

Sixty-fourth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2057

Introduced by

Legislative Management

(Taxation Committee)

1 A BILL for an Act to create and enact a new section to chapter 54-35 of the North Dakota
2 Century Code, relating to the legislative management assignment of regular legislative interim
3 committee review of statutory provisions providing economic development tax incentives.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1.** A new section to chapter 54-35 of the North Dakota Century Code is created
6 and enacted as follows:

7 **Legislative interim committee review of economic development tax incentives.**

8 The legislative assembly enacts economic development tax incentives with the intent to
9 encourage businesses to locate, grow, and remain in the state; to enhance employment
10 opportunities for citizens; and to foster the most advantageous direction, diversity, and growth of
11 the state economy. The legislative assembly requires systematic, detailed analysis of enacted
12 economic development tax incentives to assure that incentives are, and will continue, serving
13 the intended purposes in a cost-effective and equitable manner consistent with the intent of the
14 legislative assembly. To serve this intent and requirement:

- 15 1. During each interim, the legislative management shall assign to a legislative
16 management interim committee study responsibility that includes completing the
17 analysis of economic development tax incentives as provided in this section and
18 reporting its findings and any associated recommended legislation to the legislative
19 management.
- 20 2. The legislative management interim committee assigned the study responsibility under
21 this section shall analyze each incentive, applying considerations relevant to the
22 perceived goals of the incentive, including any or all of the following:
 - 23 a. The extent of achievement of the goals of the incentive and whether unintended
24 consequences have developed in its application.

- b. Whether the design and application of the incentive can be improved.
 - c. The extent of complementary or duplicative effect of other incentives or governmental programs.
 - d. Whether the incentive has a positive influence on business behavior or rewards business behavior that is likely to have occurred without the incentive.
 - e. The effect of the incentive on the state economy, including the extent of primary sector operation of the recipient and any competitive disadvantage imposed or benefit conferred on other state businesses, any benefit or burden created for local government, and the extent of the incentive's benefit that flows to out-of-state concerns.
 - f. The employment opportunities generated by the incentive and the extent those represent career opportunities.
 - g. Whether the incentive is the most effective use of state resources to achieve desired goals.
 - h. If the committee's analysis of the incentive is constrained by lack of data, whether statutory or administrative changes should be made to improve collection and availability of data.
3. The legislative management interim committee assigned the study responsibility under this section may examine economic development tax incentives, shall complete analysis of the state-imposed tax aspects of the incentives it designates for analysis during the interim, and shall approve a plan to provide that each of the economic development tax incentives listed in this subsection is subject to a complete analysis within each six-year period. The interim committee may include in its recommendations any amendments to this section, including amendments to add or remove incentives from the list of incentives subject to analysis under this subsection. Analysis must be completed for state-imposed tax aspects of economic development tax incentives, including each of the following:
- a. Renaissance zone credits and exemptions.
 - b. Research expense credit.
 - c. Agricultural commodity processing facility investment credit.

- 1 d. Biodiesel fuel production facility construction or retrofit credit, biodiesel fuel
- 2 blending credit, and biodiesel fuel equipment credit.
- 3 e. Seed capital investment credit.
- 4 f. Wage and salary credit.
- 5 g. Internship program credit.
- 6 h. Microbusiness credit.
- 7 i. Angel fund investment credit.
- 8 j. Workforce recruitment credit.
- 9 k. Soybean or canola crushing facility construction or retrofit credit.
- 10 l. Manufacturing automation equipment credit.
- 11 m. New or expanding business exemption.
- 12 n. Manufacturing and recycling equipment sales tax exemption.
- 13 o. Coal severance and conversion tax exemptions.
- 14 p. Oil and gas gross production and oil extraction tax exemptions.
- 15 q. Fuel tax refunds for certain users.
- 16 r. New jobs credit from income tax withholding.
- 17 4. By October first of each odd-numbered year, the interim committee assigned the study
- 18 responsibility under this section shall determine and approve:
- 19 a. The economic development tax incentives under subsection 3 which will be
- 20 designated for analysis during that interim and a plan to provide for analysis of
- 21 the remaining economic development tax incentives under subsection 3 within
- 22 the six-year period.
- 23 b. The perceived goals of the legislative assembly in creating or altering each
- 24 incentive designated for analysis, for use as a baseline for committee analysis of
- 25 the incentive.
- 26 c. The data and testimony that will be required to conduct an effective analysis of
- 27 each incentive designated for analysis.
- 28 5. The department of commerce, tax commissioner, economic development foundation,
- 29 and any other state agency or instrumentality shall provide data and analysis as
- 30 requested by the interim committee conducting the analysis under this section.

- 1 a. If data is not available, the entity requested to provide the information shall
2 advise the committee how the data could be obtained and the estimated cost of
3 obtaining the data.
- 4 b. If data is available but cannot be shared with the committee, the entity requested
5 to provide the information shall explain the reason and whether there are options
6 that could be used to obtain the data or an adequate substitute for the data.
- 7 6. The interim committee conducting the analysis under this section shall report its
8 findings and recommendations together with any legislation required to implement
9 those recommendations to the legislative management.