

Senate Finance and Taxation Committee
Chairman Jessica Bell
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Testimony of Shane Goettle, Lobbyist:
State Association of Nonpublic Schools;
University of Jamestown; and
University of Mary
sgoettle@odney.com
701-426-0576

HB 1137

Chairman Bell and members of the committee, my name is Shane Goettle, and I am here today representing the State Association of Non-Public Schools as well as the University of Jamestown and the University of Mary.

With me today is Gerald Vetter, who leads the State Association of Nonpublic Schools. Mr. Vetter is also the President of the Light of Christ Catholic Schools here in Bismarck. Mr. Vetter is available at the conclusion of my testimony for any specific questions you may have concerning the policy as it pertains to private grade schools or high schools.

Also with me today is Brenda Nagel, Vice-President of Public Affairs at the University of Mary. I will introduce here for a few remarks at the close of my testimony.

Representative Nathe has explained some of the background concerning these credits and this bill. I would like to share a bit of history so you can view the bill before you today in the context of that history.

Accompanying my testimony is a list of private schools in North Dakota recognized by our tax department as eligible to trigger this credit.

The policy on these tax credits goes back a long time (more than 40 years). At one time individuals were allowed the credit, but they were excluded a few sessions ago when North Dakota went back to just one individual tax form. As a result, only corporations were allowed the credit after that reform took effect.

The next policy development considered the reality that more businesses were opting for pass through tax treatment. To catch this tax credit policy up to modern times, the business credit was expanded in 2015 to include partnerships and S corporations to come into line with current business structures. Individuals were thus claiming the credit on their individual returns, but only if they had a passthrough entity from which it originated. You then helped us restore the ability of individuals to make contributions directly and once again claim the credit for direct these direct contributions in the 2019 session.

This credit has been beneficial to the non-public schools in attracting contributions to help cover their cost of education and we want to thank you for your support in the expansion of the credit in 2015 and 2019.

Also, of relevance, our research in 2019 legislative session found that of 24 tax credits in the North Dakota Century Code only one other credit had a limit based on a percent of the taxpayer's liability, like you see in this program. Two years ago, we were asking in 2019's HB 1384 to be treated like most other tax credits by removing that percentage cap and simply rely on tax credit ceiling of \$2,500 that was in the law. However, the Senate installed a percentage cap on taxpayer liability of 25%. I will explain that further below, but considering the state's current fiscal situation in 2021, we agree with Representative Nathe, and we support keeping the policy of percentage cap intact, as presented in this bill, but are seeking that it be raised to 50%. Keep in mind the \$2,500 ceiling is still in effect as well.

With that background, let me talk more about the 2019 legislative session. Because the tax department had a "cannot be determined" fiscal note on the bill last session, the Senate placed two restrictions on this program so that we could get at least one full tax year to analyze data that could lead to a fiscal note. Those restrictions were: 1) a sunset; and 2) a cap of 25% of a taxpayer's liability.

This year, we have communicated with the tax department and learned that \$687,950 in credits were claimed on individual returns in the 2019 tax year. What we cannot determine from the 2019 data alone is how many of these

individuals claimed the credits based on individual contributions, or claimed the credits based on contributions that may have been made through a pass-through entity those individuals were a part of. I am attaching that information to this testimony for your review.

This program is a valuable tool to our private schools in making a private education affordable for families. In fact, nearly all private schools also provide graduated tuition assistance to low-income families whose children attend the non-public schools in North Dakota but cannot otherwise afford full tuition. Our estimate is that this is approximately \$4 million in aid per year. (This number does not include scholarships at the university level.)

At the university level, I invite you to look at this from a little different perspective. The credit is a valuable tool for reaching out to alumni and donors, particularly those who have not been philanthropic in the past. For example, both universities have found it valuable in reaching young alumni whose taxes are not complex enough to itemize, but who are able to consider these credits as an incentive to give. Other tax incentives are already in place for larger donors who itemize their taxes, so these credits have less of an impact there.

Finally, let me close with this point: if the students in the Universities of Jamestown and Mary were to suddenly shut their doors, and students needed to transition to our public universities, we estimate that would cost the state of North Dakota right around \$90 million dollars per biennium.

Thus, it can be said that supporting private education does lessen the burden on public resources.

As a result of 2019 tax data, the tax department has placed a fiscal note on this bill of \$1 million. We submit this fiscal note is quite nominal as compared to the benefits provided by private education and request your support of a “do pass” recommendation.

I am happy to take any questions you may have, and then I would like to introduce Brenda Nagel, Vice-President of Public Affairs at the University of Mary, to address you as well. Thank you.

Qualified nonprofit private schools

The following lists identify the qualifying schools in each school category. (Note: These lists are subject to change.)

Primary Schools (Grades K through 8)

| | |
|--|--|
| Academy for Children (Fargo) | Ojibwa Indian School (Belcourt) |
| Anne Carlsen Center (Jamestown) | Our Redeemer's Christian School (Minot) |
| Bishop Ryan Catholic School (Minot) | Prairie Learning Education Center (Raleigh) |
| Brentwood Adventist Christian School (Bismarck) | Prairie Voyager Adventist School (Grand Forks) |
| Cathedral of the Holy Spirit Primary School (Bismarck) | Red River Adventist Primary School (Fargo) |
| Children's Montessori Center (Fargo) | Shanley High-Sullivan Middle School (Fargo) |
| Christ the King Primary School (Mandan) | Shiloh Christian School (Bismarck) |
| Dakota Memorial School (Minot) | St Alphonsus Primary School (Langdon) |
| Dakota Montessori School (Fargo) | St Anne Primary School (Bismarck) |
| Forest River School (Fordville) | St Ann's Catholic School (Belcourt) |
| Grace Lutheran Primary School (Fargo) | St Bernard Mission School (Fort Yates) |
| Grand Forks Montessori Academy (Grand Forks) | St Catherine Primary School (Valley City) |
| Hillcrest SDA School (Jamestown) | St John's Academy (Jamestown) |
| Holy Family – St. Mary's Primary School (Grand Forks) | St John's Primary School (Wahpeton) |
| Holy Spirit Primary School (Fargo) | St Joseph Primary School (Mandan) |
| Hope Christian Academy (Dickinson) | St Joseph Primary School (Devils Lake) |
| Invitation Hill Adventist School (Dickinson) | St Joseph's Primary School (Williston) |
| Johnson Corners Christian Academy (Watford City) | St. Mary's Academy (Bismarck) |
| Little Flower Primary School (Rugby) | St Mary's Primary School (Bismarck) |
| Martin Luther School (Bismarck) | St Michael's Primary School (Grand Forks) |
| Missouri Valley Montessori School (Bismarck) | The Innovation School (Bismarck) |
| Nativity Primary School (Fargo) | Trinity Primary East School (Dickinson) |
| New Testament Baptist Christian School (Larimore) | Trinity Primary North School (Dickinson) |
| Oak Grove Lutheran Primary School (Fargo) | Trinity Primary School (West Fargo) |
| | Trinity Primary West School (Dickinson) |
| | Trinity Jr/High School (Dickinson) |
| | Victory Christian School (Jamestown) |
| | Wichakini Owayawa Primary School (Fort Yates) |
| | Williston Trinity Christian School (Williston) |

High Schools (Grades 9 through 12)

| | |
|---|--|
| Anne Carlsen Center (Jamestown) | Oak Grove Lutheran High School (Fargo) |
| Bishop Ryan Catholic School (Minot) | Our Redeemer's Christian School (Minot) |
| Dakota Adventist Academy (Bismarck) | Prairie Learning Education Center (Raleigh) |
| Dakota Memorial School (Minot) | Shanley High-Sullivan High School (Fargo) |
| Hope Christian Academy (Dickinson) | Shiloh Christian School (Bismarck) |
| Johnson Corners Christian Academy (Watford City) | St Mary's Central High School (Bismarck) |
| New Testament Baptist Christian School (Larimore) | Trinity Jr/High School (Dickinson) |
| | Williston Trinity Christian School (Williston) |

Colleges (Education above 12th grade)

| | |
|--|--|
| Jamestown College (Jamestown) | United Tribes Technical College (Bismarck) |
| Trinity Bible College (Ellendale) | University of Mary (Bismarck) |
| Turtle Mountain Community College (Belcourt) | ND Independent College Fund (Bismarck) |

**North Dakota Income Tax Credit
For Contributions to Private Nonprofit Schools
(Based on 2019 Law Change Effective for
Tax Years 2019 and 2020)**

| | <u>Tax Year</u> | <u>Number of Returns</u> | <u>Total Credits Claimed</u> |
|--|-----------------|------------------------------|----------------------------------|
| <u>Individual Income Tax Returns</u> | | | |
| Primary Schools (K-8) | 2019 | 625 | \$ 350,751 |
| High Schools (Gr 9-12) | 2019 | 378 | \$ 238,415 |
| Colleges | 2019 | 247 | \$ 98,784 |
| <u>C Corporation Income Tax Returns</u> | | | |
| Primary Schools (K-8) | 2019 | 11 | \$ 30,824 |
| High Schools (9-12) | 2019 | 13 | \$ 33,603 |
| Colleges | 2019 | 7 | \$ 11,378 |
| Grand Total | | 1281 | \$ 763,755 |

Statistics are as of November 16, 2020. Additional 2019 returns may be filed and tax credits claimed may change