

## **HB 1412 – Testimony by Dustin Gawrylow (Lobbyist #266) North Dakota Watchdog Network**

Quick Points to Make HB 1412 Tolerable:

1. Only offset lost local tax revenue – DO NOT USE GENERAL FUND DOLLARS TO OFFSET SUBSIDIES. i.e. Lignite Research, and other activities these taxes cover.
2. Hold local government whole, but freeze that level on a dollar basis – DO NOT LET LOCAL GOVERNMENT CONTROL WHAT THE STATE COVERS.

### **Full Testimony**

This bill is an expansion of corporate welfare disguised as a tax cut.

This bill appears to cut the coal conversion tax that applicable facilities pay into the general fund, in lieu of local property tax – which is then directed to local political subdivisions.

It then imposes a new lignite research tax, at a lower level, which is earmarked to be added to the Lignite Research funding currently funded with Coal Severance Tax revenue. Furthermore, now with the new amendments, county commissions can now exempt mines from 70% of the severance tax.

The net effect according the Fiscal Note is a tax cut just over \$35 million.

This would all be fine if not for two factors:

1. The current tax collected is designated to pay for local government services, cutting it requires other taxpayers to cover the cost. Is this were part of a larger tax cut package where everyone benefits from reductions, this too would not be so bad. But...
2. The new tax replacing the old tax is being earmarked for Lignite Research. This, just like other taxes collected for this purpose – which is a subsidy of the very industry being taxed.

The ultimate result of this policy change is that the general public will be indirectly subsidizing the coal industry at a higher level.

We should be looking at broad based tax reductions that benefit all industries and individuals, and avoiding policies that increase subsidies or bailout any particular industry.

In so many other cases, we are told we can't afford to cut taxes because it will shift costs, and we just can't afford it.

Yet here, we are not only cutting the tax, but increasing the subsidy.

There are not many industries that this legislature would cater to so willingly.

Let's look for ways to reduce tax burdens for everyone and every industry.

And let's stop picking winners and losers.