



# NORTH DAKOTA HOUSE OF REPRESENTATIVES

STATE CAPITOL  
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## Representative Sebastian Ertelt

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## COMMITTEES:

Finance and Taxation  
Political Subdivisions

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Chairman Headland and Members of the House Finance and Taxation Committee,

I bring to you today, House Bill 1497, and urge a unanimous DO PASS recommendation.

House Bill 1497 would expand the existing individual income tax credit for charitable gifts to qualified North Dakota endowment funds to also include charitable gifts to qualified nonprofit organizations that have been incorporated or established in North Dakota for at least two years. I must acknowledge that this idea is not my own. In the 66<sup>th</sup> Legislative Assembly and in this Committee, we considered House Bill 1233, introduced by Representative Roers Jones. House Bill 1497 is slightly different in that it removes the charitable gift threshold, whereas House Bill 1233 reduced the aggregate threshold from five thousand to five hundred dollars.

The current income tax credit is basically a tax break for the wealthy. House Bill 1497 would level the playing field so that all North Dakota income taxpayers can claim the credit while remaining limited to their individual income tax liability.

This bill would undoubtedly result in a substantial reduction in state general fund revenue as the fiscal note describes. However, what the fiscal note does not take into account is that charitable gifts to qualified endowment funds, or directly to qualified nonprofit organizations, reduces the need for state general fund expenditures since the state provides services that nonprofit organizations would otherwise provide.

Charity is exercised by individuals, not government. The former gives freely, while the latter takes with force. Government robs the individual of the grace attached to the charitable giving that they would otherwise do if they were not taxed as much. Let's remove the bureaucracy inherent in government welfare programs and empower the people of our state to do even more good.

For background, a qualified endowment fund is a permanent, irrevocable fund that meets all of the following criteria:

1. It is held by a qualified nonprofit organization or by a bank or trust company on behalf of a qualified nonprofit organization.
2. It is comprised of cash, securities, mutual funds, or other investment assets.
3. It is established for a specific religious, educational, or other charitable purpose.
4. It may expend only the income generated by, or the increase in value of, the assets contributed to it.

A qualified nonprofit organization is one that meets either of the following sets of criteria:

For a North Dakota-based organization:

1. Is incorporated in North Dakota, or has an established location in North Dakota;
2. Is tax-exempt under I.R.C. § 501(c); and
3. Is a charitable donee organization as defined under I.R.C. § 170.

For a border state organization:

1. Is tax-exempt under I.R.C. § 501(c);
2. Is a charitable donee organization as defined under I.R.C. § 170;
3. Supports or benefits a hospital, nursing home, or medical center, or any combination of these;
4. Is located outside North Dakota; and
5. Is located within five miles of a North Dakota city with a population of 5,000 or more that does not have a hospital.