

2025 SENATE INDUSTRY AND BUSINESS

SB 2261

2025 SENATE STANDING COMMITTEE MINUTES

Industry and Business Committee Fort Union Room, State Capitol

SB 2261
1/27/2025

A bill relating to a prison industry's workforce development income tax credit; to provide for a legislative management study; and to provide an effective date.

11:00 a.m. Chairman Barta called the meeting to order.

Members present: Chairman Barta, Vice-Chair Boehm, Senator Klein, Senator Kessel, Senator Enget

Discussion Topics:

- Rough Rider Industries
- Previous resistance
- Tax department and administration
- Manufacturing in the state
- Workforce shortages
- Labor availability
- Existing business competition and potential conflict
- Component sub-contracting
- Potential information from study
- Awareness about sub-contracting
- Confusion with RRI and policy
- Accessibility difficulties
- Workforce development planning
- Additional study topics
- Statewide cap and finality
- Incentives
- Full accounting of the fiscal year
- Tax returns and cap exceeding
- General applications process
- Number of manufacturing employees
- RRI total revenue and net income
- Number of subcontractors
- Recidivism diminishment rate and cost savings
- Program expansion
- Job skills training
- Private sector enterprise
- Education and progression

11:00 a.m. Senator Jerry Klein, District 14, testified in favor and introduced the bill.

11:03 a.m. Andrea Pfennig, Director of Government Affairs at the Greater ND Chamber (GNDC), testified in favor and submitted testimony #31675.

11:18 a.m. Matt Peyerl, Associate Director for the Office of State Tax Commissioner, testified in neutral.

11:27 a.m. Rick Gardner, Director of Rough Rider Industries, testified in neutral.

11:31 a.m. Matt Peyerl, Associate Director for the Office of State Tax Commissioner, answered committee questions.

11:43 a.m. Chairman Barta closed the hearing on SB 2261.

Audrey Oswald, Committee Clerk



GREATER NORTH DAKOTA CHAMBER
SB 2261
Senate Industry & Business Committee
Chair Jeff Barta
January 25, 2025

Mr. Chairman and members of the Committee, my name is Andrea Pfennig, and I am the Vice President of Government Affairs for the Greater North Dakota Chamber. GNDC is North Dakota's largest statewide business advocacy organization, with membership represented by small and large businesses, local chambers, and trade and industry associations across the state. We stand in **support** of Senate Bill 2261.

Manufacturers help drive and diversify North Dakota's economy. They employ over 27,000 North Dakotans, which is 6.8% of the workforce with an average annual salary of nearly \$75,000. However, workforce shortages can present a significant challenge to growing or simply maintaining operations. Labor availability has been identified as the top business concern facing companies in North Dakota and Rough Rider Industries offers a talent pool.

GNDC recognizes the benefits of Rough Rider Industries and the impacts the program has on reducing recidivism rates and providing job skills training. Approaches, such as the tax credit proposed in SB 2261, provide an opportunity for individuals involved in prison industry programs to gain exposure to employment opportunities in North Dakota.

This is a way to support prison industries in a manner that enables them to expand their mission while working in cooperation, rather than competing, with private industry. We are happy to assist with a study as the state continues to explore opportunities that are mutually beneficial.

Thank you for your consideration.



2025 SENATE STANDING COMMITTEE MINUTES

Industry and Business Committee Fort Union Room, State Capitol

SB 2261
1/29/2025

A bill relating to a prison industry's workforce development income tax credit; to provide for a legislative management study; and to provide an effective date.

4:47 p.m. Chairman Barta opened the hearing.

Members present: Chairman Barta, Vice-Chairman Boehm, Senator Klein, Senator Kessel, Senator Enget

Discussion Topics:

- Committee action

4:48 p.m. Senator Klein moved to adopt amendment LC# 25.1273.01001.

4:48 p.m. Senator Kessel seconded the motion.

Senators	Vote
Senator Jeff Barta	Y
Senator Keith Boehm	Y
Senator Mark Enget	Y
Senator Greg Kessel	Y
Senator Jerry Klein	Y

Motion passed 5-0-0.

4:48 p.m. Senator Klein moved a Do Pass As Amended.

4:49 p.m. Senator Kessel seconded the motion.

Senators	Vote
Senator Jeff Barta	Y
Senator Keith Boehm	Y
Senator Mark Enget	Y
Senator Greg Kessel	Y
Senator Jerry Klein	Y

Motion passed 5-0-0.

Senator Klein will carry the bill.

4:49 p.m. Chairman Barta closed the hearing.

Audrey Oswald, Committee Clerk

January 29, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO

SENATE BILL NO. 2261

Introduced by

Senators Klein, Barta, Kessel

Representatives Nelson, Schauer

1-29-25
JB 1063

1 A BILL for an Act to create and enact a new section to chapter 57-38 and a new subdivision to
2 subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to a prison
3 industries workforce development income tax credit; to provide for a legislative management
4 study; and to provide an effective date.

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

6 **SECTION 1.** A new section to chapter 57-38 of the North Dakota Century Code is created
7 and enacted as follows:

8 **Prison industries workforce development credit.**

- 9 1. A taxpayer that is a primary sector business, as defined in section 1-01-49, is allowed
10 a nonrefundable credit against the tax imposed under section 57-38-30 or 57-38-30.3
11 for the ~~purchase of~~ cost of purchased components of final manufactured products ~~for~~
12 ~~which the taxpayer subcontracted to use~~ or labor from prison industries ~~for the purpose~~
13 ~~of workforce development of inmates.~~ The amount of the credit under this section is
14 ten percent of the cost ~~incurred~~ of components and labor from prison industries
15 ~~purchased~~ by the taxpayer in the ~~taxable~~ calendar year ~~for which the credit is claimed~~
16 ~~to purchase the components.~~ The credit must be claimed for the taxable year in which
17 the components or labor are purchased.
18 2. The credit under this section may not exceed the taxpayer's liability as determined
19 under this chapter for any taxable year. If the amount of the credit determined under

JB 2013

- 1 this section exceeds the ~~limitation~~ liability for tax under this ~~subsection~~ chapter, the
2 excess may be carried forward to each of the next five succeeding taxable years.
- 3 3. The aggregate amount of credits allowed each calendar year under this section may
4 not exceed forty-five thousand dollars. If the aggregate amount of credits claimed
5 under this section:
- 6 a. Is less than the limit under this subsection, any remaining unclaimed credits may
7 be carried forward and made available in the succeeding calendar year.
- 8 b. Exceeds the limit under this subsection, the tax commissioner shall prorate the
9 credits among the claimants.
- 10 4. If a taxpayer entitled to the credit provided by this section is a member of a group of
11 corporations filing a North Dakota consolidated tax return using the combined
12 reporting method, the credit may be claimed against the aggregate North Dakota tax
13 liability of all of the corporations included in the North Dakota consolidated return.
- 14 5. A passthrough entity entitled to the credit under this section must be considered to be
15 the taxpayer for purposes of this section and the amount of the credit allowed must be
16 determined at the passthrough entity level. The amount of the total credit determined
17 at the passthrough entity level must be allowed to the partners, shareholders, or
18 members in proportion to their respective interests in the passthrough entity. An
19 individual taxpayer may claim the credit passed through under this section against the
20 individual's state income tax liability under section 57-38-30.3.
- 21 6. The taxpayer claiming the credit shall file with the taxpayer's return, on forms
22 prescribed by the tax commissioner. A taxpayer applying for a tax credit under this
23 section for purchases in the preceding calendar year shall provide the following
24 information to the tax commissioner by January thirty-first of each calendar year:
- 25 a. The name, address, and federal identification number or social security number
26 of the taxpayer that made the purchase.
- 27 b. ~~Verification~~ Substantiation of primary sector designation from the department of
28 commerce division of economic development and finance as of the date of the
29 purchase or payment.

JB 3083

c. A copy of the paid invoice ~~from the appropriate prison industries organization and~~
~~the date on which payment for the purchase was made~~that identifies the
components or labor purchased.

d. A description of the components or labor purchased.

7. After January thirty-first, the tax commissioner shall notify each applicant of the
amount of tax credit earned or allocated to the tax payer under subdivision b of
subsection 3. Purchases resulting in tax credits under this section may not be used in
the calculation of any other income tax deduction or credit allowed under this chapter.

8. The tax commissioner shall proscribe forms for the administration of this section.

SECTION 2. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota
Century Code is created and enacted as follows:

Prison industries workforce development credit under section 1 of this Act.

SECTION 3. LEGISLATIVE MANAGEMENT STUDY - PRISON INDUSTRIES

WORKFORCE DEVELOPMENT. During the 2025-26 interim, the legislative management shall
consider studying prison industries and workforce development programs for incarcerated
individuals in the state, including how prison industries can work in alignment with the
manufacturing industry and other private sector industries to further the mission of workforce
development for incarcerated individuals and to encourage positive outcomes for individuals
exiting the criminal justice system. The legislative management shall report its findings and
recommendations, together with any legislation required to implement the recommendations, to
the seventieth legislative assembly.

SECTION 4. EFFECTIVE DATE. Sections 1 and 2 of this Act are effective for taxable years
beginning after December 31, 2024.

**REPORT OF STANDING COMMITTEE
SB 2261**

Industry and Business Committee (Sen. Barta, Chairman) recommends **AMENDMENTS** ([25.1273.01001](#)) and when so amended, recommends **DO PASS** (5 YEAS, 0 NAYS, 0 ABSENT OR EXCUSED AND NOT VOTING). SB 2261 was placed on the Sixth order on the calendar. This bill does not affect workforce development.

2025 HOUSE FINANCE AND TAXATION

SB 2261

2025 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

SB 2261
3/12/2025

Relating to a prison industries workforce development income tax credit; to provide for a legislative management study; and to provide an effective date.

9:27 a.m. Chairman Headland opened the hearing.

Members Present: Chairman Headland, Vice Chairman Hagert, Representatives D. Anderson, Dockter, Dressler, Foss, Ista, Motschenbacher, Nehring, J. Olson, Steiner, Toman

Members Absent: Representatives Porter, Grueneich

Discussion Topics:

- Rough Rider Industries
- Tax incentives

9:27 a.m. Senator Jerry Klein, District 14, introduced the bill.

9:33 a.m. Andrea Pfennig, Vice President, Government Affairs, Greater ND Chamber, testified in favor and submitted testimony #40556.

9:38 a.m. Matt Peyerl, ND Office of State Tax Department, stood for questions.

9:40 a.m. Chairman Headland closed the hearing.

9:40 a.m. Representative Hagert moved a Do Pass.

9:40 a.m. Representative J. Olson seconded the motion.

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Jason Dockter	Y
Representative Ty Dressler	Y
Representative Jim Grueneich	AB
Representative Mike Motschenbacher	Y
Representative Dennis Nehring	Y
Representative Jeremy Olson	Y
Representative Todd Porter	AB
Representative Vicky Steiner	N
Representative Nathan Toman	N

Representative Austin Foss	Y
Representative Zachary Ista	Y

9:44 a.m. Motion passed 10-2-2

9:44 a.m. Representative Hagert will carry the bill.

9:45 a.m. Chairman Headland closed the meeting.

Janae Pinks, Committee Clerk

**REPORT OF STANDING COMMITTEE
ENGROSSED SB 2261 ([25.1273.02000](#))**

Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO PASS** (10 YEAS, 2 NAYS, 2 ABSENT OR EXCUSED AND NOT VOTING). SB 2261 was placed on the Fourteenth order on the calendar.



**GREATER NORTH DAKOTA CHAMBER
SB 2261**

**House Finance & Taxation Committee
Chair Craig Headland
March 11, 2025**

Mr. Chairman and members of the Committee, my name is Andrea Pfennig, and I am the Vice President of Government Affairs for the Greater North Dakota Chamber. GNDC is North Dakota's largest statewide business advocacy organization, with membership represented by small and large businesses, local chambers, and trade and industry associations across the state. We stand in **support** of Senate Bill 2261.

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