

**TESTIMONY OF THE NORTH DAKOTA OFFICE OF STATE TAX COMMISSIONER  
BEFORE THE  
2011 -12 INTERIM LEGISLATIVE MANAGEMENT TAXATION COMMITTEE**

**HOUSE BILL 1417**

**AUGUST 2, 2011**

Chairman Hogue and members of the Interim Legislative Management Taxation Committee, my name is Blane Braunberger. I am the Compliance Supervisor of the Sales & Special Taxes section for the Office of State Tax Commissioner. I am here today to provide background testimony on House Bill 1417 introduced during the sixty-second legislative session.

During <sup>2010</sup>2011, our office received applications for sales tax exemption certificates from a number of medical facilities requesting an exemption under North Dakota Century Code (N.D.C.C.) § 57-39.2-04(32). This subsection of law grants a sales tax exemption to nonprofit voluntary health associations exempt from federal income tax and recognized by the national health council as a nonprofit organization exempt under section 501(c)(3) of the United States Internal Revenue Code and other specific requirements outlined in this subsection. These facilities were denied a sales tax exemption since they were not recognized by the national health council.

After receiving the denial letters the medical facilities contacted the Tax Commissioner and asked for assistance in preparing draft legislation that could be introduced during the 2011 session. Currently all medical clinics are not exempt from sales tax. Only hospitals are exempt under N.D.C.C. § 57-39.2-04(24). The original draft of House Bill 1417 was introduced by Representative Cory Mock and contained language to exempt only the portion of medical clinics reimbursed by the federal government as federally qualified health centers. The final text of the bill was amended to provide for a legislative study of exempting from sales and use tax the purchases by all health-related clinics.

This concludes my background testimony on House Bill 1417. I would be happy to respond to any questions you may have concerning this testimony. Thank you.