

1999 SENATE FINANCE AND TAXATION

SB 2258

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2258

Senate Finance and Taxation Committee

Conference Committee

Hearing Date January 26, 1999

Tape Number	Side A	Side B	Meter #
1	x		0-3100
Committee Clerk Signature <i>Shila Wald</i>			

Minutes:

SENATOR URLACHER opened the hearing on SB2258: A BILL RELATING TO THE AUTHORITY OF COUNTIES TO IMPOSE SALES TAXES UNDER HOME RULE.

SENATOR NAADEN stated he introduced this bill because he is not in favor of paying a 1 cent sales tax in Burleigh County which tax would be used to pay property taxes.

SENATOR WARDNER asked what gave Burleigh County the authority to impose a 1 cent sales tax, and does Emmons County have Home Rule.

SENATOR NAADEN replied through Home Rule. Emmons County does not have Home Rule, but we could have it. If the 1 cent sales tax were used to pay property taxes in rural areas, it's understandable why it wasn't voted in.

SENATOR STENEHJEM stated Burleigh County does not have Home Rule so the 1 cent sales tax bill had to have gone through the tool chest bill. The City of Bismarck has Home Rule, but Burleigh County does not.

SENATOR COOK testified in support of SB2258. The issue of allowing counties the authority to collect a sales tax is an issue that does deserve to be revisited. I believe it is the will of the people that this be revisited, and after listening to the comments in my district when Burleigh County was having their discussion on whether they should levy a sales tax, the will of the people was enough is enough. There is competition between the cities, state, and counties. The race is to raise taxes. The winner is the entity that raises the taxes first. The loser is the tax-paying citizen. This is taxation without representation but bringing this issue to this legislative body is the means in which the citizens of this state can have their say. There would also be added cost to administration to collect these taxes.

RON NESS, representing the ND Retail Association, testified in support of this bill. It would be difficult to assess sales tax at a point of delivery, outside of the Bismarck area. If counties have a county tax, the retailer would have to maintain a list of counties where the customer lives and where the product is delivered. As we keep increasing the sales taxes in ND and imposing additional sales taxes, customers may choose to purchase more items through the internet.

JERRY HJELMSTED, representing the ND League of Cities, testified in opposition of the bill, because this entity is in support of Home Rule and the ability of the people in those local areas to decide their own future regarding taxes in their cities and counties. The local voters in an area where Home Rule exists should determine whether or not to put these powers in place.

BOB ZENT, Stark County Commissioner, commented that Home Rule and sales tax are equated.

The Home Rule option should not be taken away from any entity who is seeking it.

BONNIE JOHNSON, Cass County Coordinator, testified in opposition of SB2258. (See attached testimony)

JOHN MEYER, Cass County Commissioner, testified in opposition to SB2258. (See attached testimony)

SENATOR WARDNER asked if the jail in Cass County is a regional or county jail, and can prisoners from surrounding counties be housed there.

BONNIE JOHNSON stated prisoners are housed from outside Cass County.

SENATOR STENEHJEM asked if Cass County houses prisoners from other counties because that county does not have room of their own.

BONNIE JOHNSON replied Cass County houses prisoners from other counties on a cost per day basis, but Cass County is on the flip side of that and Cass County is housing prisoners in other counties because there is no room in our end.

SENATOR CHRISTMANN asked if Cass County allows the use of other taxes, have you used that authority yet; and what is the difference to local taxpayers if they pay a 1-cent sales tax over a period of 2 years.

BONNIE JOHNSON replied Cass County has never explored any alternative taxes since 1994.

The feedback on the 1-cent sales tax issue is the people in the community and retailers favor the sales tax, because they do not want their property taxes increased.

MARK JOHNSON, representing ND Association of Counties, testified in opposition of the SB2258. The legislative body felt it was appropriate for local counties to have some other option

other than the property tax to look at revenue sources. Since 1983, no county, even the 3 counties of Walsh, Richland and Cass, that have adopted Home Rule, have adopted a sales tax. There are a number of cities who have local option sales taxes. Cities who have used the sales tax because it has relieved property taxes in the cities and granted the authority to use the property tax within the limitations and within the caps by schools and counties. It has afforded schools and counties the ability to generate necessary revenue to deliver basic services. Giving Home Rule says local government has the ability to shape its own future and to chart its own destiny in terms of structure and in terms of revenue and expenses.

SENATOR KROEPLIN asked what should be proposed for rural counties for some property tax relief.

MARK JOHNSON replied that if a county sales tax is passed, that would allow rural residents to receive a portion of the revenue and this would be more equitable.

SENATOR STENEHJEM asked if the counties and the cities share in the distribution of the state sales tax that is collected and if they do, what is it.

MARK JOHNSON replied .4 of the first 1-cent of sales tax goes into the state's treasury and is allocated to the cities and counties proportionately on a percentage of around 54% to the counties and 46% to the cities.

JOE PRACTSCHNER from Mandan asked if this bill failed and the following bill failed, and Burleigh County arrived at a point of levying the tax, would that fly in the face of the principle of the Boston Tea Party.

SENATOR URLACHER closed the hearing on SB2258.

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Senate Finance and Taxation Committee

Bill/Resolution Number Sb 2258

Hearing Date ~~January 26~~, 1999

DISCUSSION 2-1-99 TAPE 1420-3100 A NEW MOTION WAS MADE BY SEN.

STENEHJEM TO DO PASS AND SECONDED BY SEN KINNOIN THE VOTE 5 Y 2 N 0

ABSENT. CARRIER OF THE BILL SEN. KROEPLIN. THE FIRST VOTE FAILED FOR A

DO NOT PASS , 3 Y 4 N .

Date: 2-1-99
Roll Call Vote #: ①

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2258

Senate Senate Finance and Taxation Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Wardner Seconded By Schobinger

Senators	Yes	No	Senators	Yes	No
SENATOR URLACHER	✓				
SENATOR CHRISTMANN		✓			
SENATOR SCHOBINGER	✓				
SENATOR STENEHJEM		✓			
SENATOR WARDNER	✓				
SENATOR KINNOIN		✓			
SENATOR KROEPLIN		✓			

Total (Yes) 3 No 4

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
Motion failed Lost

Date: 2-1-99
Roll Call Vote #: (2)

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2258

Senate Senate Finance and Taxation Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken do Pass

Motion Made By Stenehjem Seconded By Kinnoin

Senators	Yes	No	Senators	Yes	No
SENATOR URLACHER	✓				
SENATOR CHRISTMANN	✓				
SENATOR SCHOBINGER		✓			
SENATOR STENEHJEM	✓				
SENATOR WARDNER		✓			
SENATOR KINNOIN	✓				
SENATOR KROEPLIN	✓				

Total (Yes) 5 No 2

Absent _____

Floor Assignment Sen. Kroeplin

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
February 2, 1999 12:38 p.m.

Module No: SR-21-1685
Carrier: Kroeplin
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2258: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends **DO PASS** (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2258 was placed on the Eleventh order on the calendar.

1999 TESTIMONY

SB 2258

Testimony for Senate Bill 2258:

My name is Bonnie Johnson and I serve as Cass County Coordinator. I have worked for the county for 22 years. I am here today on behalf of Cass County and to express opposition to SB2258 which seeks to repeal county authority under a home rule charter to levy sales taxes. I am here with Commissioner John Meyer, who serves as the vice chairman of our Board of Commissioners. I will offer introductory remarks, followed by Commissioner Meyer. I will then have closing remarks and answer any questions you may have.

The Cass County Home Rule Charter was adopted in 1994. The Charter was seen as an opportunity for Cass County to implement a more progressive and effective local government. A home rule charter moves government closer to the people and empowers local citizens in the decision-making process.

Only three counties in the entire State of North Dakota have adopted Home Rule Charters...Walsh County, Richland County and Cass County. Of those three counties, only one charter (Cass County) specifically allows for the use of other taxes, such as sales tax to supplement revenue from our over-burdened property tax system:

Commissioner Meyer:

As you all know, the property tax system in North Dakota is severely strained. You must have heard regularly from local governments about new, unfunded mandates which further stretch our tax dollars. At the same time, you must hear regularly from local elected and appointed officials about the increasing erosion in the property tax base caused by additional exemptions granted each year by those with the authority to do so.

Every time a new exemption is granted in the property tax system, the average taxpayer sees their share increase. The cost of the government's obligation to provide necessary services is not getting any cheaper. That means we are continuing to squeeze residential property taxpayers more and more.

It is important for you to know our Home Rule Charter has a cap on the property tax levy—75 mills. Our current levy sits at about 69 mills. The citizens of Cass County spoke loudly and clearly when they passed the Home Rule Charter ... we want a limit on our property taxes.

Bonnie Johnson

The citizens of Cass County have been empowered by their adoption of a Home Rule Charter to look at other sources of revenue as alternatives to property tax increases. It is the same empowerment granted to many cities all around North Dakota.

Cass County is currently nearing the end of a very comprehensive planning process for the construction of a new county jail. Our existing facility was built 85 years ago for 78 prisoners. It currently houses about 140 and is physically deteriorating.

The Board of Commissioners will decide soon how to finance a new facility and voters will be asked for their approval. One option is the traditional bonding option, but interest charges will nearly double the cost of an \$18 million dollar jail and collections from property taxes would be spread over 15 to 20 years.

A second option, a temporary sales tax, is something the Board is studying. A one-cent sales tax, for only two years, will generate enough revenue to cash flow the building of an \$18 million jail...in other words, on the day the doors open for business,

the building would be debt-free. In addition, enough revenue would have been generated in that same two-year period to establish a \$6 million escrow account which would allow for the additional staff needed in the new jail. All of that—without stinging local residents with a property tax hike.

Senate Bill 2258 will handcuff Cass County's authority to plan effectively for the future. I urge you to oppose this legislation.