

Floor Assignment Senator Cook

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

REPORT OF STANDING COMMITTEE

SB 2329: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (4 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). SB 2329 was placed on the Sixth order on the calendar.

Page 1, line 8, remove "or operator"

Page 1, line 8, after "business" insert "or the owner of a new or expanding retail business location"

Page 1, line 10, replace "taxpayer" with "applicant"

Page 1, line 11, remove "must be made in credit grant rounds"

Page 1, replace lines 12 through 16 with "may be made on the basis of applications submitted and may be awarded until the credits available for the calendar year are fully utilized."

Page 1, line 17, replace "or operator" with "of the retail business or the owner of the retail business location"

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Re-number accordingly

2011 HOUSE FINANCE AND TAXATION

SB 2329

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2329
March 8, 2011
Job # 15095

Conference Committee

Committee Clerk Signature *Jeanette Cook*

Explanation or reason for introduction of bill/resolution:

SB 2329 is a bill relating to an individual and corporate income tax credit for targeted retail businesses; and to provide an effective date.

Minutes:

See attached testimony #1A 1 B, #2, #3, #4A and B

Senator Cook, District 34 in Mandan, introduced SB 2329. The bill deals with a new concept, targeted retail business tax credits.

Senator Cook: The last few years I have been working within my community trying to do what I can to improve it and make it a better place to live. We all also try to improve the economic environments of our communities. In Mandan we have been doing everything that we can to try to make Mandan stronger economically. As we have looked at ways to reach our objectives, one of the things that we soon realized was our inability to raise sales tax revenue. I think we all know how much cities rely on sales tax revenues. We have worked tirelessly trying to reduce property tax burdens on local citizens, and one of the ways local governments try to keep that property tax burden down is by levying a sales tax for property tax reduction. We realized that there are communities, Mandan is just one of them, that are extremely disadvantaged when it comes to levying sales tax. I asked Kathy Stombeck to do an analysis of what the top twenty cities in North Dakota are able to raise in sales tax revenue. See attachment #1A. This also shows what 1% will raise per capita in each of these cities. You can see at the top, some of the cities that have an oil boom, and they are raising a lot of sales tax revenue. Then the major shopping areas are next. I was shocked when I saw where West Fargo and Mandan were. I am from Mandan, but this is not just for Mandan. There are many cities in North Dakota that have extreme difficulty in raising sales tax revenue. It is a very important revenue stream for our political subdivisions. We started looking for a solution and to what degree this is a problem. When you look at West Fargo and Mandan, their greatest disadvantage is their location to a major city right next door. As these communities grow, the retail people start moving in. They look at the area and then choose the major shopping area. This bill provides a tool for disadvantaged cities to attract retail business. It is an income tax credit. It is a competitive credit. In order to apply for it, a city would have to be below the statewide average of \$125. The city would be scored on a point system and would apply to the Department of Commerce. They would be scored by how far below the average they are and how much the new business would raise sales tax contributions in the political subdivision. The

maximum income tax credit that one could get is 40%, but they would be scored on how competitive they were as far as leveraging venture capital. In other words if an applicant said they only needed a 20% credit, thereby putting out more venture capital, they would score higher than someone asking for a 40% credit. There is also a clawback to take back the income tax credit. There are a lot of things in this bill that are good sound policy. It is a good effective tool to allow many cities in North Dakota to work at raising their sales tax collections, so they are not disadvantaged. A chart of all the cities of North Dakota that levy a sales tax was provided. See attachment #1B.

Representative Todd Porter, District 34 in Mandan, spoke to support SB 2329. He stated that he was part of a group that worked through issues of communities that have problems because of their proximity to a major city. This concept came out of that working group. He asked for support for the bill, so that the cities that are truly disadvantaged by their location can bring some retail business to their cities.

Representative Dwight Wrangham: Did your working group explore any other methods of trying to equalize the sales tax?

Representative Porter: We looked at a lot of other options out there. I don't know if we looked specifically at equalization.

Dot Frank, Mandan City Commissioner, spoke in support of SB 2329. Please refer to attached testimony #2.

Vice Chairman Craig Headland: How does this bill, if passed, impact your existing retail? Isn't it going to put them at a competitive disadvantage?

Dot Frank: No, the one thing that is incorporated into the language of this bill is a section that states that the business has to represent an underserved or a niche that is missing in the community. To calculate that, the Department of Commerce will request that a gap analysis be completed within the community. One of our business development directors from Mandan can share more details about a gap analysis. There are several gaps in our community. Each community is unique. You will really see less of a burden on existing businesses because those that qualify will have to fill a niche.

Representative Steven L. Zaiser: It was previously thought that sales tax was a regressive tax, and that the business community didn't like sales tax because they thought that it deterred business. I think that has changed, but regardless of what the business community thinks, clearly it is a regressive tax. Maybe in some respects you are being kinder to your citizens by having a lower sales tax. I think that this is an okay idea, and it has merit, but another idea that might have been considered is a city income tax. It would certainly be more progressive in its nature. It may not be as popular among the opinion leaders. I just wondered if you had thought about that.

Dot Frank: What we are really looking at, not only in our community but across the state, is that we are all collecting a city sales tax. It is one of the requirements for this bill. It is typically 1%. However, where we run into issues, is in the number of businesses that are pulling in that sales tax. So, while we want to maintain a 1% sales tax, we need more

businesses that are collecting that 1%. That is where some of these communities have historically had difficulties, in attracting the additional businesses to help contribute to that 1% collection.

Representative Dwight Wrangham: I agree wholeheartedly with what you said. City sales taxes are very unfair. Possibly city sales taxes should go back to the city in which the resident lives, or perhaps city sales tax should be done away with, and the state should increase their tax by a cent. Then that could be redistributed to communities the way that distribution aid is distributed otherwise. There is a terrible inequity. I see this plan taking from one pocket and putting it in another. If there is an underserved area in Mandan, I believe that capitalism will fill that area if it is a viable business. What we are asking here is to take the tax from the income and distribute it in a different way. So my question is, did the group explore other methods of solving the problem to the inequities of sales tax?

Dot Frank: The working committee is part of the group that is testifying today, and I will defer that to them. I am here just representing Mandan.

Representative Dave Weiler: In your second paragraph you talk about being a City Commissioner and your challenge to keep property taxes low while providing high levels of service. Many times we get the City Commissioners, the League of Cities, or the Association of Counties that come in and always talk about the revenue side of things. Have you ever thought about the expense side of it? If you are providing high levels of service in Mandan, and yet the chart that Senator Cook handed out showed that Mandan is at the bottom of the list. Are there any services that you provide that could be reduced? Have you looked at staffing? One example: when the Bobcat plant closed, I know that there were many families in Bismarck that one or both of the spouses were laid off. I heard of many of them selling their fifth wheel, new truck, or snowmobile. That is what people have to do; sometimes they have to cut expenses. I wonder if you guys looked at that, rather than just looking at the revenue side of it.

Dot Frank: That's one thing that Mandan by nature has to be very competitive with. We have an excellent staff that always pays attention to their expenses, because not only is Mandan struggling with inequity in sales tax collections, we are challenged every day to provide a high level of service, so that we can maintain our residential base. So, it is not just the businesses that we are trying to get, but it is the residents that we are trying to attract and maintain. We do that by being competitive. Bismarck and Mandan essentially require the same amount of work, such as police officers, fire fighters, etc., and there is a certain investment that is going to spread out by the time that you grow. Mandan's investment is heavier because we have a smaller population. I think that we work very hard to pay attention to our expenses, so that we can maintain the residents to support the businesses that hopefully this legislation will attract.

Jay Fiel, Chairman of Mandan Tomorrow Economic Committee and President of Starion Financial: I helped work on this Senate bill. The retail base has diminished dramatically since I grew up in Mandan. I watched the Main Street go down. The natural cause is the strong retail base in Bismarck. The models for chain and big box stores always go toward where the traffic is. Sometimes it is called capitalism. Sometimes it is just the structure that is out there. Mandan is a community of 18,000+, and it is growing,

but we don't have a lot of services that most communities have. Many of those 18,000 people have to drive across the river on a daily basis for clothing needs, often for eating facilities, and other basic needs. We are working on trying to do something on trying to create the basic structure for services in the community of Mandan. We are looking at some way to equalize, somewhat, the sales tax collection to reduce property taxes. I agree with Vice Chairman Weiler's concern about the expense end, but as a citizen of Mandan I know that they do really watch their expenses. I am on top of that and suggest any and every area that I can find for cutting costs in Mandan. This bill comes to the heart of trying to come to a way of equalization of building a sales tax base in Mandan. The oil spill has decimated our downtown area; we do not have not retail. We are trying to come up with a way to fill the needs for the niches and wants of the Mandan community.

Shannon Gangle, Owner of Seven Seas and Montana Mikes in Mandan and Doublewood and Ramada in Bismarck: I am here to support SB 2329. Representative Headland had a good question that I would like to expand on. I think that this bill is better suited to niche companies that are not going to create competition with existing retail. The flip side of that is that if it does, to an extent, that same program is available to me to expand my business as well. The program is available to all, so it is not an advantage to any.

Russ Steiger, President of the Bismarck Mandan Development Association, a private not for profit group that works with the cities of Bismarck and Mandan, Burleigh and Morton Counties: I am here to appear in favor of SB 2329. The MDA has been working with Mandan for over twenty years in their effort to renovate and redevelop their downtown area. The oil spill decimated the downtown area. Businesses that were absentee owned were not renovated, and it was a real strangle hold on trying to retain and create retail in the downtown environment. As the oil was cleaned up, things began to turn a little bit. We brought in a peer group from the International Economic Development Council to take a look at the community of Mandan and see what their options might be for renovating the downtown area. They recommended a number of things, the most important being the creation of a strategic vision. That was done in partnership with the city and some funding that we got for the project to develop a plan to renovate the downtown area and create a healthy environment. Retail is an important thing to every community. When the malls opened up in Bismarck, it obviously had an impact. You can say it was good for all, but it was not necessarily good for downtown Mandan. They needed to find a way to redevelop it. To the credit of Mandan they have done a number of things to help improve their city, like: rebuilding the downtown area, creating a positive retail environment, and bringing new businesses into the community. At this point in time, Mandan is stretched as far as they can in trying to bring the retail environment back to the standards that they had years ago. I think it is gradually starting to happen. SB 2329 would become one more tool that would assist in attracting potential retail businesses and encouraging existing retail businesses to go ahead and grow because there is a future in downtown Mandan. I would strongly encourage a DO PASS on a bill that I think is vital to the community. I would also say that we service the smaller rural communities in both communities, particularly in Morton County. Most of you know from your relationships in smaller communities, if a single business leaves a downtown in a small community, it is a critical thing. When a small community in Morton County has been threatened with losing a grocery store, we work

hard to save it. Programs like this, accompanied with those already on the books are critical.

Vice Chairman Craig Headland: Could you give us an idea of what type of retail you are talking about here? Are you talking about a Wal-Mart? It has been said by prior people who have testified that they are looking at niche retail, but if you don't have a Wal-Mart, I don't see what putting a super-store...

Russ Steiger: There are some sides of the community that would prefer to have a Wal-Mart come into the community. But, this legislation from my understanding is intended to identify a niche. That might be a small hardware store, a dress shop, a shoe store, or any kind of family owned type enterprise.

Testimonies were submitted from Cooperstown, West Fargo, Dickinson, Hazen, and Wahpeton in support of SB 2329. See attachments #3 (1-5).

Kelvin Hullet, President of Bismarck Mandan Chamber of Commerce, spoke to support SB 2329 and provided written testimony from Cal Klewin, Economic Development Association of North Dakota. See attachment #4A. He also provided a sheet which is an overview of SB 2329 and how the technical components of it work. See attachment # 4B.

Kelvin Hullet: There are a couple of things to address. This would be for new and existing retail. So, part of the question is how to help the people that have been in the community forever? You will see in the bill that we have drafted there is a component that allows for existing businesses to take advantage of the same tax credit provided that they increase their space and increase their sales tax collections by 25% over three years. There is also the niche retail gap analysis. It keeps retail from overlapping, and we have some controls over what comes and goes. This is for communities of 30,000 or below. So, it is not available to the bigger communities. It is targeted at the communities that need to look at their tax base and are below the average of sales tax collection. Rep. Wrangham, we did also think about the whole concept of if we are playing the zero sum game. We included a section in the bill that says an applicant cannot close a business in one area and relocate the same business to another area just to take advantage of the credit. I would like to point out one more thing. Two years ago we did a study. It is called Mandan Tomorrow. It was unique because the business community got their checkbook out and paid for \$80,000 of the study. We paid for the lion's share of the study, so that we could really look at Mandan and understand where we needed to go as a community to help it grow and prosper. We have looked a lot of different things such as an event center or other special projects that would help grow the community and sales tax base. One of the real impeding factors is that in Mandan 1% of sales tax only raises \$1.4 million compared with Bismarck's \$11.5 million dollars. So, the ability for the city to come in and assist with the financing, even with private the private sector stepping up to the plate, on a twenty to thirty thousand dollar event center is not possible. This is a step away from what we have thought about traditionally. This is the first time that we have talked about talking about a retail tax incentive. Unique situations call for unique solutions.

Representative Mark S. Owens: I find this bill very interesting and innovative in its approach to trying to solve a problem that is not that new. It relies on focusing on the

average sales tax level and then chasing that number. Without the reference to a base, though, doesn't that create a moving average to whereas these cities that are under average will always be under average? As they approach what was the old average, it will constantly be moving up. They will always qualify.

Kelvin Hullet: That could be a possibility. That is not something that has been talked about as far as I know. We can look at that.

Representative Mark S. Owens: It was mentioned early on by Ms. Frank about a gap analysis which I understood. I assumed that you were referencing what kind of businesses people want in the city. So, I had a question based on the bill. The bill's metrics are based on new sales tax creation in order to maintain the level of income deduction. So, what if the businesses in the gap analysis turn out to be retail services, rather than retail sales? Since services don't pay sales tax, how does that metric affect that?

Kelvin Hullet: I think that when you look at this bill it is targeted more at the product side. The services don't pay sales tax, so if you are looking at a service, under this bill as currently drafted, it would not qualify.

Representative Mark S. Owens: Does that not limit the possibility of new businesses coming into any area? It would limit the opportunity not only for current organizations to expand, but limits the overall growth of the program.

Kelvin Hullet: It does, but when you look at drafting a bill like this you really have to keep it targeted. As we looked at the metrics we had to define out what we were after in the target. The target became the sales tax collection issue. It will not include everything.

Representative Owens: I think your gap analysis may become very interesting.

Representative Dwight Wrangham: You referred to the money to fund this program coming from a credit pool. I want to be clear that this is not money that will be loaned, but it is money that is gone, and it comes from other tax payers of North Dakota.

Kelvin Hullet: This would be an income tax credit for the business that is either coming in new or expanding. We don't know whether that \$2.5 million is going to be used to the full extent or 10%. The level of utilization is one of the things that we have discussed. If this is passed, we will try it and figure out as we go how to do the administration piece and what the actual cost will be. The other thing to note is that if you are a new or existing business, the things that you can take a tax exemption for are hard costs. So, it may be an investment in land, an investment in a building, franchise fees, inventory, or things that you have to spend money on. You do not just receive credit for just starting a business.

Representative Dwight Wrangham: I'm generally not in favor of what I call redistribution of taxes dollars legislation, but I have to say that this bill does have a lot of good things in it.

Representative Dave Weiler: On page 2, line 28 it says, "The credit awarded to an applicant is limited to not more than 40% of the initial or estimated investment in the

business.” Can you explain to me how someone could get a credit on their estimated investment?

Kelvin Hullet: I would defer that to the tax department.

Chairman Wesley R. Belter: We will hold that question.

Representative Shirley Meyer: I was interested in your testimony when you said you cannot move from one community to another. You are going to have to come from somewhere, unless, for example, you have a business in Dickinson and want to move to Mandan. As an applicant would that be disallowed?

Kelvin Hullet: If you wanted to expand your business into Mandan, you could expand your business and open another location in Mandan. But, you could not close your business in Dickinson and move it to Mandan and receive the tax credit. This is really targeted at the development of new retail businesses in the community and the expansion of the businesses.

Representative Shirley Meyer: With that, wouldn't it be a goal to maybe move some of the businesses from Bismarck to Mandan?

Kelvin Hullet: No, because we would be playing a zero-sum game at that point. That has always been one of the real criticisms of economic development incentives.

Representative Lonny B. Winrich: I find the various combinations of restrictions in here to be a little bizarre. One of the restrictions is that the city must be less than 30,000 in population. West Fargo is shown at 24,000 in 2009. I know that it is one of the fastest growing communities in the state and will probably be over 30,000 very soon, but it is one of the lowest in sales tax collections. Presumably, West Fargo is a community that could really benefit from this, but they will probably be disqualified. This seems contradictory.

Kelvin Hullet: As we looked at the bill, the goal was to find criteria that would allow the smaller communities who need to build their sales tax base and take advantage this. It eliminates those cities that are doing exceptionally well. We picked 30,000, but if there is a different number that makes sense, we are certainly willing to look at that.

Representative Lonny B. Winrich: I don't have a number to suggest, but this may not help communities as much as you think it will because of the restrictions.

Representative Dwight Wrangham: I had a question last night from a constituent. We were discussing income tax credits as used to stimulate business. The constituent said, "Wow!, What if we did away with all income tax. Imagine how the economy would grow!" How does the Chamber feel about that?

Kelvin Hullet: As we look at the overall tax structure of North Dakota, obviously the things that we can do to lower the taxes make us more competitive at the national level. We have thought about the idea of no personal income tax, as in South Dakota. They have seen their state stay fairly stable. We are always looking at ways to lower taxes.

Representative Steven L. Zaiser: What would you think of an escalator clause on the bill that would address the issue that Rep. Winrich talked about, dealing with the populations?

Kelvin Hullet: We would be happy to work with the committee on an escalator clause on the bill based on population size.

There was no further supporting testimony on SB 2329.
There was no testimony in opposition to SB 2329.

Representative Dave Weiler: How are they are going to get a 40% credit on their estimated investment? Can they just throw any number out there and get a 40% credit?

Paul Lucy, Director of Economic Development and Finance for the Department of Commerce: The way that we would interpret this – for instance, if someone had acquired land, and they see that the value of the land is going to allow them maximize the tax credit, they would probably just use that. It would be an initial investment that they may have already made. The estimated investments may be the things like the inventory costs, franchise fees, and those types of things that are going to come later as they get into an operating position. However, I struggle a bit with that as well. There is a requirement in here that there would be a performance agreement put in place. That does put monitoring responsibilities on Commerce. In certain areas it looks like there would be clawback options in those performance agreements. So, there appears to be some mechanisms in the process to make sure that those applicants are fulfilling their responsibilities.

Vice Chairman Craig Headland: On this sheet that was handed out by the Chamber it says, "They may keep or designate the credit to a qualifying North Dakota tax payer." Can you explain that provision?

Donnita Wald, General Counsel for Office of State Tax Department: Yes, the credit can be transferred, but only between the applicant that received the credit and the owner of the building in which they are located.

Representative Scot Kelsh: It looks like there are five items on page two of the bill that require a lot of math by the Commerce Department. The fiscal note does not reflect any of those requirements in your budget. Is this something that you can cover?

Paul Lucy: The bill does place a fair amount of administrative responsibility on us, particularly as we look at annual monitoring of recipients. If there are two applicants, it is not a big deal. If there are ten to twenty applicants, then it is a big deal. Over twenty applicants, we would have issues with existing staffing to manage the program. It is an unanswered question at the present time. I can tell you that we have very limited staffing.

Donnita Wald, General Counsel for Office of State Tax Department: There is one additional technical amendment and that is the title of the bill. We need to add the corporate income tax to the bill.

There was not further testimony on SB 2329 and the hearing was closed.

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2329
March 8, 2011
#15124

Conference Committee

Committee Clerk Signature

Mary Bruck

Explanation or reason for introduction of bill/resolution:

SB 2329 is a bill relating to an individual and corporate income tax credit for targeted retail businesses; and to provide an effective date.

Minutes:

No attachments.

Representative Scot Kelsh: I talked to Mr. Paul Lucy after the hearing and he said that the original fiscal note was based on the original version and with the new provisions, new reporting and requirements they are going to have a discussion about a new fiscal note because they are going to have to hire a new FTE to administer those provisions.

Chairman Wesley R. Belter: I would think so.

Representative Dave Weiler: We also need to add that corporate section in the title.

Chairman Wesley R. Belter: Yes.

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2329
March 21, 2011
#15748

Conference Committee

Committee Clerk Signature

Mary Brucker

Explanation or reason for introduction of bill/resolution:

SB 2329 is a bill relating to an individual and corporate income tax credit for targeted retail businesses; and to provide an effective date.

Minutes:

See attached amendments.

Representative Patrick Hatlestad: Distributed and reviewed amendments. Please refer to attached amendments. These amendments will sunset it, reduce the amount of money per year, and the new business cannot compete with an existing business. **I would move these amendments.**

Representative Mark S. Owens: Seconded.

Representative Shirley Meyer: In the event say you're in Mandan and you only have one grocery store and it was proven by this committee that there was a desperate need for two grocery stores or a grocery store that provides deli meals and the other one doesn't with your amendment....because it was my understanding that they want to develop more niche businesses but yet by this language the existing business could always say the other business is in competition with them.

Representative Patrick Hatlestad: My concern here was that we have tax credits for a new business and it will create competition for business that the individual put his blood, sweat, and tears into to create and we give the new business an unfair advantage. There are some situations where it might be difficult to differentiate between goods and services that they offer.

Representative Dave Weiler: Have you had a chance to run these by the bill sponsor?

Representative Patrick Hatlestad: No, I haven't.

Vice Chairman Craig Headland: No other discussion on the amendment?

Voice vote was taken: MOTION CARRIED TO ADOPT THE AMENDMENT.

Vice Chairman Craig Headland: You have amended bill 2329 before you, what are your wishes?

Representative Bette Grande: I move a DO PASS AS AMENDED.

Representative Patrick Hatlestad: Seconded.

Representative Lonny B. Winrich: I'm not a free market and I think in many cases we need to deal with that. But it seems to me that if there's one area where competition can really act appropriately and the free market is pretty much in effect it's in retail sales. I don't think this bill is really appropriate.

**A roll call vote was taken: YES 9 NO 4 ABSENT 1
MOTION CARRIED FOR DO PASS AS AMENDED.**

Representative Patrick Hatlestad will carry SB 2329.

VR
3/21/11

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2329

Page 1, line 3, remove the second "and"

Page 1, line 3, after "date" insert "; and to provide an expiration date"

Page 2, line 26, after the underscored period insert "An applicant business may not be awarded a credit under this section if that business would offer essentially the same goods and services to the public which are offered by an existing business located within the same city."

Page 2, line 28, replace "two" with "one"

Page 2, line 28, replace "five" with "two"

Page 2, line 28, after "hundred" insert "fifty"

Page 4, line 21, after "**DATE**" insert "- **EXPIRATION DATE**"

Page 4, line 21, after "for" insert "the first two"

Page 4, line 22, after "2010" insert ", and is thereafter ineffective"

Renumber accordingly

Date: 3-2-11
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2329

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
.03001
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Hatlestad Seconded By Rep. Owens

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:

VOICE VOTE
MOTION CARRIED

Date: 3-21-11
 Roll Call Vote # 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2329

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. Grande Seconded By Rep. Hatlestad

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	AB		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) 9 No 4

Absent 1

Floor Assignment Rep. Hatlestad

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

REPORT OF STANDING COMMITTEE

SB 2329, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (9 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2329 was placed on the Sixth order on the calendar.

Page 1, line 3, remove the second "and"

Page 1, line 3, after "date" insert "; and to provide an expiration date"

Page 2, line 26, after the underscored period insert "An applicant business may not be awarded a credit under this section if that business would offer essentially the same goods and services to the public which are offered by an existing business located within the same city."

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Page 4, line 21, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 4, line 21, after "for" insert "the first two"

Page 4, line 22, after "2010" insert ", and is thereafter ineffective"

Renumber accordingly

2011 TESTIMONY

SB 2329

Senate Bill 2329 Target Retail Business Investment Credits

Purpose: The purpose of this bill is to stimulate investment in retail establishments in communities under 30,000 with below average sales tax collections as compared to the state average. To be eligible, a community must levy a minimum of a 1% sales tax.

Goal: The goal of this legislation is to stimulate retail investment in these communities to increase sales tax collections. This will reduce reliance on property taxes as a means to fund governmental services. In addition, this legislation provides a competitive incentive to investors and retailers to evaluate a community in which they may not otherwise invest.

Department of Commerce is the Administrator

- ✓ \$5.0 million a biennium allocated to retail investment credits
- ✓ Commerce Administrates an Application Process to include:
 - Estimated Sales Tax Collections of the Business
 - That the business will serve a community of 30,000 or less
 - That the city is below average in sales tax collections
 - That the retail business applying is underserved in that community
 - If there is a retail gap analysis study available from the community
 - The amount of the credit requested as compared to private investment

The Applicant

- ✓ Must not be moving operations from one community to another in North Dakota
- ✓ Must be serving an under-represented sector of the retail economy
- ✓ Shall provide for "hard" investment in the business to include: Land, building, franchise fees, inventory, etc.
- ✓ Must receive 75% of the points possible on the application to be eligible

New Retail Establishments meeting the Above Criteria

- ✓ May receive up to a 40% tax Credit over a 5-year period
- ✓ May keep or designate the tax credit to a qualifying North Dakota tax payer

Existing Retail Establishments meeting the Above Criteria

- ✓ May receive up to a 20% tax Credit over a 5-year period
- ✓ Projections must show a 50% increase in tax collections over a 5-year period

A Partnership, Subchapter S Corporation, limited partnership, Limited Liability Company or any other pass through entity meeting the Above Criteria

- ✓ May receive up to a 40% tax Credit over a 5-year period if received as a pass through
- ✓ Credits received must be passed through to partners, shareholders or members in respect to their proportion of respective interests

Glenburn	311	23,939	1.0%	23,939	\$	76.97	Wahpeton	\$	115.02
Grafton	3954	807,058	2.0%	403,529	\$	102.06	Wishek	\$	113.77
Grand Forks	51216	16,206,160	1.75%	9,237,511	\$	180.36	Fort Ransom	\$	113.69
Granville	238	4,334	2.0%	2,167	\$	9.10	Northwood	\$	113.51
Grenora	198	13,466	1.0%	13,466	\$	68.01	Steele	\$	113.31
Gwinner	694	193,150	1.0%	193,150	\$	278.31	Harvey	\$	111.23
Halliday	207	20,708	1.0%	20,708	\$	100.04	Buffalo	\$	110.89
Hankinson	966	85,161	2.0%	42,580	\$	44.08	Beulah	\$	110.46
Hannaford	150	11,571	1.0%	11,571	\$	77.14	Mott	\$	109.32
Harvey	1580	175,744	1.0%	175,744	\$	111.23	Rugby	\$	107.30
Harwood	718	32,333	1.0%	32,333	\$	45.03	Scranton	\$	106.10
Hatton	647	51,074	2.0%	25,537	\$	39.47	Hazleton	\$	105.58
Hazleton	188	19,849	1.0%	19,849	\$	105.58	Napoleon	\$	104.79
Hazen	2200	204,934	1.0%	204,934	\$	93.15	Grafton	\$	102.06
Hettinger	1140	148,960	1.0%	148,960	\$	130.67	Walhalla	\$	101.59
Hillsboro	1474	266,330	2.0%	133,165	\$	90.34	Mohall	\$	101.44
Hoople	250	14,362	1.0%	14,362	\$	57.45	Cooperstown	\$	100.94
Hope	248	55,515	1.0%	55,515	\$	223.85	Washburn	\$	100.75
Jamestown	14687	4,165,583	2.0%	2,082,791	\$	141.81	Halliday	\$	100.04
Kenmare	1084	309,977	2.0%	309,977	\$	285.96	Wimbledon	\$	98.41
Killdeer	681	256,040	1.5%	170,694	\$	250.65	West Fargo	\$	97.91
Kulm	347	54,582	2.0%	27,291	\$	78.65	Elgin	\$	97.78
Lakota	689	49,844	1.0%	49,844	\$	72.34	Berthold	\$	97.31
LaMoure	790	153,420	2.0%	76,710	\$	97.10	New England	\$	97.19
Langdon	1597	438,283	2.0%	219,141	\$	137.22	LaMoure	\$	97.10
Larimore	1299	62,548	1.0%	62,548	\$	48.15	Lisbon	\$	95.85
Leonard	254	13,258	1.0%	13,258	\$	52.20	Mayville	\$	95.18
Lidgerwood	695	57,842	1.0%	57,842	\$	83.23	Regent	\$	93.78
Linton	1018	149,587	2.0%	74,793	\$	73.47	Oakes	\$	93.18
Lisbon	2121	406,592	2.0%	203,296	\$	95.85	Hazen	\$	93.15
Maddock	474	51,069	1.5%	34,046	\$	71.83	Oxbow	\$	90.38
Mandan	18274	1,546,537	1.0%	1,546,537	\$	84.63	Hillsboro	\$	90.34
Mapleton	743	54,321	1.0%	54,321	\$	73.11	Casselton	\$	90.01
Mayville	1779	338,647	2.0%	169,323	\$	95.18	Park River	\$	89.99
McClusky	293	20,044	1.0%	20,044	\$	68.41	Edinburg	\$	89.56
McVille	401	24,565	2.0%	12,283	\$	30.63	Dunseith	\$	87.02
Medora	95	462,506	2.5%	185,002	\$	1,947.39	Valley City	\$	85.82
Michigan	282	30,172	1.5%	20,115	\$	71.33	Forman	\$	85.77
Millnor	562	43,270	1.5%	28,847	\$	43.58	Towner	\$	85.75
Minnewaukan	292	23,680	1.5%	15,787	\$	54.06	New Rockford	\$	84.73
Minot	36256	17,246,241	2.00%	8,623,120	\$	237.84	Mandan	\$	84.63
Minto	590	38,144	1.0%	38,144	\$	64.65	Streeter	\$	84.14
Mohall	689	69,893	1.0%	69,893	\$	101.44	Lidgerwood	\$	83.23
Mott	662	108,559	1.5%	72,373	\$	109.32	Fairmount	\$	82.29
Munich	202	13,811	1.0%	13,811	\$	68.37	Richardton	\$	79.71
Napoleon	691	144,820	2.0%	72,410	\$	104.79	Kulm	\$	78.65
Nespeck	393	34,798	2.0%	17,399	\$	44.27	Page	\$	78.57

New England	558	108,470	2.0%	54,235	\$ 97.19	Ashley	\$ 77.91
New Leipzig	215	12,059	1.0%	12,059	\$ 56.09	Hannaford	\$ 77.14
New Rockford	1197	202,854	2.0%	101,427	\$ 84.73	Glenburn	\$ 76.97
New Salem	859	105,427	1.0%	105,427	\$ 122.73	Gackle	\$ 76.35
Northwood	913	155,449	1.5%	103,633	\$ 113.51	Rolette	\$ 74.81
Oakes	1752	326,513	2.0%	163,257	\$ 93.18	Linton	\$ 73.47
Oxbow	241	21,782	1.0%	21,782	\$ 90.38	Mapleton	\$ 73.11
Page	209	16,421	1.0%	16,421	\$ 78.57	Wilton	\$ 72.83
Park River	1345	242,064	2.0%	121,032	\$ 89.99	Lakota	\$ 72.34
Pembina	547	179,236	2.5%	71,695	\$ 131.07	Cando	\$ 71.85
Portland	552	53,973	2.0%	26,986	\$ 48.89	Maddock	\$ 71.83
Powers Lake	248	56,809	1.0%	56,809	\$ 229.07	Michigan	\$ 71.33
Reeder	152	8,356	1.0%	8,356	\$ 54.97	Velva	\$ 68.96
Regent	168	31,509	2.0%	15,755	\$ 93.78	Ellendale	\$ 68.80
Richardton	577	91,988	2.0%	45,994	\$ 79.71	McClusky	\$ 68.41
Rolette	530	39,647	1.0%	39,647	\$ 74.81	Munich	\$ 68.37
Rolla	1428	368,914	2.0%	184,457	\$ 129.17	Grenora	\$ 68.01
Rugby	2510	538,639	2.0%	269,319	\$ 107.30	Carson	\$ 65.31
Scranton	282	29,919	1.0%	29,919	\$ 106.10	Minto	\$ 64.65
St. John	357	18,515	1.0%	18,515	\$ 51.86	Drake	\$ 63.75
Stanley	1279	441,338	1.0%	441,338	\$ 345.07	Anamoose	\$ 63.18
Steele	621	140,731	2.0%	70,366	\$ 113.31	Turtle Lake	\$ 60.80
Strasburg	439	25,970	1.0%	25,970	\$ 59.16	Drayton	\$ 60.69
Streeter	151	12,705	1.0%	12,705	\$ 84.14	Aneta	\$ 59.39
Tioga	1127	300,598	1.0%	300,598	\$ 266.72	Strasburg	\$ 59.16
Tower City	245	30,163	1.0%	30,163	\$ 123.11	Hoople	\$ 57.45
Towner	480	41,159	1.0%	41,159	\$ 85.75	New Leipzig	\$ 56.09
Turtle Lake	499	60,680	2.0%	30,340	\$ 60.80	Glen Ullin	\$ 55.13
Underwood	705	204,456	1.5%	136,304	\$ 193.34	Reeder	\$ 54.97
Valley City	6286	1,348,621	2.5%	539,448	\$ 85.82	Minnewaukan	\$ 54.06
Velva	913	125,917	2.0%	62,959	\$ 68.96	Leonard	\$ 52.20
Wahpeton	7418	1,706,416	2.0%	853,208	\$ 115.02	St. John	\$ 51.86
Walhalla	885	179,808	2.0%	89,904	\$ 101.59	Portland	\$ 48.89
Washburn	1234	248,649	2.0%	124,325	\$ 100.75	Larimore	\$ 48.15
Watford City	1399	457,232	1.0%	457,232	\$ 326.83	Harwood	\$ 45.03
West Fargo	24313	2,380,597	1.0%	2,380,597	\$ 97.91	Neche	\$ 44.27
Westhope	461	15,672	1.0%	15,672	\$ 34.00	Hankinson	\$ 44.08
Williston	13014	8,526,704	2.0%	4,263,352	\$ 327.60	Millnor	\$ 43.58
Wilton	720	52,437	1.0%	52,437	\$ 72.83	Hatton	\$ 39.47
Wimbledon	206	20,273	1.0%	20,273	\$ 98.41	Westhope	\$ 34.00
Wishek	856	97,383	1.0%	97,383	\$ 113.77	McVie	\$ 30.63
Woodworth	71	8,883	1.0%	8,883	\$ 125.11	Granville	\$ 9.10

Average \$ 125.19
Median \$ 95.18

126,261,186

these cities changed rate in middle of 2010

**Twenty Largest Cities per US Census 2009 Population Estimate and
2010 City Sales Tax Collections (at 1% Equivalents), and
Computation of City Sales Tax Per Capita, Ranked**

	US Census Estimated Population July 2009	CY 2010		CY 2010 CST at 1% Equivalent	CST at 1% Equivalent Per Capita		Per Capita CST at 1% Equivalent Ranked in Descending Order
		City Sales Tax	CST Rate		Per Capita	Per Capita	
Fargo	95,556	37,711,411	2.0%	18,855,705	\$ 197.33	Williston	\$ 327.60
Bismarck	61,217	12,487,528	1.0%	12,487,528	\$ 203.99	Minot	\$ 237.84
Grand Forks	51,216	16,206,160	1.75%	9,237,511	\$ 180.36	Dickinson	\$ 218.58
Minot	36,256	17,246,241	2.0%	8,623,120	\$ 237.84	Bismarck	\$ 203.99
West Fargo	24,313	2,380,597	1.0%	2,380,597	\$ 97.91	Devils Lake	\$ 201.72
Mandan	18,274	1,546,537	1.0%	1,546,537	\$ 84.63	Fargo	\$ 197.33
Dickinson	16,265	5,332,914	1.5%	3,555,276	\$ 218.58	Bottineau	\$ 196.67
Jamestown	14,687	4,165,583	2.0%	2,082,791	\$ 141.81	Grand Forks	\$ 180.36
Williston	13,014	8,526,704	2.0%	4,263,352	\$ 327.60	Carrington	\$ 162.47
Wahpeton	7,418	1,706,416	2.0%	853,208	\$ 115.02	Jamestown	\$ 141.81
Devils Lake	6,711	2,707,485	2.0%	1,353,743	\$ 201.72	Langdon	\$ 137.22
Valley City	6,286	1,348,621	2.5%	539,448	\$ 85.82	Wahpeton	\$ 115.02
Grafton	3,954	807,058	2.0%	403,529	\$ 102.06	Beulah	\$ 110.46
Beulah	2,891	319,333	1.0%	319,333	\$ 110.46	Rugby	\$ 107.30
Rugby	2,510	538,639	2.0%	269,319	\$ 107.30	Grafton	\$ 102.06
Hazen	2,200	204,934	1.0%	204,934	\$ 93.15	West Fargo	\$ 97.91
Lisbon	2,121	406,592	2.0%	203,296	\$ 95.85	Lisbon	\$ 95.85
Bottineau	2,046	804,775	2.0%	402,387	\$ 196.67	Hazen	\$ 93.15
Carrington	1,955	317,634	1.0%	317,634	\$ 162.47	Valley City	\$ 85.82
Langdon	1,597	438,283	2.0%	219,141	\$ 137.22	Mandan	\$ 84.63
				Average:	\$ 154.89	Median:	\$ 139.52

Testimony for Finance and Taxation Committee
SB 2329 – An Individual and Corporate Income Tax Credit for Targeted Retail Businesses
Feb. 2, 2011

Submitted by Dot Frank, Mandan City Commissioner
205 2nd Ave. NW, Mandan, ND 58554 | 701-527-5767 | dfrank@cityofmandan.com

Good morning Chairman Cook, Vice Chairman Miller and fellow Finance and Taxation Committee members. My name is Dot Frank and I currently serve as a Mandan City Commissioner. I am here to testify in support of Senate Bill 2329 – a bill that would create an individual and corporate income tax credit for targeted retail businesses.

As a newly elected commissioner, I'm still benefiting from the pounds dropped after pounding the pavement last summer. In addition, comments from constituents continue to linger. One resounding request I received during my campaign was for lower property taxes. Mandan, like many communities across the state, is challenged to keep property taxes low, while providing high levels of service at increasing costs, with a small population and business base. What can cities do, given those circumstances? Well, many of the same residents that yearned for lower taxes also provided the solution with their second request – more retail.

Data suggests, and many econ-savvy people support, the idea that one way to lower the property tax burden is to increase the sales tax base. Currently, our community is capable of reducing property taxes by 13 mills through a sales tax kickback. While residents appreciate any reduction, communities like ours just can't compete with sales tax heavy cities like Williston, Minot, Dickinson, Fargo, Bismarck and so forth. I have a copy of a 2010 Sales Tax Collections report, which computes the sales tax per capita that I'd like to share with this committee. All of the North Dakota cities that collect city sales tax are listed; alphabetically on the far left and ranked on the far right. What I'd like to point out is 96 of the 125 cities on this report collect less than the \$125.19 per capita average. When you consider that all cities require a basic level of service that is consistent in cost (ex. sewer, water, streets, police, fire, equipment, administration, etc.) it become clear that residents in cities with below average sales tax collections are getting above average property tax bills.

Senate Bill 2329 will give communities across the state the opportunity to reduce residents' tax burden, increase employment opportunities, generate wealth, build esteem and eventually contribute more money to the state coffers. Arguments will be made about loss revenue considering that this is an income tax reduction. I encourage naysayers to consider this: safeguards in the bill's language ensure that tax savings are given in exchange for the tax generation that new businesses will produce. In addition to the expectation that participants represent a new or expanding business, the provisions require that qualifying businesses fill a gap or under-served need, reside in a town with below average tax collections, pass a department of commerce litmus test, and have 60 percent of their own skin in the game.

I speak on behalf of Mandan and 92 other North Dakota towns, when I say, "Please put forward a recommendation to pass Senate Bill 2329." Tax reduction is a goal that many legislators strive to achieve. Here is your chance to not only lower the burden on North Dakotans, but to lead the way toward municipal self-sufficiency and promote statewide entrepreneurship and innovation.

Thank you.

C

Testimony in Favor of Senate Bill 2329

Senate Appropriations Committee

February 2, 2011

Niles Hushka

Developing new businesses is not the same in every community across the state. Larger communities have many advantages in both the demand for new services and then the creation of businesses to solve the needs of the new demand. Construction costs in smaller communities are equal and at times higher than similar construction in larger communities. Rental costs however are often 10% to 25% less within smaller communities because property is available. New businesses require new spaces in order to succeed however local investors are more likely to take their funds to larger communities where long term property values increase and renters are plentiful. This means that smaller communities lack the capital to build the businesses within the risk profiles that exist.

I support this legislation because it balances the risks associated with business creation in communities like Mandan. In Mandan we suffer from the fact that everything is available across the river. It is more risky to build and then tougher to rent the properties. It is simply more risky to start and grow businesses. I do not believe that this credit should however be allowed for all businesses but rather that a selective process be utilized that allows a community to determine what core businesses are required to create the atmosphere that then encourages other businesses to build around them.

This is a good piece of legislation because it builds in a competitive selection process, it balances the risk profiles that will help our community attract and retain businesses and it is limited by a spending cap. This legislation will also drive communities to create good plans that look inward first where each must rate the importance of their growth goals and then compete at the state level.

Thanks Niles Hushka



Testimony of

Economic Development Association of North Dakota

SB 2329

February 2, 2011

Chairman Cook 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.

SB 2329 will give qualifying North Dakota communities a investment option to attract retail investment. This investment will enhance the sales tax base of those communities and fill a gap of retail service that may otherwise not exist or be available to a community. The retail sector additions and expansions will add to increased taxable sales and will relieve reliance on property taxes to fund governmental services.

EDND urges a **DO PASS** on SB 2329.

Thank you.



January 31, 2011

Senator Dwight Cook
State Senate
600 East Boulevard Avenue
Bismarck, ND 58505

RE: SB 2329

Dear Senator Cook:

I am please to submit support of Senate Bill 2329, targeted retail business credit. SB 2329 would provide a valuable community development tool that complements economic development job creation efforts.

We believe we will not have quality jobs without quality of place. Community capacity is important so that primary sector businesses do not experience excessive turnover due to lack of goods and services and other community amenities. Retail business development is important because of its impact on primary sector businesses and the jobs they create.

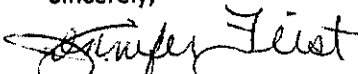
The tax credits provided would be an important part of the overall financing plan and risk analysis in determining long term benefits before launching a business venture.

I would request consideration be given to changing Section 1, Item 6a that requires an increase in taxable sales of fifty percent (50%) or more within five years to a lesser percentage. While I understand the State would want to see an increase in taxable sales and sales tax, I believe a 50% increase over five years would be difficult and one "off" year would cause the business to not meet this requirement.

A strong healthy community is the key to long term business success and its willingness to take risk. Our goal is to develop Barnes County as an economic hub including job creation, healthcare, education, recreation, housing, cultural amenities and more. This legislation provides is a tool that supports achieving this goal.

Your work and leadership is much appreciated. Thank you.

Sincerely,


Jennifer Feist
Director of Development

Cc: Richard Mower
Bismarck-Mandan Development Assoc.

TESTIMONY
to the
North Dakota State Senate
Finance & Taxation Committee
Senator Dwight Cook, Chair
Wednesday, February 2, 2011 9:15 a.m.

RE: SUPPORT FOR SB 2329 regarding income tax credit for targeted retail businesses

PRESENTED BY: Jane P. Priebe, CEcD, Director, Wahpeton Economic Development

Senate Bill 2329 proposes to establish an economic development strategy aimed at increasing sales tax collections by increasing retail businesses through an income tax credit incentive. The Department of Commerce would score applicants based on:

- a. city sales tax collections per capita;
- b. expected annual retail sales tax collections for the business;
- c. percentage that the credit applied for is of the amount of private investment in the business;
- d. existence of a strategic plan for retail business development;
- e. underrepresented business in the retail sector.

Because of the close proximity to retail centers such as Fargo and Fergus Falls, Wahpeton's retail sector has not been as strong as other North Dakota communities its size. New programs and incentives that require public and private investment in order to compete are the best approaches to sustainability in a challenging economy.

Wahpeton Economic Development supports SB 2329 for the following reasons:

1. The bill addresses those potential opportunities to increase city sales tax collections;
2. Creating additional opportunities can assist local job creation and business attraction efforts;
3. Both new businesses and expansion of existing businesses can benefit from the tax credit.

Richard Mower

From: [REDACTED]
Dorinda Anderson [Dorinda.Anderson@westfargond.gov]
Tuesday, February 01, 2011 3:09 PM
dcook@nd.gov; jlee@nd.gov; tgrindberg@nd.gov
Richard Mower
Subject: Senate Bill 2329

Dear Senators,

Senate bill 2329 is a needed addition to our toolbox for those community's underserved by retail businesses. It is important a community provide opportunities for their citizens to shop. At the present time the City of West Fargo is undergoing a retail gap analysis to determine how to better serve our citizens. This bill will help West Fargo to move forward with attracting those retail and service business.

Please consider a do pass on this bill.

Sincerely,

Dorinda Anderson

[REDACTED] Director of Business Development
City of West Fargo, ND
Phone- 701-433-5350

Please be aware that all emails sent and received by a City of West Fargo E-mail address are subject to North Dakota's Century Code (44-04) Open Records law and are considered Public Record which are available for public disclosure.

Richard Mower

From: Duke [hcd@westriv.com]
Tuesday, February 01, 2011 4:15 PM
dcook@nd.gov
Richard Mower
Subject: Request for support of SB 2329

Dear Senator Cook --

I am writing in strong support of Senate Bill No. 2329.

I've been working in economic development primarily in our rural areas for almost 20 years. This bill provides a needed incentive for entrepreneurs who are teetering between opening a well thought out business for a small town or moving on to other communities with larger populations. It may also help give a needed boost to enterprising existing businesses hoping to expand in a rural area. And - the bill can work great for property owners in rural communities who may need an incentive to upgrade their facilities or -- even build new.

As North Dakota grows stronger along with the fossil fuel industry, small communities unaffected by the boom still struggle endlessly to stay vibrant. For many the end is probably already very near. Yet others with the will to survive will continue to try to do so and SB 2329 can help.

Finally, I am very pleased that the emphasis is growing in support of our retail businesses. Supporting our Main Street is along with other development efforts is vital for North Dakota. Small businesses are the economic backbone of our country and state. Senate Bill No. 2329, along with continued education directed towards helping small community businesses compete in today's world, will be a great tool for communities to use to add value to their commercial area.

I urge your strong support for this bill.

Best regards

Duke Wm. Rosendahl, EDFP
Executive Director
Hazen Community Development, Inc.
P. O. Box 717
Hazen, ND 58545-0717
701-748-6886
www.hazennd.org

E



Testimony, Bismarck Mandan Chamber
Kelvin L. Hullet, President
Senate Bill 2329
Senate Finance and Tax Committee
2-2-11

Chairman Cook and members of the Committee:

I am Kelvin Hullet, President of the Bismarck-Mandan Chamber. I am here today to testify in support of Senate Bill 2329. This legislation to created a targeted retail business investment credit is important to advance our work in Mandan, North Dakota and will be useful across the state to communities under 30,000 in population.

As we all know, property taxes are the main funding source of governmental services with some mix of additional revenues that is normally heavily dependent on sales tax revenues. Unfortunately, Mandan and a few other communities are not able to take advantage of this mix and are therefore, heavily dependent on property taxes. In the case of Mandan, the cause of this was a devastating diesel fuel spill that had a large, negative impact on the downtown...the traditional core of retail business.

This length of time it took to resolve this spill coupled with the significant expansion of retail in Bismarck has created a large imbalance in sales tax collections. While Bismarck collects over \$11 million dollars from one cent of sales tax levied, Mandan collects just over \$1 million from the same one cent. This imbalance in a growing metro area is placing a ever increasing burden on property taxes.

The purpose of SB 2329 is to stimulate investment in retail businesses in smaller communities that are below average in sales tax collections as compared to the national average. The goal is to stimulate retail investment to bring up the sales tax collection base. The proposed investment credit will allow communities such as Mandan to seek out retail businesses and investors that might not otherwise look at the community for an investment.

Crafting legislation to assist in retail attraction is an unusual step as almost all incentives are targeted to primary sector companies. However, Mandan and some smaller communities are experiencing the impact of steady growth with no corresponding increase in sales tax to fund governmental services and infrastructure.

As you review this legislation, you will see it is carefully crafted to stimulate new investment and expansion of existing retail locations. It does not allow for a business to relocate from one community to another to take advantage of the investment credit. It is also structured to ensure those businesses applying for the credit have a reasonable chance of success.

Further, to receive the credit a business or investor must be making a "hard" investment into the community via land, a building, inventory, equipment, or franchise fees for example. And, the legislation includes a claw back provision that allows for the state to recover income should the business fail to meet its requirements.

In closing, the Bismarck-Mandan Chamber asks for a "Do-Pass" from the Senate Finance and Tax Committee on Senate Bill 2329. Thank you for your consideration of this important legislation.

January 31, 2011

E1

PROPOSED AMENDMENTS TO SENATE BILL NO. 2329

Page 1, line 11, remove "must be made in credit grant rounds"

Page 1, replace lines 12 through 16 with "may be made on the basis of applications submitted and may be awarded until the credits available for the taxable year are fully utilized."

Page 2, line 1, after "new" insert "and existing"

Page 2, line 8, replace ", as estimated" with "must be reviewed"

Page 2, line 16, remove "and"

Page 2, line 20, after "city" insert ";

f. To be eligible for a credit, an applicant must score at least seventy-five percent of points available; and

g. To be eligible for a credit, the applicant must not be closing or reducing its business operations in one area of the state and relocating substantially the same business operations to another area"

Page 2, line 22, replace "grant round" with "taxable year"

Page 2, line 23, after "The" insert "annual"

Page 2, line 23, replace "forty" with "ten"

Page 2, line 24, after "business" insert ", with a limit of total credits to an applicant of forty percent of the initial investment in the business, which may be awarded to be claimed over a period of up to five years. The credit may be authorized in advance and made contingent on meeting annual performance goals. For purposes of the determination of the credit, qualifying initial investments are material investments in the business, including purchase of land, equipment, inventory, and building materials and payment of franchise fees."

Page 3, line 4, replace "twenty-five" with "fifty"

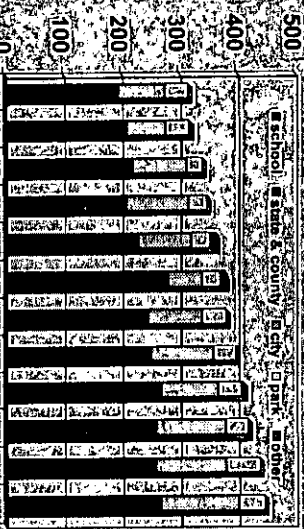
Page 3, line 4, remove "in the credit grant"

Page 3, line 5, replace "round" with "each taxable year"

Renumber accordingly

Tax comparisons

Mandan ranked fourth among North Dakota's 12 largest cities for property taxes levied in 2009. Rankings for taxes payable in 2010 will be compiled by the N.D. League of Cities and posted at www.ndlc.org.



2009 PROPERTY TAXES AS A PERCENTAGE OF PROPERTY VALUE

CITY	COMMERCIAL	RESIDENTIAL
Bismarck	318.73	1.59%
Williston	321.60	1.61%
Dickinson	342.56	1.71%
Minot	350.63	1.75%
West Fargo	365.91	1.83%
Fargo	380.92	1.90%
Valley City	383.95	1.92%
Grand Forks	400.60	2.00%
Mandan	414.00	2.07%
Wahpeton	422.35	2.11%
Devils Lake	441.98	2.25%
Jamestown	449.35	2.25%
Average:	382.72	1.91%

Mandan's consolidated tax levy for 2010 is 409 mills, which is 2.04% of value for commercial property, 1.84% for residential property.

Note: A given dollar amount may not buy the same property in a different city.

Mill levy math

Taxable value of property in Mandan for 2010 totals \$42,904,878.
 A mill is 1/1000 of this value, worth \$42,904 for 2010.
 The City's portion of the total levy for 2010 is \$4,204 million, divided by \$42,904 = 98 mills.
 Mill levies for the county, school district and park district are similarly determined.

Calculating property taxes

Property tax statements show the value of a property and the amount of taxes due. To determine how your taxes are calculated:

- 1) Start with the true and full valuation of your property as determined by the city assessing department. This is an estimate of what a property would sell for on an open market assuming a willing seller and buyer.
- 2) Divide by 2 to determine the assessed value.
- 3) Calculate the taxable value as a percentage of the assessed value.
 - 9% for residential property
 - 10% for commercial property
- 4) Multiply the taxable value by the number of mills levied to determine your property tax payment. Here's an example:
 - True and full value = \$150,000
 - Assessed value (50% of \$150,000) = \$75,000
 - Taxable value (residential, \$75,000 X .09) = \$6,750
 - 2010 Taxation (\$6,750 X 409) = \$2,761

Special assessments

A special assessment is a lien against a property determined by the cost of a public improvement and the benefit it provides to the property. Special assessments pay for street paving and reconstruction, installation of water and sewer mains, sidewalks, curb and gutter, storm and sanitary sewers, weed cutting and removal of diseased trees.

Property tax statements have separate entries for any payment due for special improvements. A line for specials and taxes indicates the total amount due by Feb. 15. Property owners may pay off their special assessment balance to save on interest costs. Call 667-3271 for more information.

Special assessments may be paid at:
 City of Mandan Finance Office
 City Hall
 205 Second Avenue NW
 Mandan, ND 58554

Sales tax reduces burden

The City of Mandan has a 1 percent sales tax. By shopping in Mandan, you can help reduce property taxes and special assessments. Budget policy allows up to 40 percent of collections to offset property tax. The 2010 property tax bill would be 13 mills higher without a \$570,950 contribution from sales tax. The City collects about \$1.4 million in sales tax annually. Here's how it has been used historically:

- 38 percent property tax reduction.
- 29 percent street, water and sewer improvements.
- 28 percent job and economic development.
- 5 percent municipal debt reduction.

This publication compiled as a public information service by the City of Mandan.



CITY OF MANDAN

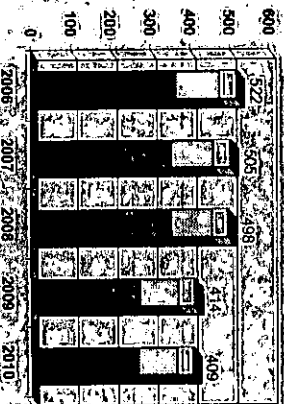
PROPERTY TAXES

Your 2010 Annual Statement

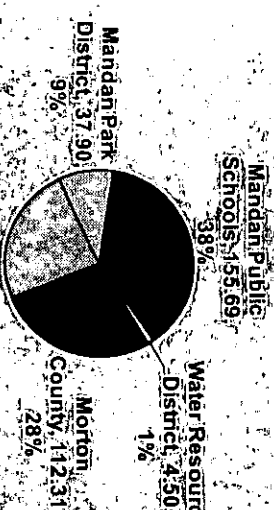
Property tax statements include taxes for four major entities: county, city, school and park services. These local taxes are a primary source of funding for public schools, fire and police protection, parks and recreation, streets, roads and many other services.

Community leaders are constantly working to manage growth while holding the line on budgets to keep taxes reasonable. Mandan's consolidated tax levy for 2010 is 409 mills. The levy is down from 414 mills in 2009 and 498 mills in 2008. Much of the 2009 decrease stemmed from legislation providing more state aid for education.

MANDAN'S CONSOLIDATED MILL LEVY



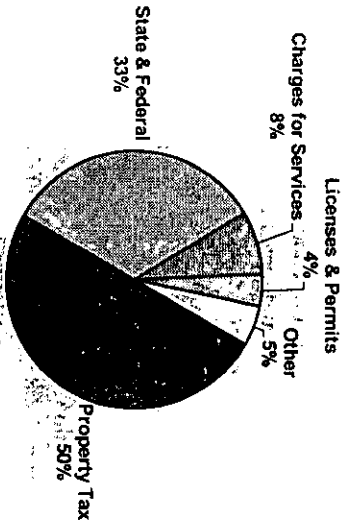
2010 SHARE OF PROPERTY TAXES



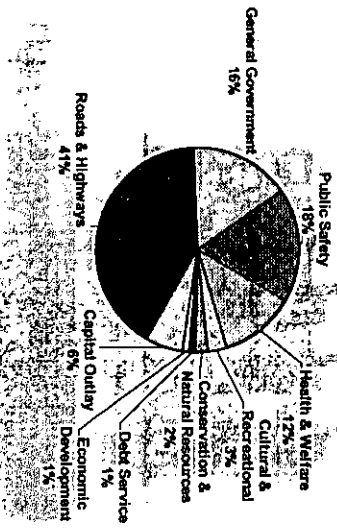
The State of North Dakota

MORTON COUNTY

2011 REVENUE SOURCES = \$18,937,000



2011 EXPENDITURES = \$18,937,000

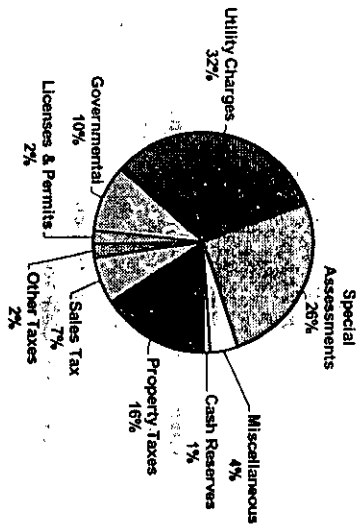


Services include public safety through the sheriff's department, correction center, and emergency management; maintaining 1,500 miles of roads, social service programs, property tax and special assessment billing and collections, elections, document recording, and prosecution of state crimes. Morton County's levy for 2010 is 112 mills, down from 116 in 2009 and 127 in the year 2000.

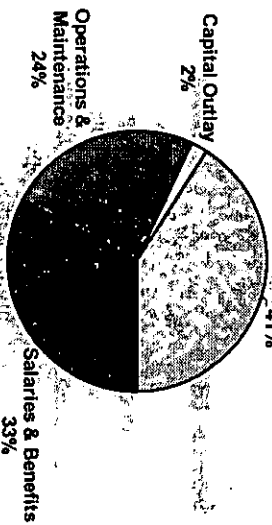
For more information, phone 667-3300
Website: www.co.morton.nd.us

CITY OF MANDAN

2011 REVENUE SOURCES = \$22,091,750



2011 EXPENDITURES = \$22,091,750

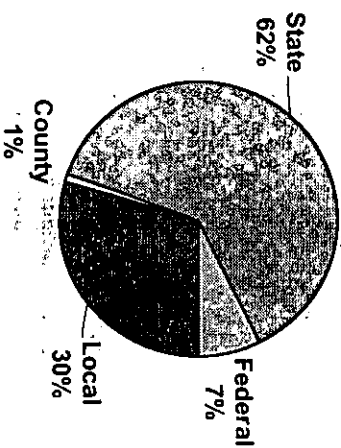


The City has 110 employees providing police, fire, public works, engineering and planning, building inspection and assessing, administration and finance, library, business development and cemetery services. Capital outlay includes purchases of machinery and equipment as well as construction projects. Debt service is the principal and interest on bonds sold to pay for city infrastructure improvements and other projects. The City's levy has decreased over the last 10 years from 116 mills in the year 2000 to 98 mills for 2009 and 2010. It is at the mid-point for the state's largest cities.

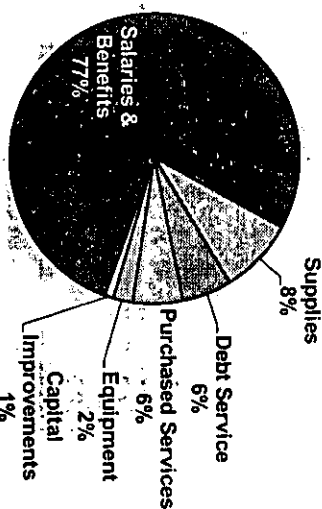
For more information, phone 667-3213
Website: www.cityofmandan.com

MANDAN PUBLIC SCHOOL DISTRICT

2010-11 REVENUE SOURCES = \$33,872,254



2010-11 EXPENDITURES = \$33,872,254

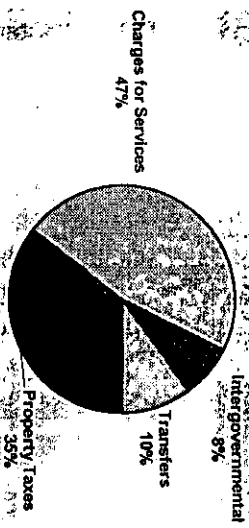


The biggest change from a year ago is the 4 percent increase in state support and 4 percent decrease in local support. The school district's levy for 2010 is 155.69 mills, down from 157.17 in 2009 and 234 in 2008. In addition to the revenues shown, the school district has \$2,508,622 in federal stimulus funds to spend this year. Expenses center on staff and supplies to provide a quality education for children of the district.

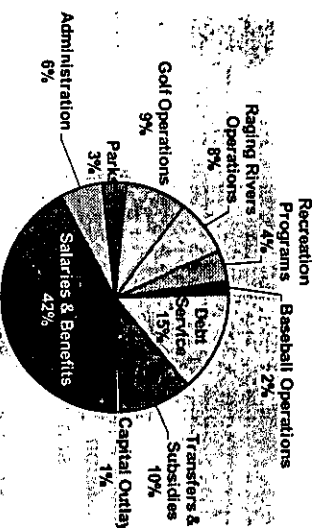
For more information, phone 663-
Website: www.mandan.k12.nd.us

MANDAN PARKS & RECREATION

2011 REVENUE SOURCES = \$4,572,504



2011 EXPENDITURES = \$4,438,589



The majority of revenue comes from program fees, rentals, concessions, and other sources. Mandan Parks and Recreation spends local property tax dollars on salaries and benefits related to operation of facilities and recreational program. The levy is at 38 mills, down from 44 mills in the year 2000.

For more information, phone 667-3287
Website: www.mandanparks.com

Testimony #1 A.

38-11
SB 2329

Twenty Largest Cities per US Census 2009 Population Estimate and
2010 City Sales Tax Collections (at 1% Equivalents), and
Computation of City Sales Tax Per Capita, Ranked

	US Census Estimated Population July 2009	CY 2010 City Sales Tax	CY 2010 CST Rate	CY 2010 CST at 1% Equivalent	CST at 1% Equivalent Per Capita	Per Capita CST at 1% Equivalent Ranked in Descending Order
Fargo	95,556	37,711,411	2.0%	18,855,705	\$ 197.33	\$ 327.60
Bismarck	61,217	12,487,528	1.0%	12,487,528	\$ 203.99	\$ 237.84
Grand Forks	51,216	16,206,160	1.75%	9,237,511	\$ 180.36	\$ 218.58
Minot	36,256	17,246,241	2.0%	8,623,120	\$ 237.84	\$ 203.99
West Fargo	24,313	2,380,597	1.0%	2,380,597	\$ 97.91	\$ 201.72
Mandan	18,274	1,546,537	1.0%	1,546,537	\$ 84.63	\$ 197.33
Dickinson	16,265	5,332,914	1.5%	3,555,276	\$ 218.58	\$ 196.67
Jamestown	14,687	4,165,583	2.0%	2,082,791	\$ 141.81	\$ 180.36
Williston	13,014	8,526,704	2.0%	4,263,352	\$ 327.60	\$ 162.47
Wahpeton	7,418	1,706,416	2.0%	853,208	\$ 115.02	\$ 141.81
Devils Lake	6,711	2,707,485	2.0%	1,353,743	\$ 201.72	\$ 137.22
Valley City	6,286	1,348,621	2.5%	539,448	\$ 85.82	\$ 115.02
Grafton	3,954	807,058	2.0%	403,529	\$ 102.06	\$ 110.46
Beulah	2,891	319,333	1.0%	319,333	\$ 110.46	\$ 107.30
Rugby	2,510	538,639	2.0%	269,319	\$ 107.30	\$ 102.06
Hazen	2,200	204,934	1.0%	204,934	\$ 93.15	\$ 97.91
Lisbon	2,121	406,592	2.0%	203,296	\$ 95.85	\$ 95.85
Bottineau	2,046	804,775	2.0%	402,387	\$ 196.67	\$ 93.15
Carrington	1,955	317,634	1.0%	317,634	\$ 162.47	\$ 85.82
Langdon	1,597	438,283	2.0%	219,141	\$ 137.22	\$ 84.63
			Average:	\$ 154.89	Median:	\$ 139.52

Testimony #1 B
p. 1

**Cities 2009 Population Estimate per US Census and
2010 City Sales Tax Collections (and at 1% Equivalents), and
Computation of City Sales Tax Per Capita, Ranked**

US Census Estimated Population July 2009	CY 2010 City Sales Tax	CY 2010 CST Rate	CY 2010 CST at 1% Equivalent	CST at 1% Equivalent Per Capita	Per Capita CST at 1% Equivalent Ranked in Descending Order
Anamoose	15,543	1.0%	15,543	\$ 63.18	\$ 1,947.39
Aneta	14,668	1.0%	14,668	\$ 59.39	\$ 345.07
Ashley	52,357	1.0%	52,357	\$ 77.91	\$ 327.60
Beach	114,916	1.0%	114,916	\$ 124.23	\$ 326.83
Bellevue	286,889	2.0%	143,445	\$ 175.57	\$ 285.96
Berthold	43,400	1.0%	43,400	\$ 97.31	\$ 278.31
Beulah	319,333	1.0%	319,333	\$ 110.46	\$ 266.72
Bismarck	12,487,528	1.0%	12,487,528	\$ 203.99	\$ 250.65
Bottineau	804,775	2.0%	402,387	\$ 196.67	\$ 237.84
Bowman	301,830	1.0%	301,830	\$ 199.23	\$ 229.07
Buffalo	21,845	1.0%	21,845	\$ 110.89	\$ 223.85
Cando	146,853	2.0%	73,427	\$ 71.85	\$ 218.58
Carrington	317,634	1.0%	317,634	\$ 162.47	\$ 203.99
Carson	16,131	1.0%	16,131	\$ 65.31	\$ 201.72
Casselton	183,983	1.0%	183,983	\$ 90.01	\$ 199.23
Cavalier	307,477	2.0%	153,739	\$ 116.47	\$ 197.33
Cooperstown	133,993	1.5%	89,328	\$ 100.94	\$ 196.67
Crosby	123,416	1.0%	123,416	\$ 132.42	\$ 193.34
Devils Lake	2,707,485	2.0%	1,353,743	\$ 201.72	\$ 180.36
Dickinson	5,332,914	1.5%	3,555,276	\$ 218.58	\$ 175.57
Drake	33,917	2.0%	16,958	\$ 63.75	\$ 166.07
Drayton	70,822	1.5%	47,215	\$ 60.69	\$ 162.47
Dunseith	63,957	1.0%	63,957	\$ 87.02	\$ 141.81
Edgeley	141,541	2.0%	70,771	\$ 137.42	\$ 137.42
Edinburg	19,614	1.0%	19,614	\$ 89.56	\$ 137.22
Elgin	51,531	1.0%	51,531	\$ 97.78	\$ 132.42
Ellendale	100,029	1.0%	100,029	\$ 68.80	\$ 131.07
Enderlin	117,902	1.0%	117,902	\$ 118.26	\$ 130.67
Fairmount	29,377	1.0%	29,377	\$ 82.29	\$ 129.17
Fargo	37,711,411	2.0%	18,855,705	\$ 197.33	\$ 125.11
Finley	64,600	1.0%	64,600	\$ 166.07	\$ 124.23
Forman	39,112	1.0%	39,112	\$ 85.77	\$ 123.11
Fort Ransom	10,687	1.0%	10,687	\$ 113.69	\$ 122.73
Gackle	20,997	1.0%	20,997	\$ 76.35	\$ 118.26
Garrison	270,618	2.0%	135,309	\$ 116.95	\$ 116.95
Glen Ullin	43,881	1.0%	43,881	\$ 55.13	\$ 116.47
Medora					
Stanley					
Williston					
Watford City					
Kenmare					
Gwinner					
Tioga					
Killdeer					
Minot					
Powers Lake					
Hope					
Dickinson					
Bismarck					
Devils Lake					
Bowman					
Fargo					
Bottineau					
Underwood					
Grand Forks					
Bellevue					
Finley					
Carrington					
Jamestown					
Edgeley					
Langdon					
Crosby					
Pembina					
Hettinger					
Rolla					
Woodworth					
Beach					
Tower City					
New Salem					
Enderlin					
Garrison					
Cavalier					

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P. 2

Glenburn	311	23,939	1.0%	23,939	\$ 76.97	Walneton	\$ 115.02
Grafton	3954	807,058	2.0%	403,529	\$ 102.06	Wishek	\$ 113.77
Grand Forks	51216	16,206,160	1.75%	9,237,511	\$ 180.36	Fort Ransom	\$ 113.69
Granville	238	4,334	2.0%	2,167	\$ 9.10	Northwood	\$ 113.51
Grenora	198	13,466	1.0%	13,466	\$ 68.01	Steele	\$ 111.23
Gwinner	694	193,150	1.0%	193,150	\$ 278.31	Harvey	\$ 110.89
Halliday	207	20,708	1.0%	20,708	\$ 100.04	Buffalo	\$ 110.46
Hankinson	966	85,161	2.0%	42,580	\$ 44.08	Beulah	\$ 109.32
Hannaford	150	11,571	1.0%	11,571	\$ 77.14	Mott	\$ 107.30
Harvey	1580	175,744	1.0%	175,744	\$ 111.23	Rugby	\$ 106.10
Harwood	718	32,333	1.0%	32,333	\$ 45.03	Scranton	\$ 105.58
Hatton	647	51,074	2.0%	25,537	\$ 39.47	Hazelton	\$ 104.79
Hazelton	188	19,849	1.0%	19,849	\$ 105.58	Napoleon	\$ 102.06
Hazen	2200	204,934	1.0%	204,934	\$ 93.15	Grafton	\$ 101.59
Hettinger	1140	148,960	1.0%	148,960	\$ 130.67	Walhalla	\$ 101.44
Hillsboro	1474	266,330	2.0%	133,165	\$ 90.34	Mohall	\$ 100.94
Hoople	250	14,362	1.0%	14,362	\$ 57.45	Cooperstown	\$ 100.75
Hope	248	55,515	1.0%	55,515	\$ 223.85	Washburn	\$ 100.04
Jamestown	14687	4,165,583	2.0%	2,082,791	\$ 141.81	Halliday	\$ 98.41
Kemnare	1084	309,977	2.0%	309,977	\$ 285.96	Wimbledon	\$ 97.91
Killdeer	681	256,040	1.5%	170,694	\$ 250.65	West Fargo	\$ 97.78
Kulm	347	54,582	2.0%	27,291	\$ 78.65	Elgin	\$ 97.31
Lakota	689	49,844	1.0%	49,844	\$ 72.34	Berthold	\$ 97.19
LaMoure	790	153,420	2.0%	76,710	\$ 97.10	New England	\$ 97.10
Langdon	1597	438,283	2.0%	219,141	\$ 137.22	LaMoure	\$ 95.85
Larimore	1299	62,548	1.0%	62,548	\$ 48.15	Lisbon	\$ 95.85
Leonard	254	13,258	1.0%	13,258	\$ 52.20	Mayville	\$ 93.78
Lidgerwood	695	57,842	1.0%	57,842	\$ 83.23	Regent	\$ 93.18
Linton	1018	149,587	2.0%	74,793	\$ 73.47	Oakes	\$ 93.15
Lisbon	2121	406,592	2.0%	203,296	\$ 95.85	Hazen	\$ 93.15
Maddock	474	51,069	1.5%	34,046	\$ 71.83	Oxbow	\$ 90.38
Mandan	18274	1,546,537	1.0%	1,546,537	\$ 84.63	Hillsboro	\$ 90.34
Mapleton	743	54,321	1.0%	54,321	\$ 73.11	Casselton	\$ 90.01
Mayville	1779	338,647	2.0%	169,323	\$ 95.18	Park River	\$ 89.99
McClusky	293	20,044	1.0%	20,044	\$ 68.41	Edinburg	\$ 89.56
McVillie	401	24,565	2.0%	12,283	\$ 30.63	Dunseith	\$ 87.02
Medora	95	462,506	2.5%	185,002	\$ 1,947.39	Valley City	\$ 85.82
Michigan	282	30,172	1.5%	20,115	\$ 71.33	Forman	\$ 85.77
Minlor	662	43,270	1.5%	28,847	\$ 43.58	Towner	\$ 85.75
Minnewaukan	292	23,680	1.5%	15,787	\$ 54.06	New Rockford	\$ 84.73
Minot	36256	17,246,241	2.00%	8,623,120	\$ 237.84	Mandan	\$ 84.63
Minto	590	38,144	1.0%	38,144	\$ 64.65	Streeter	\$ 84.14
Mohall	689	69,893	1.0%	69,893	\$ 101.44	Lidgerwood	\$ 83.23
Mott	662	108,559	1.5%	72,373	\$ 109.32	Fairmount	\$ 82.29
Munich	202	13,811	1.0%	13,811	\$ 68.37	Richardton	\$ 79.71
Napoleon	691	144,820	2.0%	72,410	\$ 104.79	Kulm	\$ 78.65
Nespe	393	34,798	2.0%	17,399	\$ 44.27	Page	\$ 78.57

New England	558	108,470	2.0%	54,235	\$ 97.19	Ashley	\$ 77.91
New Leipzig	215	12,059	1.0%	12,059	\$ 56.09	Hannaford	\$ 77.14
New Rockford	1197	202,854	2.0%	101,427	\$ 84.73	Glenburn	\$ 76.97
New Salem	859	105,427	1.0%	105,427	\$ 122.73	Gackle	\$ 76.35
Northwood	913	155,449	1.5%	103,633	\$ 113.51	Rollette	\$ 74.81
Oakes	1752	326,513	2.0%	163,257	\$ 93.18	Linton	\$ 73.47
Oxbow	241	21,782	1.0%	21,782	\$ 90.38	Mapleton	\$ 73.11
Page	209	16,421	1.0%	16,421	\$ 78.57	Wilton	\$ 72.83
Park River	1345	242,064	2.0%	121,032	\$ 89.99	Lakota	\$ 72.34
Pembina	547	179,236	2.5%	71,695	\$ 131.07	Cando	\$ 71.85
Portland	552	53,973	2.0%	26,986	\$ 48.89	Maddock	\$ 71.83
Powers Lake	248	56,809	1.0%	56,809	\$ 229.07	Michigan	\$ 71.33
Reeder	152	8,356	1.0%	8,356	\$ 54.97	Velva	\$ 68.96
Regent	188	31,509	2.0%	15,755	\$ 93.78	Ellendale	\$ 68.80
Richardton	577	91,988	2.0%	45,994	\$ 79.71	McClusky	\$ 68.41
Rollette	530	39,647	1.0%	39,647	\$ 74.81	Munich	\$ 68.37
Rolla	1428	368,914	2.0%	184,457	\$ 129.17	Grenora	\$ 68.01
Rugby	2510	538,639	2.0%	269,319	\$ 107.30	Carson	\$ 65.31
Scranton	282	29,919	1.0%	29,919	\$ 106.10	Minto	\$ 64.65
St. John	357	18,515	1.0%	18,515	\$ 51.86	Drake	\$ 63.75
Stanley	1279	441,338	1.0%	441,338	\$ 345.07	Anamoose	\$ 63.18
Steele	621	140,731	2.0%	70,366	\$ 113.31	Turtle Lake	\$ 60.80
Strasburg	439	25,970	1.0%	25,970	\$ 59.16	Drayton	\$ 60.69
Streeter	151	12,705	1.0%	12,705	\$ 84.14	Aneta	\$ 59.39
Tioga	1127	300,598	1.0%	300,598	\$ 266.72	Strasburg	\$ 59.16
Tower City	245	30,163	1.0%	30,163	\$ 123.11	Hoople	\$ 57.45
Towner	480	41,159	1.0%	41,159	\$ 85.75	New Leipzig	\$ 56.09
Turtle Lake	499	60,680	2.0%	30,340	\$ 60.80	Glen Ullin	\$ 55.13
Underwood	705	204,456	1.5%	136,304	\$ 193.34	Reeder	\$ 54.97
Valley City	6286	1,348,621	2.5%	539,448	\$ 85.82	Minnewaukan	\$ 54.06
Velva	913	125,917	2.0%	62,959	\$ 68.96	Leonard	\$ 52.20
Wahpeton	7418	1,705,416	2.0%	853,208	\$ 115.02	St. John	\$ 51.86
Wahalla	885	179,808	2.0%	89,904	\$ 101.59	Portland	\$ 48.89
Washburn	1234	248,649	2.0%	124,325	\$ 100.75	Larimore	\$ 48.15
Watford City	1399	457,232	1.0%	457,232	\$ 326.83	Harwood	\$ 45.03
West Fargo	24313	2,380,597	1.0%	2,380,597	\$ 97.91	Neché	\$ 44.27
Westhope	461	15,672	1.0%	15,672	\$ 34.00	Hankinson	\$ 44.08
Williston	13014	8,526,704	2.0%	4,263,352	\$ 327.60	Milnor	\$ 43.58
Wilton	720	52,437	1.0%	52,437	\$ 72.83	Hatton	\$ 39.47
Wimbledon	206	20,273	1.0%	20,273	\$ 98.41	Westhope	\$ 34.00
Wishek	856	97,383	1.0%	97,383	\$ 113.77	McVie	\$ 30.63
Woodworth	71	8,883	1.0%	8,883	\$ 125.11	Granville	\$ 9.10

Average \$ 125.19
Median \$ 95.18

126,261,186

these cities changed rate in middle of 2010

Testimony #2

Testimony for Finance and Taxation Committee
SB 2329 An Individual and Corporate Income Tax Credit for Targeted Retail Businesses
March 8, 2011

Submitted by Dot Frank, Mandan City Commissioner
205 2nd Ave. NW, Mandan, ND 58554 | 701-527-5767 | dfrank@cityofmandan.com

Good morning Chairman Belter, Vice Chairman Headland and fellow Finance and Taxation Committee members. My name is Dot Frank and I currently serve as a Mandan City Commissioner. I am here to testify in support of Senate Bill 2329 a bill that would create an individual and corporate income tax credit for targeted retail businesses and a bill that your peers passed on the Senate floor.

Still shy of a year in office, I can very clearly recall the number one request I received during my campaign...lower property taxes. Mandan, like many communities across the state, is challenged to keep property taxes low, while providing high levels of service at increasing costs, with a small population and business base. What can cities do, given those circumstances? While many residents shared their property tax complaints, they also shared a solution through their number two request...more retail.

Data suggests, and many econ-savvy people support, the idea that one way to lower the property tax burden is to increase the sales tax base. Currently, our community is capable of reducing property taxes by 13 mills through a sales tax kickback. While residents appreciate any reduction, communities like ours just can't compete with sales tax heavy cities like Williston, Minot, Dickinson, Fargo, Bismarck and so forth. I have a copy of a 2010 Sales Tax Collections report, which computes the sales tax per capita that I'd like to share with this committee. All of the North Dakota cities that collect city sales tax are listed; alphabetically on the far left and ranked on the far right. What I'd like to point out is 96 of the 125 cities on this report collect less than the \$125.19 per capita average. When you consider that all cities require a basic level of service that is consistent in cost (ex. sewer, water, streets, police, fire, equipment, administration, etc.) it become clear that residents in cities with below average sales tax collections are getting above average property tax bills.

Senate Bill 2329 will give communities across the state the opportunity to reduce residents' tax burden, increase employment opportunities, generate wealth, build esteem and eventually contribute more money to the state coffers. Arguments will be made about loss revenue considering that this is an income tax reduction. I encourage naysayers to consider this: safeguards in the bill's language ensure that tax savings are given in exchange for the tax generation that new businesses will produce. In addition to the expectation that participants represent a new or expanding business, the provisions require that qualifying businesses fill a gap or under-served need, reside in a town with below average tax collections, pass a department of commerce litmus test, and have 60 percent of their own skin in the game.

I speak on behalf of Mandan and 92 other North Dakota towns, when I say, please put forward a recommendation to pass Senate Bill 2329. Don't just look around this room when you debate your decision, where only 7 percent of you represent communities that could benefit from this bill, look across the House floor where a full 25.7 of your fellow representatives could create a stronger economy for their community. Tax reduction is a goal that many legislators strive to achieve. Here is your chance to not only lower the burden on North Dakotans, but to lead the way toward municipal self-sufficiency and promote statewide entrepreneurship and innovation.

Thank you.

Testimony #3 p. 1

COOPERSTOWN / GRIGGS

Economic Development Corporation



402 4th Street SW
PO Box 553
Cooperstown, ND 58425
701-797-3712
cooperedc@invisimax.co
m

March 7, 2011

Dear Chairman Belter and members of the Finance and Taxation Committee;

I would strongly urge you to consider a positive vote for Senate Bill 2329, which is to stimulate investment in retail establishments in communities under 30,000 in population with below average sales tax collections as compared to the state average.

Our community of Cooperstown is one of the many rural communities within the state that would benefit from this legislation if it is passed, and as the local community economic developer, I know it would help stimulate more retail investment for our community.

Our community has a limited retail sector because we are centrally located from Fargo, Grand Forks, Jamestown and Devils Lake. Our local retail businesses struggle to maintain and in small ways, to grow. This investment credit legislation would help them improve their existing businesses to better serve the population in our county and trade area.

There has recently been interest from a local entrepreneur looking to open a retail business in the community that would definitely add to our main street, and I know that this legislation will help them decide positively to do so.

There has long been an inequity in the sales tax disbursement, with a much larger portion going to the large communities because of their retail opportunities. I believe this type of legislation would help improve the retail sector in our rural communities and help us increase the sales tax to help support our local communities. It may also help encourage some growth in our local retail sector, to include some additional jobs, which would help the local economy as well.

Please consider a favorable vote on Senate Bill 2329, as it will definitely help many of the struggling, rural communities in North Dakota and positively impact their growth and development.

Thank you for your consideration of this letter.

Sincerely,

Becky J Meidinger, Development Specialist
Cooperstown-Griggs County Economic Development Corporation

In accordance with Federal Law and U.S. Department of Agriculture policy, this institution is Prohibited from discriminating on a basis of race, color, national origin, sex, age or disability.

3 p. 2

Richard Mower



Cc:
Subject:

Dorinda Anderson [Dorinda.Anderson@westfargond.gov]
Tuesday, February 01, 2011 3:09 PM
dcook@nd.gov; jlee@nd.gov; tgrindberg@nd.gov
Richard Mower
Senate Bill 2329



Dear Senators,

Senate bill 2329 is a needed addition to our toolbox for those community's underserved by retail businesses. It is important a community provide opportunities for their citizens to shop. At the present time the City of West Fargo is undergoing a retail gap analysis to determine how to better serve our citizens. This bill will help West Fargo to move forward with attracting those retail and service business.

Please consider a do pass on this bill.

Sincerely,

Dorinda Anderson



Director of Business Development
City of West Fargo, ND
Phone- 701-433-5350

Please be aware that all emails sent and received by a City of West Fargo E-mail address are subject to North Dakota's Century Code (44-04) Open Records law and are considered Public Record which are available for public disclosure.



#3 p. 3

Richard Mower

From: Gaylon [Gaylon@starkdev.com]
Friday, March 04, 2011 4:39 PM
wbelter@nd.gov
Cc: Richard Mower
Subject: SB 2329 support

Honorable Rep. Belter,

In the world of economic development we in North Dakota ignored the retail sector for many years. Changes in North Dakota and in the broader economy have caused the Professional Economic Development community to more recently recognize the important role the retail sector plays in the overall drawing power of North Dakota towns. We now know that a diversified and strong retail sector draws not only shoppers, but also catches the attention of major employers looking to locate where their employees and officers will be attracted to those jobs.

SB 2329 proposes to utilize tax credits to help communities strengthen their retail sectors and thereby offer a stronger business case to prospective business growth in other sectors. I ask that the Finance and Tax Committee support this principle.

Thank you,

Gaylon Baker


: (701) 225-5997
F: (701) 227-8647
1-888-880-7963
PO Box 765
Dickinson, ND 58601
www.starkdev.com

#3 p. 4

Richard Mower

To:
Cc:
Subject:

Duke [hcd@westriv.com]
Monday, March 07, 2011 3:22 PM
wbelter@nd.gov
Richard Mower
Senate Bill 2329

Dear Rep. Belter:

I have been following SB 2329 as it has been working its way through committee and onward. I wish to make it clear that I am in favor of this bill and am asking for your support.

This bill will work well in rural communities that have been creating and strive to improve business districts that attract consumers and help communities become stronger and more sustainable. Ultimately its hoped that sustainable communalities end up being prosperous and growing communities.

Investors in rural businesses are not easy to find and when one does come along he or she is sure to know that investing in a small community includes marginal challenges not found in an urban setting. Thus most investment dollars miss our rural towns. Yet, many potential businesses would be viable in a small community. SB 2329 would help breath life into some of these businesses.

I have worked as a professional in economic development in rural communities for almost 20 years and can tell you that the incentive provided in this SB 2329 will help potential business owners make decisions in favor of investing in small town North Dakota.

My experience tells me that North Dakota will be much less of a state if we end up losing our small towns at the rate we are. I work every day to help keep our rural communities healthy and vibrant. The challenge is immense and very frustrating. SB 2329 will help create more success stories for rural Main Street and that is something we need to do now.

I strongly urge your support and vote in favor of this important bill.

Kindest Regards,

Duke Wm. Rosendahl, EDFP, BREIPC
Executive Director
Hazen Community Development, Inc.
P. O. Box 717
Hazen, ND 58545-0717
701-748-6886
www.hazennd.org

#3 p.5

Dear Representative Belter,
Hello from the City of Wahpeton!

Bill 2329 is scheduled for your committee, House Finance and Taxation on Tuesday, March 8 at 9:15 a.m.

The purpose of this bill is to stimulate investment in retail establishments in communities with below

average sales tax collections as compared to the state average. Wahpeton is one of those communities.

Wahpeton Economic Development encourages you to vote in favor of the bill. It is another tool in our incentive 'toolbox' to attract, retain, and grow our local economy. Thank you for your consideration.

Sincerely,
Jane

Jane P. Priebe, CEcD, Director
Wahpeton Economic Development
1900 4th Street North
PO Box 490
Wahpeton ND 58074
701-591-2109
janep@wahpeton.com
www.wahpeton.com

#4 A

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA



PO BOX 2639 • BISMARCK, NORTH DAKOTA 58502

Testimony of

Economic Development Association of North Dakota

SB 2329

March 8, 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.

SB 2329 will give qualifying North Dakota communities an investment option to attract retail investment. This investment will enhance the sales tax base of those communities and fill a gap of retail service that may otherwise not exist or be available to a community. The retail sector additions and expansions will add to increased taxable sales and will relieve reliance on property taxes to fund governmental services.

EDND urges a **DO PASS** on SB 2329.

Thank you.

Testimony #4 B

Senate Bill 2329 Targeted Retail Business Investment Credits

Purpose: The purpose of this bill is to stimulate investment in retail establishments in communities under 30,000 with below average sales tax collections as compared to the state average. To be eligible, a community must levy a minimum of a 1% sales tax.

Goal: The goal of this legislation is to stimulate retail investment in these communities to increase sales tax collections. This will reduce reliance on property taxes as a means to fund governmental services. In addition, this legislation provides a competitive incentive to investors and retailers to evaluate a community in which they may not otherwise invest.

Department of Commerce is the Administrator

- ✓ \$2.5 million annually allocated to retail investment credits
- ✓ Commerce Adminstrates an Application Process to include:
 - Estimated Sales Tax Collections of the Business
 - That the business will serve a community of 30,000 or less
 - That the city is below average in sales tax collections
 - That the retail business applying is underserved in that community
 - If there is a retail gap analysis study available from the community
 - The amount of the credit requested as compared to private investment

The Applicant

- ✓ Must not be moving operations from one community to another in North Dakota
- ✓ Must be serving an under-represented sector of the retail economy
- ✓ Shall provide for "hard" investment in the business to include: Land, building, franchise fees, inventory, etc.
- ✓ Must receive 75% of the points possible on the application to be eligible

New Retail Establishments meeting the Above Criteria

- ✓ May receive up to a 40% tax Credit over a 5-year period
- ✓ May keep or designate the tax credit to a qualifying North Dakota tax payer

Existing Retail Establishments meeting the Above Criteria

- ✓ May receive up to a 40% tax Credit over a 5-year period
- ✓ Projections must show a 25% increase in tax collections over a 3-year period

A Partnership, Subchapter S Corporation, limited partnership, limited liability company or any other pass through entity meeting the Above Criteria

- ✓ May receive up to a 40% tax Credit over a 5-year period if received as a pass through
- ✓ Credits received must be passed through to partners, shareholders or members in respect to their proportion of respective interests