

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2053

2001 SENATE FINANCE AND TAXATION

SB 2053

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2053

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 1/16/01

Tape Number	Side A	Side B	Meter #
1	x		0-32.8
1/24/01 - 2	x		36-end
		x	1-2.2
Committee Clerk Signature <i>Synelle N. Kraft</i>			

Minutes:

Senator Urlacher: Open the hearing on SB 2053, relating to deposit of taxes and fees from beer and liquor wholesalers in the state general fund.

Senator Solberg: Sponsor of the bill, wants to begin the process of trying to streamline ND government. It only seems right that we put taxation in the taxation department. It's only common sense that we move the taxing authority that the state treasurer's office has into the state tax department. Straightforward bill to save a few dollars. Explains through meter #4.6

Senator Kroeplin: This bill deals strictly with wholesale?

Senator Solberg: No, it deal with wholesale, manufacturing, and some retail.

Senator Kroeplin: We tax retail liquor also, don't we? Who collects that?

Senator Solberg: I believe the retail end of it is collected by the tax department. Each retailer has to have a sales tax license.

Senator Kroeplin: It's the tax dept. that enforces retail?

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Senate Finance and Taxation Committee

Bill/Resolution Number 2053

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Senator Solberg: To the best of my knowledge.

Senator Christmann: This doesn't change any tax rates or eliminate any taxes, correct?

Senator Solberg: No, it changes who collects the tax.

Kathi Gilmore: State Treasurer, testifies in opposition. Taxes already flow smoothly. I have cross-trained employees and the alcohol beverage clerk performs other duties. Removal of the division from my office places a great burden on my entire staff. The people of ND have twice said that they want the office of the State Treasurer to remain in tact and functioning. Yet bills continue to arise that widdle away at the duties we perform.

Senator Christmann: Was the explanation correct that sales tax is collected on retail sales through the tax dept.?

Kathi Gilmore: Retail is handled through the Attorney General's Office.

Rick Clayburgh: Clarifies who collects what.

Kathi Gilmore: Explains how it is an intricate part of dept. and the positions in the dept. Meter number 10.1-11.3.

Senator Nichols: Regarding the fiscal note, if the tax dept. would have to increase their spending by \$20,000, would you be able to save over \$20,000 if these duties were transferred. Wouldn't we save some money?

Kathi Gilmore: No.

Senator Stenehjem: How many authorizes FTE's you have?

Kathi Gilmore: Six plus me.

Senator Stenehjem: Are you fully staffed? Any vacancies?

Kathi Gilmore: I am fully staffed.

Senator Urlacher: Asks for the State Commissioner to explain how this blends into the tax dept.

Rick Clayburgh: Explains how they would take over the duties, the costs, and the customer service. Meter number 13.2-16.6.

Senator Stenehjem: Do you feel confident to handle these duties? Can your department handle it? Are we up to date on reports?

Rick Clayburgh: We believe that we can take over this administration of the tax without any detriment to industry or the taxpayers. We would work to establish an electronic filing system that would provide a less burdensome administration.

Senator Kroepflin: Are your positions filled? How many people work in the tax dept.?

Rick Clayburgh: Explains FTE's and open positions. Meter number 19.8-21.4.

Senator Kroepflin: If this were to become law, you could do this with the staff you have?

Rick Clayburgh: Yes.

Senator Wardner: The different duties wouldn't be a problem for you staff?

Rick Clayburgh: No.

Senator Kroepflin, Senator Stenehjem, and Rick Clayburgh discuss the positions that perform the duties in the Treasurer's Office and who will perform them in the Tax Dept. Meter number 24.2-27.1.

Senator Kroepflin: There's more than just the whole sale of liquor in the bill?

Rick Clayburgh: Explains components of bill and what the tax dept. collects. Meter number 27.9-30.7.

Senator Kroepflin: Are there any other taxes not collected by the Tax Dept.?

Rick Clayburgh: We do not administer the Insurance premium, Worker's Comp., Gaming Tax, Job Service Unemployment, basically four taxes.

Senator Urlacher: Closed the hearing. Action delayed.

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Senate Finance and Taxation Committee

Bill/Resolution Number 2053

Hearing Date 1/16/01

Discussion held 1/23/01. Meter number 36-end, side A & 1-2.2, side B.

COMMITTEE ACTION: 1/23/01

Motion made by Senator Wardner for a DO PASS, Seconded by Senator Christmann.

Vote was 4 yeas, 2 nays, 0 absent or not voting. Bill carrier was Senator Wardner.

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/15/2001

**REVISION**

Bill/Resolution No.: SB 2053

Amendment to:

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations			\$20,000			

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

SB 2053 expands the duties of the Tax Commissioner, but doesn't change any taxes or fees.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

The Tax Department estimates additional administrative expenses of \$20,000 will be

incurred during the 01-03 biennium.

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Tax Department
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	01/18/2001

# FISCAL NOTE

Requested by Legislative Council  
12/14/2000

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Revenues						
Expenditures						
Appropriations			\$30,000			

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The Tax Department estimates additional administrative expenses of \$30,000 will be incurred during the 01-03 biennium.

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Tax Department
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	01/15/2001

**PROPOSED AMENDMENTS TO SENATE BILL NO. 2053**

Page 1, line 3, after "5-01-16" insert ", 5-02-01, 5-02-02, 5-02-07.2, 5-02-09.1, 5-02-10, 5-02-11, 5-02-12"

Page 1, line 4, after "5-03-06.1" insert ", 53-06.1-01, 53-06.1-03, 53-06.1-06, 53-06.1-08, 53-06.1-10, 53-06.1-11, 53-06.1-11.1, 53-06.1-12, 53-06.1-12.3, 53-06.1-14, 53-06.1-15.1, 53-06.1-16, 53-06.2-02, 53-06.2-13"

Page 1, line 5, after "57-32-06" insert ", subsection 8 of section 57-39.2-01, and subsection 7 of section 57-40.2-01" and after "to" insert "transfer of retail alcoholic beverage licensing administration from the attorney general to the state tax commissioner and"

Page 1, line 6, after "commissioner" insert "and transfer of games of chance and parimutuel racing administration responsibilities from the attorney general to the state tax commissioner"

Page 4, after line 17, insert:

**"SECTION 5. AMENDMENT.** Section 5-02-01 of the North Dakota Century Code is amended and reenacted as follows:

**5-02-01. State and local retail license required - Exception.** Except as otherwise provided in section 5-02-01.1, any person engaging in the sale of alcoholic beverages at retail without first securing an appropriate license from the ~~attorney general tax commissioner~~ and the governing body of any city, or board of county commissioners if said business is located outside the corporate limits of a city, is guilty of a class A misdemeanor. This section does not apply to public carriers engaged in interstate commerce.

**SECTION 6. AMENDMENT.** Section 5-02-02 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

**5-02-02. Qualifications for license.** No retail license may be issued to any person unless the applicant files a sworn application, accompanied by the required fee, showing the following qualifications:

1. The applicant, other than an organization, must be a legal resident of the United States and a resident of this state and be a person of good moral character.
2. If applicant is:
  - a. A corporation, then:
    - (1) The manager of the licensed premises and the officers and directors must be legal residents of the United States and persons of good moral character; and
    - (2) The shareholders:

- (a) Who are individuals, must be legal residents of the United States and of good moral character; and
- (b) Which are organizations, must meet the requirements of this section for applicants which are organizations.

Corporate applicants must first be properly registered with the secretary of state.

b. A limited liability company, then:

- (1) The manager of the licensed premises and the managers and governors must be legal residents of the United States and of good moral character.
- (2) The members:
  - (a) Who are individuals, must be legal residents of the United States and of good moral character; and
  - (b) Which are organizations, must meet the requirements of this section for applicants that are organizations.
- (3) The applicant must first be properly registered with the secretary of state.

c. A limited partnership, then:

- (1) The manager of the licensed premises must be a legal resident of the United States and of good moral character.
- (2) The general partners and limited partners:
  - (a) If individuals, must be legal residents of the United States and of good moral character; and
  - (b) If organizations, must meet the requirements of this section for applicants that are organizations.
- (3) The applicant must first be properly registered with the secretary of state.

d. A general partnership, then:

- (1) The manager of the licensed premises must be a legal resident of the United States and of good moral character; and
- (2) The partners:
  - (a) Who are individuals, must be legal residents of the United States and of good moral character; and
  - (b) Which are organizations, must meet the requirements of this section for applicants that are organizations.

e. A limited liability partnership, then:

- (1) The manager of the licensed premises must be a legal resident of the United States and of good moral character; and

(2) The partners:

- (a) Who are individuals, must be legal residents of the United States and of good moral character; and
- (b) Which are organizations, must meet the requirements of this section for applicants that are organizations.

Limited liability partnership applicants must first be properly registered with the secretary of state.

- 3. The applicant or manager must not have been convicted of an offense determined by the ~~attorney-general~~ tax commissioner to have a direct bearing upon an applicant's or manager's ability to serve the public as an alcoholic beverage retailer; or, following conviction of any offense, is determined not to be sufficiently rehabilitated under section 12.1-33-02.1.
- 4. The building in which business is to be conducted must meet local and state requirements regarding the sanitation and safety.
- 5. The applicant for a state license must have first secured a local license.
- 6. The ~~attorney-general~~ tax commissioner, or local governing body, may require the applicant to set forth such other information in the application as necessary to enable them to determine if a license should be granted.
- 7. The applicant may not have any financial interest in any wholesale alcoholic beverage business.
- 8. As a condition precedent to a background check, the ~~attorney-general~~ tax commissioner may require the applicant to pay, in advance, an estimated additional fee necessary to defray the actual cost of a background check of a person for whom adequate background information sources are not readily available. The estimated additional fee must be placed in the ~~attorney-general's~~ tax commissioner's refund fund for use to defray the actual expenses of the background check. The remainder of the funds must be returned to the person within thirty days of the conclusion of the background check. In addition, the ~~attorney-general~~ tax commissioner may require the applicant or such other person subject to a background check to execute a written consent if needed by the ~~attorney-general~~ tax commissioner to obtain background or criminal history information.

**SECTION 7. AMENDMENT.** Section 5-02-07.2 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

**5-02-07.2. Sale of beer in kegs - Registration and marking required.**

- 1. Any retail alcoholic beverage licensee who sells beer in a container with a liquid capacity greater than six gallons [22.71 liters] must place the licensee's state retail alcoholic beverage license number on the container and also must mark the container with a "registration" number or letters, or both, unique to that container. The paint or ink used to mark the containers or other manner of marking the containers must be approved by the ~~attorney-general~~ tax commissioner.
- 2. Whenever a retail alcoholic beverage licensee sells beer in a container with a liquid capacity greater than six gallons [22.71 liters], ~~he~~ the licensee shall record the date of sale and the name, address, and driver's license number or number of other official state or military identification card of the person to whom the beer is sold, together with the signature, and registration

number, or letters of the container, or both. Such records must be retained for a period of no less than six months and must be kept on the licensed premises of the retail establishment where the sales are made.

3. Each retail alcoholic beverage licensee shall permit any law enforcement officer to inspect the records required to be kept pursuant to this section during times the retail establishment is normally open for business or at other reasonable times.
4. This section does not apply to the sale of beer in a container by a retail alcoholic beverage licensee if the contents of the container are consumed on the licensed premises where the sale occurred.

**SECTION 8. AMENDMENT.** Section 5-02-09.1 of the North Dakota Century Code is amended and reenacted as follows:

**5-02-09.1. ~~Attorney general~~ Tax commissioner to adopt rules.** The ~~attorney general tax commissioner~~ pursuant to chapter 28-32 shall adopt rules necessary to carry out the provisions of this chapter.

**SECTION 9. AMENDMENT.** Section 5-02-10 of the North Dakota Century Code is amended and reenacted as follows:

**5-02-10. Hearing on alleged violations.** Any person having information that a licensed retailer of alcoholic beverages has violated any provisions of this title may file with the ~~attorney general tax commissioner~~, city attorney or state's attorney an affidavit specifically setting forth such violation. Upon receipt of such affidavit, the city attorney or state's attorney shall set the matter for hearing not later than the next regular meeting of the governing body or forward such affidavit to the ~~attorney general tax commissioner~~. Upon receipt of any such affidavit the ~~attorney general tax commissioner~~ shall set the matter for hearing in the local county courthouse not less than ten days after copies of the affidavit and notice of hearing have been mailed to the licensee by registered mail. If the hearing is held by the local governing body, a copy of this affidavit and notice of hearing must be mailed the licensee by registered mail not less than five days before such hearing. A record of such hearings will be made by stenographic notes or the use of an electronic recording device.

**SECTION 10. AMENDMENT.** Section 5-02-11 of the North Dakota Century Code is amended and reenacted as follows:

**5-02-11. Suspension or revocation of license - Appeal.** If after such hearing the ~~attorney general tax commissioner~~ or local governing body finds the violation charged in the affidavit has been proved by the evidence, an order must be served on the licensee revoking or suspending ~~his~~ the person's license for a period of time. Such action may be appealed to the district court by following the appeal procedure set forth in chapter 28-32, except that the order revoking or suspending the license is inoperative while the appeal is pending.

**SECTION 11. AMENDMENT.** Section 5-02-12 of the North Dakota Century Code is amended and reenacted as follows:

**5-02-12. Witnesses - Subpoena - Fees.** The ~~attorney general tax commissioner~~ or a member of the local governing body has the power to administer oaths and subpoena and examine witnesses. Any witness called by the prosecution, except a peace officer while on duty, shall receive the same fees and mileage as a witness in a civil case in district court."

**"SECTION 21. AMENDMENT.** Section 53-06.1-01 of the North Dakota Century Code is amended and reenacted as follows:

**53-06.1-01. Definitions.** As used in this chapter:

1. "Adjusted gross proceeds" means gross proceeds less cash prizes, cost of merchandise prizes, sales tax on bingo cards, pull tab excise tax, and federal excise tax imposed under section 4401 of the Internal Revenue Code [26 U.S.C. 4401].
2. "Charitable organization" means an organization whose primary purpose is for relief of poor, distressed, underprivileged, diseased, elderly, or abused persons, prevention of cruelty to children or animals, or similar condition of public concern.
3. "Civic and service organization" means an organization whose primary purpose is to promote the common good and social welfare of a community as a sertoma, llon, rotary, jaycee, kiwanis, or similar organization.
4. "Closely related organization" means an organization that controls, is controlled by, or is under common control with another organization. Control exists when an organization has the authority or ability to elect, appoint, or remove a majority of the officers or directors of another organization or, by policy, contract, or otherwise, has the authority or ability to directly or indirectly direct or cause the direction of the management or policies of another organization.
5. "Compulsive gambler" means an individual who is chronically and progressively preoccupied with gambling and the urge to gamble and with gambling behavior that compromises, disrupts, or damages personal, family, or vocational pursuits.
6. "Distributor" means a person that sells, markets, or distributes equipment usable in the conduct of games.
7. "Educational organization" means a nonprofit public or private elementary or secondary school, two-year or four-year college, or university.
8. "Eligible organization" means veterans, charitable, educational, religious, fraternal, civic and service, public safety, or public-spirited organization domiciled in North Dakota, incorporated as a nonprofit organization, and which has been actively fulfilling its primary purpose within this state during the two immediately preceding years. However, an educational organization does not need to be incorporated. An organization's primary purpose may not involve the conduct of games. The organization may be issued a license by the ~~attorney general~~ tax commissioner.
9. "Fraternal organization" means an organization, except a school fraternity, which is a branch, lodge, or chapter of a national or state organization and exists for the common business, brotherhood, or other interests of its members. The organization must have qualified for exemption from federal income tax under section 501(c)(8) or 501(c)(10) of the Internal Revenue Code.
10. "Games" means games of chance.
11. "Gross proceeds" means all cash and checks received from conducting games, sales tax on bingo cards, and admissions.

12. "Licensed organization" means an eligible organization licensed by the ~~attorney-general~~ tax commissioner.
13. "Local permit" means a permit issued to a nonprofit organization or group of people domiciled in North Dakota by a governing body of a city or county.
14. "Manufacturer" means, for a pull tab or bingo card, a person who designs, prints, assembles, or produces the product. For a pull tab or bingo card dispensing device, a manufacturer means the person who directly controls and manages development of and owns the rights to the proprietary software encoded on a processing chip that enables the device to operate.
15. "Net proceeds" means adjusted gross proceeds less allowable expenses and gaming tax.
16. "Person" means any person, partnership, corporation, limited liability company, association, or organization.
17. "Public safety organization" means an organization whose primary purpose is to provide firefighting, ambulance service, crime prevention, or similar emergency assistance.
18. "Public-spirited organization" means an organization whose primary purpose is for scientific research, amateur sports competition, safety, arts, agriculture, preservation of cultural heritage, educational activities, educational public service youth, economic development, tourism, community recreation, or similar organization, which does not meet the definition of any other type of eligible organization. However, a nonprofit organization or a group of people recognized as a public-spirited organization by a governing body of a city or county for obtaining a local permit does not need to meet this definition.
19. "Qualified treatment service provider" means an entity based in North Dakota which is experienced in and capable of delivering compulsive gambling education, prevention, awareness, crisis intervention, rehabilitation, and financial counseling and mental health treatment services as defined by the department of human services.
20. "Religious organization" means a church, body of communicants, or group gathered in common membership whose primary purpose is for advancement of religion, mutual support and edification in piety, worship, and religious observances.
21. "Veterans organization" means any congressionally chartered post organization, or any branch or lodge or chapter of a nonprofit national or state organization whose membership consists of individuals who are or were members of the armed services or forces of the United States. The organization must have qualified for exemption from federal income tax under section 501(c)(19) of the Internal Revenue Code.

**SECTION 22. AMENDMENT.** Section 53-06.1-03 of the North Dakota Century Code is amended and reenacted as follows:

**53-06.1-03. Local permits, site authorization, and licenses.**

1. Except as authorized by the ~~attorney-general~~ tax commissioner, an organization that has its license suspended or revoked, or has relinquished or not renewed its license and not disbursed its net proceeds, is ineligible for a license or local permit. Only one of two or more closely related

organizations may have a license or local permit at one time. A college or university fraternity, sorority, or club is not closely related to an educational organization. An organization shall apply for a local permit as follows:

- a. An organization recognized as a public-spirited organization by the governing body of a city or county may apply for a local permit to conduct only raffles, bingo, or sports pools. The organization or closely related organizations as a whole may only award a primary prize that does not exceed one thousand dollars and total prizes of all games that do not exceed six thousand dollars per year. The determination of what is a "public-spirited organization" is within the sole discretion of the governing body which should in its determination consider the definition of a public-spirited organization under subsection 18 of section 53-06.1-01 and eligible uses of net proceeds under subsection 2 of section 53-06.1-11.1. A governing body may issue a local permit for games to be held at designated times and places.
  - b. An organization shall apply to the governing body of the city or county in which the proposed site is located. Application must be made on a form prescribed by the ~~attorney general~~ tax commissioner. Approval may be granted at the discretion of the governing body. A governing body may establish a fee not to exceed twenty-five dollars for each local permit. A local permit must be on a fiscal year basis from July first to June thirtieth or on a calendar-year basis.
  - c. Except for the restriction of subsection 1 of section 53-06.1-11.1, an organization that has a local permit may use gaming proceeds for any purpose that does not violate this chapter or gaming rules.
2. An eligible organization shall apply for a license to conduct only bingo, raffles, calcuttas, pull tabs, punchboards, twenty-one, paddlewheels, poker, or sports pools by:
- a. First securing approval for a site authorization from the governing body of the city or county in which the proposed site is located. Approval, which may be granted at the discretion of the governing body, must be recorded on a site authorization form that is to accompany the license application to the ~~attorney general~~ tax commissioner for final approval. A governing body may not require an eligible organization to donate net proceeds to the city, county, or related political subdivision or for community programs or services within the city or county as a condition for receiving a site authorization from the city or county. A governing body may limit the number of tables for twenty-one per site and the number of sites upon which a licensed organization may conduct games within the city or county. A governing body may charge a one hundred dollar fee for a site authorization; and
  - b. Annually applying for a license from the ~~attorney general~~ tax commissioner before July first on a form prescribed by the ~~attorney general~~ tax commissioner and remitting a one hundred fifty dollar license fee. An organization shall document that it qualifies as an eligible organization. If an organization amends its primary purpose as stated in its articles of incorporation or materially changes its basic character, the organization shall reapply for licensure.
3. A licensed organization or organization that has a local permit shall conduct games as follows:

- a. Only one licensed organization or organization that has a local permit may conduct games at an authorized site on a day, except that a raffle may be conducted for a special occasion by another licensed organization or organization that has a local permit when one of these conditions is met:
    - (1) When the area for the raffle is physically separated from the area where games are conducted by the regular organization.
    - (2) Upon request of the regular organization and with the approval of the alcoholic beverage establishment, the regular organization's license or local permit is suspended for that specific time of day by the attorney-general tax commissioner.
  - b. Except for a temporary site authorized for fourteen or fewer consecutive days for not more than two events per quarter, a licensed organization may not have more than twenty-five sites unless granted a waiver by the attorney-general tax commissioner. If the attorney-general tax commissioner finds that there is no other licensed organization interested in conducting gaming at a site for which a waiver is being sought, the attorney-general tax commissioner may approve the waiver for no more than five sites.
  - c. Games of pull tabs, punchboards, twenty-one, paddlewheels, poker, and sports pools may be conducted only during the hours when alcoholic beverages may be dispensed according to applicable regulations of the state, county, or city.
  - d. An organization may not permit a person under twenty-one years of age to directly or indirectly play pull tabs, punchboards, twenty-one, calcuttas, sports pools, paddlewheels, or poker. An organization may not permit a person under eighteen years of age to directly or indirectly play bingo unless the person is accompanied by an adult, bingo is conducted by an organization that has a local permit, or the game's prize structure does not exceed that allowed for a local permit.
4. A local permit or site authorization and license and rules relating to the conduct and play of games must be displayed at a site.
  5. The attorney-general tax commissioner may issue a conditional license to an eligible organization whose regularly issued license has expired or been suspended, revoked, or relinquished. The attorney-general tax commissioner shall designate the time period for which the conditional license is valid and may impose any conditions.
  6. A governing body or local law enforcement official may inspect a site's gaming equipment and examine or cause to be examined the books and records of a licensed organization or organization that has a local permit to the extent that the books and records relate to any transaction involving the direct or indirect conduct of games.

**SECTION 23. AMENDMENT.** Section 53-06.1-06 of the North Dakota Century Code is amended and reenacted as follows:

**53-06.1-06. Persons permitted to conduct games - Equipment.**

1. No person, except a member, volunteer, an employee of a licensed organization or an organization that has a local permit, or an employee of a temporary employment agency who provides services to a licensed organization, may conduct any game. "Member" includes a member of an

auxiliary organization. In conducting pull tabs or bingo through a dispensing device, the ~~attorney general tax commissioner~~ may allow an employee of an alcoholic beverage establishment to provide limited assistance to an organization.

2. Except when authorized by the ~~attorney general tax commissioner~~ or allowed by the gaming rules, an eligible organization shall procure gaming equipment only from a licensed distributor. No equipment or prizes may be purchased at an excessive price.
3. An organization shall maintain complete, accurate, and legible accounting records in North Dakota for all gaming activity and establish an adequate system of internal control. The governing board of an eligible organization is primarily responsible and may be held accountable for the proper determination and distribution of net proceeds. If an organization does not renew its license or its license is denied, relinquished, or revoked and it has not disbursed all of its net proceeds, the organization shall file an action plan as prescribed by the gaming rules with the ~~attorney general tax commissioner~~.
4. The value of a merchandise prize awarded in a game is its retail price.
5. A person is restricted from being involved in gaming and the ~~attorney general tax commissioner~~ shall conduct a criminal history record check as follows:
  - a. A person who has pled guilty to or been found guilty of a felony offense as defined by the laws of this state, other states, or the federal government, or has pled guilty to or been found guilty of a violation of this chapter, a gaming rule, chapter 12.1-28 or 53-06.2, or offenses of other states or the federal government equivalent to offenses defined in these chapters may not be a licensed distributor, may not be employed by a licensed distributor to sell or distribute gaming equipment, and may not be employed by a licensed organization to conduct games on a site for five years from the date of conviction, release from incarceration, or expiration of parole or probation, whichever is the latest.
  - b. A person who has pled guilty to or been found guilty of a misdemeanor offense in violation of section 6-08-16.1 or chapter 12.1-06, 12.1-23, or 12.1-24 or offenses of other states, the federal government, or a municipality equivalent to these offenses may not be a licensed distributor, may not be employed by a licensed distributor to sell or distribute gaming equipment, and may not be employed by a licensed organization to conduct games on a site for two years from the date of conviction, release from incarceration, or expiration of parole or probation, whichever is the latest.
  - c. Unless an employee is exempt by the gaming rules or ~~attorney general tax commissioner~~, the ~~attorney general tax commissioner~~ shall conduct a criminal history record check of each employee of a licensed organization or distributor and charge a fee of twenty dollars. The fee may be waived by the ~~attorney general tax commissioner~~ if a federal agency or local law enforcement agency has done a record check. The ~~attorney general tax commissioner~~ may require advance payment of any additional fee necessary to pay the cost of a record check of a person for whom adequate background information sources are not readily available. Instead of paying the additional fee, a person may cancel the record check. The advance payment must be placed in the ~~attorney general's tax commissioner's~~ refund fund.

The unused funds must be returned to the person within thirty days of the conclusion of the record check. The ~~attorney-general tax commissioner~~ shall notify the organization or distributor and person of the result. The ~~attorney-general tax commissioner~~ shall keep the information confidential except in the proper administration of this chapter or any gaming rule or to provide to an authorized law enforcement agency.

6. For a site where bingo is the primary game or a site that is leased by a licensed organization, the organization may not pay bingo prizes in which the total bingo prizes exceed total bingo gross proceeds for a period prescribed by gaming rule. However, if bingo is the primary game at the site, a bingo prize that equals or exceeds ten thousand dollars is excluded from the total of the bingo prizes.
7. A city or county may require a person conducting games to obtain a local work permit, charge a reasonable fee, and conduct a criminal history record check.

**SECTION 24. AMENDMENT.** Section 53-06.1-08 of the North Dakota Century Code is amended and reenacted as follows:

**53-06.1-08. Punchboards and pull tabs.** Unless all top tier winning pull tabs or punchboard punches of a game have been redeemed, or unless otherwise permitted by a gaming rule or the ~~attorney-general tax commissioner~~, a person or organization may not close the game after it has been placed in play. The maximum sales price per pull tab and punchboard punch is two dollars. The maximum prize value of a top tier winning pull tab or punchboard punch is five hundred dollars. The game of pull tabs may only be conducted by commingling deals.

**SECTION 25. AMENDMENT.** Section 53-06.1-10 of the North Dakota Century Code is amended and reenacted as follows:

**53-06.1-10. Twenty-one.** No money may be used as a wager. The organization shall provide playing chips of various denominations to players. The maximum limit per wager may be set by the organization at not more than five dollars and wagers in increments of one dollar must be accepted up to the maximum limit. A player may not play more than two hands at the same time. Only the player actually playing a hand may place a wager on any hand. Each player plays the player's hand against the dealer's hand. Any requirement to pool tips is within the sole discretion of each organization. Except for a site that has twenty-one gross proceeds averaging less than ten thousand dollars per quarter, an organization may not conduct twenty-one at the site with wagers exceeding two dollars unless the organization has first installed video surveillance equipment as required by rules and the equipment is approved by the ~~attorney-general tax commissioner~~.

**SECTION 26. AMENDMENT.** Section 53-06.1-11 of the North Dakota Century Code is amended and reenacted as follows:

**53-06.1-11. Gross proceeds - Allowable expenses - Rent limits.**

1. All money received from games must be accounted for according to the gaming rules. Gaming activity for a quarter must be reported on a tax return form prescribed by the ~~attorney-general tax commissioner~~. Unless otherwise authorized by the ~~attorney-general tax commissioner~~, the purchase price of a merchandise prize must be paid from a gaming bank account by check. No check drawn from a gaming or trust bank account may be payable to "cash" or a flittious payee. A cash prize that exceeds an amount set by rule must be accounted for by a receipt prescribed by the gaming rules.

2. Allowable expenses may be deducted from adjusted gross proceeds. The allowable expense limit is fifty percent of the first two hundred thousand dollars of adjusted gross proceeds per quarter and forty-five percent of the adjusted gross proceeds in excess of two hundred thousand dollars per quarter. In addition, an organization may deduct as an allowable expense:
  - a. Two and one-half percent of the gross proceeds of pull tabs.
  - b. Capital expenditures for security or video surveillance equipment used for controlling games if the equipment is required by section 53-06.1-10 or authorized by rule, and it is approved by the attorney general tax commissioner.
3. Cash shorts incurred in games and interest and penalty are classified as expenses.
4. For a site where bingo is conducted:
  - a. Except under subdivision c, if bingo is the primary game, the monthly rent must be reasonable.
  - b. If bingo is not the primary game, but is conducted with twenty-one, paddlewheels, or pull tabs, no additional rent is allowed.
  - c. If bingo is conducted through a dispensing device and no other game is conducted, the monthly rent may not exceed two hundred seventy-five dollars.
5. For a site where bingo is not the primary game:
  - a. If twenty-one or paddlewheels is conducted, the monthly rent may not exceed two hundred dollars multiplied by the necessary number of tables based on criteria prescribed by gaming rule. If pull tabs is also conducted involving a jar bar or dispensing device, but not both, the monthly rent for pull tabs may not exceed an additional one hundred seventy-five dollars. If pull tabs is conducted involving both a jar bar and dispensing device, the monthly rent for pull tabs may not exceed an additional two hundred dollars.
  - b. If twenty-one and paddlewheels are not conducted but pull tabs is conducted involving a jar bar or dispensing device, but not both, the monthly rent may not exceed two hundred seventy-five dollars. If pull tabs is conducted involving both a jar bar and dispensing device, the monthly rent for pull tabs may not exceed three hundred dollars.

**SECTION 27. AMENDMENT.** Section 53-06.1-11.1 of the North Dakota Century Code is amended and reenacted as follows:

**53-06.1-11.1. Restricted use of money in certain political activities - Eligible uses of net proceeds.**

1. A licensed organization or an organization that has a local permit may not use money from any source for placing an initiated or referred measure on a ballot or for a political campaign to promote or oppose a person for public office. Except for a use related to an organization's primary purpose, a licensed organization or organization that has a local permit may not use net proceeds to influence legislation or promote or oppose referendums or initiatives. Any funds expended by a licensed organization or an organization that has a local permit to promote or oppose an initiated or referred measure that is on the ballot or for any activities of a lobbyist

under section 54-05.1-02, that are not compensation or expenses paid to a lobbyist, and that are not required to be reported under section 54-05.1-03 must be reported to the ~~attorney general~~ tax commissioner as prescribed by the ~~attorney general~~ tax commissioner. A violation of this subsection subjects an organization to a suspension of its license or local permit for up to one year.

2. A licensed organization shall disburse net proceeds within the period prescribed by rule and for only these educational, charitable, patriotic, fraternal, religious, or public-spirited uses:
  - a. Uses for stimulating and promoting state and community-based economic development programs within the state which improve the quality of life of community residents.
  - b. Uses for developing, promoting, and supporting tourism within a city, county, or the state.
  - c. Uses benefiting an indefinite number of persons by bringing them under the influence of education, cultural programs, or religion which include disbursements to provide:
    - (1) Scholarships for students, if the disbursement is deposited in a scholarship fund for defraying the cost of education to students and the scholarships are awarded through an open and fair selection process.
    - (2) Supplementary assistance to a public or private nonprofit educational institution registered with or accredited by any state.
    - (3) Assistance to libraries and museums.
    - (4) Assistance for the performing arts and humanities.
    - (5) Preservation of cultural heritage.
    - (6) Youth community, social welfare, and athletic activities.
    - (7) Adult amateur athletic activities within the state, including uniforms and equipment.
    - (8) Maintenance of places of public worship or support of a body of communicants, gathered in common membership for mutual support and edification in piety, worship, or religious observances.
    - (9) Scientific research.
  - d. Uses benefiting an indefinite number of persons by relieving them of disease, suffering, or constraint which include disbursements to provide:
    - (1) Assistance to an individual or family suffering from poverty or homelessness.
    - (2) Encouragement and enhancement of the active participation of the elderly in our society.
    - (3) Services to the abused.

- (4) Services to persons with an addicted behavior toward alcohol, gambling, or drugs.
  - (5) Funds to combat juvenile delinquency and rehabilitate ex-offenders.
  - (6) Relief for the sick, diseased, and terminally ill and their physical well-being.
  - (7) Funds for emergency relief and volunteer services.
  - (8) Funds to nonprofit nursing homes, nonprofit day care centers, and nonprofit medical facilities.
  - (9) Social services and education programs aimed at aiding emotionally and physically distressed, handicapped, elderly, and underprivileged persons.
  - (10) Funds for crime prevention, fire protection and prevention, and public safety.
  - (11) Funds to relieve, improve, and advance the physical and mental conditions, care and medical treatment, and health and welfare of injured or disabled veterans.
- e. Uses that perpetuate the memory and history of the dead.
- f. Uses increasing comprehension of and devotion to the principles upon which the nation was founded, not of direct benefit to the eligible organization or any member thereof which include disbursements to aid in teaching the principles of liberty, truth, justice, and equality. However, beauty pageants do not qualify.
- g. The erection or maintenance of public buildings, utilities, or waterworks.
- h. Uses lessening the burden of government which include disbursements to an entity that is normally funded by a city, county, state, or United States government and disbursements directly to a government entity or its agency.
- i. Uses benefiting a definite number of persons who are the victims of loss of home or household possessions through explosion, fire, flood, or storm and the loss is not covered by insurance.
- j. Uses benefiting a definite number of persons suffering from a seriously disabling disease or injury causing severe loss of income or incurring extraordinary medical expense which is not covered by insurance.
- k. Uses, for community service projects, by chambers of commerce exempt from federal income tax under section 501(c)(6) of the Internal Revenue Code. A project qualifies if it develops or promotes public services, including education, housing, transportation, recreation, crime prevention, fire protection and prevention, safety, tourism, and health. Uses that directly benefit a chamber of commerce do not qualify.
- l. Uses for or of benefit to efforts in support of the health, comfort, or well-being of the community which include disbursements to provide:

- (1) Funds for adult bands, including drum and bugle corps.
  - (2) Funds for trade shows and conventions conducted in this state.
  - (3) Funds for nonprofit organizations that operate a humane society, zoo, or fish or wildlife reproduction and habitat enhancement program.
  - (4) Funds for public transportation, community celebration, and recreation.
  - (5) Funds for preservation and cleanup of the environment.
- m. To the extent net proceeds are used toward the primary purpose of a charitable, educational, religious, public safety, or public-spirited organization, or are used for a veterans cemetery by a veterans organization, that has obtained a final determination from the internal revenue service as qualifying for exemption from federal income tax under section 501(c)(3) or 501(c)(19) of the Internal Revenue Code, the organization may establish a special trust fund as a contingency for funding or maintaining the organization's future program services should the organization discontinue conducting games or dissolve.

3. The uses in subsection 2 do not include the erection, acquisition, improvement, maintenance, or repair of real or personal property owned or leased by an organization unless it is used exclusively for an eligible use. A licensed organization or recipient of net proceeds may not use net proceeds for administrative or operating expenses involving the conduct of games.

**SECTION 28. AMENDMENT.** Section 53-06.1-12 of the North Dakota Century Code is amended and reenacted as follows:

**53-06.1-12. Gaming and excise taxes - Deposits.**

1. A gaming tax is imposed on the total adjusted gross proceeds earned by a licensed organization in a quarter and it must be computed and paid to the ~~attorney-general~~ tax commissioner on a quarterly basis on the tax return. This tax must be paid from adjusted gross proceeds and is not part of the allowable expenses. The tax rates are:
  - a. On adjusted gross proceeds not exceeding two hundred thousand dollars, a tax of five percent.
  - b. On adjusted gross proceeds exceeding two hundred thousand dollars but not exceeding four hundred thousand dollars, a tax of ten percent.
  - c. On adjusted gross proceeds exceeding four hundred thousand dollars but not exceeding six hundred thousand dollars, a tax of fifteen percent.
  - d. On adjusted gross proceeds exceeding six hundred thousand dollars, a tax of twenty percent.
2. In addition to any other tax provided by law and in place of sales or use taxes, there is imposed an excise tax of four and one-half percent on the gross proceeds from the sale at retail of pull tabs to a final user. This includes pull tabs provided to a player in exchange for redeemed winning pull tabs. The tax must be paid to the ~~attorney-general~~ tax commissioner when tax returns are filed.

3. The state treasurer shall deposit gaming and excise taxes, monetary fines, and interest and penalties collected in the general fund in the state treasury.

**SECTION 29. AMENDMENT.** Section 53-06.1-12.3 of the North Dakota Century Code is amended and reenacted as follows:

**53-06.1-12.3. Interest, penalty, and estimated tax.**

1. Assessment of interest. If an organization does not pay tax due by the original date of a tax return, or if additional tax is due based on an audit or math verification of the return and it is not paid by the original due date of the return, the organization shall pay interest on the tax at the rate of twelve percent per annum computed from the original due date of the return through the date the tax is paid.
2. Assessment of penalty. If an organization does not pay tax due on a tax return by the original or extended due date of the return, or if additional tax is due based on an audit or math verification of the return and it is not paid by the original or extended due date of the return, the organization shall pay a penalty of five percent of the tax, or twenty-five dollars, whichever is greater. If an organization does not file a tax return by the original or extended due date of the return, the organization shall pay a penalty of five percent of the tax, or twenty-five dollars, whichever is greater, for each month or fraction of a month during which the return is not filed, not exceeding a total of twenty-five percent.
3. The ~~attorney general~~ tax commissioner may require a licensed organization to make monthly estimated gaming and excise tax payments if the ~~attorney general~~ tax commissioner determines that the organization is in poor financial condition. If an organization fails to pay any tax or estimated tax, interest, or penalty by the original due date or date set by the ~~attorney general~~ tax commissioner, the ~~attorney general~~ tax commissioner may bring court action to collect it and may suspend the organization's license. The ~~attorney general~~ tax commissioner may for good cause waive all or part of any interest or penalty and may waive any minimal tax.
4. If an organization has failed to file a tax return, has been notified by the ~~attorney general~~ tax commissioner of the delinquency, and refuses or neglects within thirty days after the notice to file a proper return, the ~~attorney general~~ tax commissioner shall determine the adjusted gross proceeds and gaming and excise taxes due according to the best information available and assess the taxes at not more than double the amount. Interest and penalty also must be assessed.

**SECTION 30. AMENDMENT.** Section 53-06.1-14 of the North Dakota Century Code is amended and reenacted as follows:

**53-06.1-14. Distributors and manufacturers.**

1. A manufacturer of pull tabs, bingo cards, or pull tab dispensing devices and a distributor shall apply annually for a license upon a form prescribed by the ~~attorney general~~ tax commissioner before the first day of April in each year. The license fee for a distributor is one thousand five hundred dollars. The license fee for a manufacturer is four thousand dollars.
2. A licensed distributor may not sell, market, or distribute gaming equipment except to a licensed distributor, licensed organization, organization that has a local permit, or other person authorized by gaming rule or the ~~attorney~~

~~general tax commissioner~~. A manufacturer of a pull tab dispensing device, pull tab, or bingo card may only sell, market, or distribute the manufacturer's pull tab dispensing device and processing chip encoded with proprietary software, pull tab, or bingo card to a licensed distributor. A licensed distributor may purchase or acquire a pull tab dispensing device and processing chip encoded with proprietary software, pull tab, or bingo card only from a licensed manufacturer or licensed distributor. However, a distributor may purchase or acquire a used pull tab dispensing device from a licensed organization. A distributor may not duplicate a manufacturer's processing chip encoded with proprietary software. No gaming equipment or prizes may be sold at an excessive price.

3. A licensed distributor shall affix a North Dakota gaming stamp to each deal of pull tabs and bingo cards, punchboard, sports pool board, calcutta board, and series of paddlewheel ticket cards sold and shall purchase the stamps from the ~~attorney general~~ tax commissioner for thirty-five cents each. Ten cents of each stamp sold, up to thirty-six thousand dollars per biennium, must be credited to the ~~attorney general's~~ tax commissioner's operating fund to defray the costs of issuing the gaming stamps.
4. A licensed organization, organization that has a local permit, licensed manufacturer, or North Dakota wholesaler of liquor or alcoholic beverages may not be a distributor or stockholder of a distributor. A distributor may not be a stockholder of a manufacturer.
5. In addition to the license fee, the ~~attorney general~~ tax commissioner may require advance payment of any fee necessary to pay the cost of a record check of an applicant according to subdivision c of subsection 5 of section 53-06.1-06.

**SECTION 31. AMENDMENT.** Section 53-06.1-15.1 of the North Dakota Century Code is amended and reenacted as follows:

**53-06.1-15.1. Authority of the ~~attorney general~~ tax commissioner.** The ~~attorney general~~ tax commissioner may:

1. Inspect all sites in which gaming is conducted or inspect all premises where gaming equipment is manufactured or distributed. The ~~attorney general~~ tax commissioner may require a licensed manufacturer to reimburse the ~~attorney general~~ tax commissioner for the reasonable actual cost of transportation, lodging, meals, and incidental expenses incurred in inspecting the manufacturer's facility.
2. Inspect all gaming equipment and supplies on a site or premises.
3. Seize and remove from a site or premises and impound any gaming equipment, supplies, games, or books and records for the purpose of examination and inspection. When books or records are seized, the ~~attorney general~~ tax commissioner shall provide copies of those records or books within seventy-two hours of a specific request by the organization for a copy of the books or records seized.
4. Demand access to and inspect, examine, photocopy, and audit all books and records of applicants, organizations, lessors, manufacturers, distributors, and affiliated companies on their premises concerning any income or expense resulting from any gaming activity, determine compliance with this chapter or gaming rules, and require verification of income, expense, or use of net proceeds, and all other matters affecting this chapter.

5. Permit the commissioner or proper representative of the internal revenue service of the United States to inspect a tax return or furnish a copy of the tax return, or information concerning any item contained in the return, or disclosed by any audit or investigation report of the gaming activity of any organization or player, or recordkeeping information. However, information cannot be disclosed to the extent that the ~~attorney-general tax commissioner~~ determines that the disclosure would identify a confidential informant or seriously impair any civil or criminal investigation. Except when directed by judicial order, or for pursuing civil or criminal charges regarding a violation of this chapter or a gaming rule, or as is provided by law, the ~~attorney-general tax commissioner~~ may not divulge nor make known, to any person, any income or expense item contained in any tax return or disclosed by an audit or investigative report of any taxpayer provided to the ~~attorney-general tax commissioner~~ by the internal revenue service.
6. Require a representative of a licensed organization or distributor to participate in training or for good cause prohibit the person from being involved in gaming as an employee or volunteer. The ~~attorney-general tax commissioner~~ may for good cause prohibit a person from providing personal or business services to an organization or distributor.
7. Prohibit a person from playing games if the person violates this chapter, chapter 12.1-28 or 53-06.2, or a gaming rule.
8. Require a licensed organization to pay a bingo or raffle prize to a player based on a factual determination or a hearing by the ~~attorney-general tax commissioner~~.
9. Based on reasonable ground or written complaint, suspend, deny, or revoke an organization's local permit or an organization's, distributor's, or manufacturer's application or license for violation, by the organization, distributor, or manufacturer or any officer, director, agent, member, or employee of the organization, distributor, or manufacturer, of this chapter or any gaming rule.
10. Impose a monetary fine on a licensed organization, organization that has a local permit, distributor, or manufacturer for failure to comply with this chapter or any gaming rule. The monetary fine for each violation by an organization is a minimum of twenty-five dollars and may not exceed two percent of the organization's average quarterly gross proceeds, or five thousand dollars, whichever is greater. The monetary fine for each violation by a distributor is a minimum of one hundred dollars and may not exceed five thousand dollars. The monetary fine for each violation by a manufacturer is a minimum of five hundred dollars and may not exceed two hundred fifty thousand dollars. This fine may be in addition to or in place of a license suspension or revocation.
11. At any time within three years after any amount of fees, monetary fine, interest, penalty, or tax required to be paid pursuant to this chapter becomes due, bring a civil action to collect the amount due. However, if for any reason there is a change in adjusted gross income or tax liability by an amount which is in excess of twenty-five percent of the amount of adjusted gross income or tax liability originally reported on the tax return, any additional tax determined to be due may be assessed within six years after the due date of the tax return, or six years after the tax return was filed, whichever period expires later. An action may be brought although the person owing the fees or tax is not presently licensed.

12. Institute an action in any district court for declaratory or injunctive relief against a person, whether or not the person is a gaming licensee, as the ~~attorney general~~ tax commissioner deems necessary to prevent noncompliance with this chapter or gaming rules.
13. For good cause, require a licensed organization to use the ~~attorney general's~~ tax commissioner's recordkeeping system for any or all games.

**SECTION 32. AMENDMENT.** Section 53-06.1-16 of the North Dakota Century Code is amended and reenacted as follows:

**53-06.1-16. Violation of law or rule - Fraudulent scheme or technique to cheat or skim unlawful - Penalty.**

1. Except as otherwise provided by this chapter, a person who knowingly makes a false statement on a request for record check form or in any application for a local permit, or license, or in any accompanying statement, knowingly signs a false record or report, or who fails to maintain sufficient books and records or adequate internal control to substantiate gross proceeds, prizes, cash profits, expenses, or disbursement of net proceeds, or who falsifies any books or records relating to any transaction involving the direct or indirect conduct of games, or who violates this chapter, any gaming rule, or of any term of a local permit or license is guilty of a class A misdemeanor. If convicted, the person forfeits any gaming license or local permit issued to it and is ineligible to reapply for a gaming license or local permit for a period of time determined by the ~~attorney general~~ tax commissioner.
2. It is unlawful for a person playing or conducting a game, or otherwise:
  - a. To use bogus or counterfeit chips or pull tabs or to substitute or use any game, cards, pull tabs, or game piece that have been marked or tampered with.
  - b. To employ or have on one's person any cheating device to facilitate cheating in any game, or to attempt to commit or commit a theft, or to assist in committing any other fraudulent scheme.
  - c. To willfully use any fraudulent scheme or technique, including when a person directly or indirectly solicits, provides, or receives inside information of the status of a game of pull tabs for the benefit of any person.
  - d. To alter or counterfeit a site authorization, license, or North Dakota gaming stamp.
  - e. To knowingly cause, aid, abet, or conspire with another person or to cause any person to violate this chapter or a gaming rule.

A person violating this subsection is guilty of a class A misdemeanor unless the total amount gained through the use of these items, schemes, or techniques resulted in a person obtaining over five hundred dollars, then the offense is a class C felony. However, if a person uses a fraudulent scheme regarding soliciting, providing, or receiving inside information involving the game of pull tabs or uses a fraudulent scheme or technique to cheat or skim involving pull tabs, twenty-one, or bingo, regardless of the amount gained, the offense is a class C felony.

**SECTION 33. AMENDMENT.** Section 53-06.2-02 of the North Dakota Century Code is amended and reenacted as follows:

**53-06.2-02. Racing commission - Members - Appointment - Term - Qualifications - Compensation.**

1. A North Dakota racing commission is established in the office of the ~~attorney general~~ tax commissioner. The commission consists of the chairman and four other members appointed by the governor. Of the members appointed by the governor, one must be appointed from a list of four nominees, one of whom is nominated by the state chapter or affiliate of the American quarter horse racing association, one of whom is nominated by the state chapter or affiliate of the United States trotting association, one of whom is nominated by the state chapter or affiliate of the international Arabian horse association, and one of whom is nominated by the state chapter or affiliate of the North Dakota thoroughbred association. The members serve five-year terms and until a successor is appointed and qualified. A member appointed to fill a vacancy arising from other than the natural expiration of a term serves only for the unexpired portion of the term. The terms of the commissioners must be staggered so that one term expires each July first. At the expiration of the five-year term of each incumbent member of the commission, the governor shall appoint a new member to the commission.
2. A person is ineligible for appointment to the commission if that person has not been a resident of this state for at least two years before the date of appointment. A person is also ineligible if that person is not of such character and reputation as to promote public confidence in the administration of racing in this state. A person who has a financial interest in racing cannot be a member of the commission and cannot be employed by the commission. Failure to maintain compliance with this subsection is grounds for removal from the commission or from employment with the commission. For purposes of this section, a person has a financial interest in racing if that person has an ownership interest in horses running at live or simulcast meets conducted or shown in this state subject to this chapter or rules of the commission, is required to be licensed under this chapter or the rules of the commission, or who derives any direct financial benefit from racing, individually or by or through an entity or other person, as regulated by this chapter or the rules of the commission.
3. Commission members are entitled to forty dollars per day for compensation, and mileage and expense reimbursement as allowed to other state employees.

**SECTION 34. AMENDMENT.** Section 53-06.2-13 of the North Dakota Century Code is amended and reenacted as follows:

**53-06.2-13. Duty of ~~attorney general~~ tax commissioner to participate in certain hearings - Employment of private counsel by commission.** The ~~attorney general~~ tax commissioner shall represent the state in all hearings before the commission and shall prosecute all criminal proceedings arising from violations of this chapter. The commission may employ private counsel for adoption of rules and to ensure that its hearings are conducted fairly."

Page 10, after line 23, insert:

**"SECTION 39. AMENDMENT.** Subsection 8 of section 57-39.2-01 of the North Dakota Century Code is amended and reenacted as follows:

8. "Retailer" includes every person engaged in the business of leasing or renting hotel, motel, or tourist court accommodations, and every person

engaged in the business of selling tangible goods, wares, or merchandise at retail, or furnishing of steam, gas, and communication services, or tickets or admissions to places of amusement, entertainment, and athletic events including the playing of any machine for amusement or entertainment in response to the use of a coin, or magazines, or other periodicals; any organization licensed by the ~~attorney-general~~ tax commissioner to conduct bingo games pursuant to section 53-06.1-03; and includes any person as herein defined who by contract or otherwise agrees to furnish for a consideration a totally or partially finished product consisting in whole or in part of tangible personal property subject to the sales tax herein provided, and all items of tangible personal property entering into the performance of such contract as a component part of the product agreed to be furnished under said contract shall be subject to the sales tax herein provided and the sales tax thereon shall be collected by the contractor from the person for whom the contract has been performed in addition to the contract price agreed upon, and shall be remitted to the state in the manner provided in this chapter; and shall include the state or any municipality furnishing steam, gas, or communication service to members of the public in its proprietary capacity. For the purpose of this chapter, retailer shall also include every clerk, auctioneer, agent, or factor selling tangible personal property owned by any other retailer. A retailer also includes every person who engages in regular or systematic solicitation of a consumer market in this state by the distribution of catalogs, periodicals, advertising flyers, or other advertising, or by means of print, radio or television media, by mail, telegraphy, telephone, computer data base, cable, optic, microwave, or other communication system.

**SECTION 40. AMENDMENT.** Subsection 7 of section 57-40.2-01 of the North Dakota Century Code is amended and reenacted as follows:

7. "Retailer maintaining a place of business in this state", or any like term, means any retailer having or maintaining within this state, directly or by a subsidiary, an office, distribution house, sales house, warehouse, or other place of business, or any agent operating within this state under the authority of the retailer or its subsidiary, whether such place of business or agent is located in the state permanently or temporarily, or whether or not such retailer or subsidiary is authorized to do business within this state. It includes any organization licensed by the ~~attorney-general~~ tax commissioner to conduct bingo games pursuant to section 53-06.1-03. It also includes every person who engages in regular or systematic solicitation of sales of tangible personal property in this state by the distribution of catalogs, periodicals, advertising flyers, or other advertising, by means of print, radio or television media, or by mail, telegraphy, telephone, computer data base, cable, optic, microwave, or other communication system for the purpose of effecting retail sales of tangible personal property."

Page 10, line 24, replace "14, 15, 16, and 17" with "35, 36, 37, and 38"

Page 10, line 25, replace "5, 6, 7, 8, 9," with "12, 13, 14, 15, 16, 17, 18, 19, and 20"

Page 10, line 26, remove "10, 11, 12, and 13" and after the period insert "Sections 5 through 11, 21 through 34, and 39 and 40 of this Act are effective July 1, 2001."

Renumber accordingly

Date: 1/23/01  
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2053

Senate Finance and Taxation Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number 10266.0102

Action Taken Move Amendment

Motion Made By Nichols Seconded By Kroeplin

Senators	Yes	No	Senators	Yes	No
Senator Urlacher-Chairman		✓			
Senator Wardner-Vice Chairman		✓			
Senator Christmann		✓			
Senator Stenehjem		✓			
Senator Kroeplin	✓				
Senator Nichols	✓				

Total (Yes) 2 No 4

Absent 0

Floor Assignment \_\_\_\_\_

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

Date: 1/23/01  
Roll Call Vote #: 2

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2053

Senate Finance and Taxation Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Wardner Seconded By Christmann

Senators	Yes	No	Senators	Yes	No
Senator Urlacher-Chairman	✓				
Senator Wardner-Vice Chairman	✓				
Senator Christmann	✓				
Senator Stenehjem	✓				
Senator Kroeplin		✓			
Senator Nichols		✓			

Total (Yes) 4 No 2

Absent 0

Floor Assignment Wardner

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

**REPORT OF STANDING COMMITTEE (410)**  
**January 23, 2001 4:27 p.m.**

**Module No: SR-11-1478**  
**Carrier: Wardner**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2053: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2053 was placed on the Eleventh order on the calendar.**

2001 HOUSE FINANCE AND TAXATION

SB 2053

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2053

House Finance and Taxation Committee

Conference Committee

Hearing Date March 14, 2001

Tape Number	Side A	Side B	Meter #
1		X	4,095
Committee Clerk Signature <i>Janie Stein</i>			

Minutes:

**REP. AL CARLSON, CHAIRMAN** Opened the hearing and read the fiscal note.

**SEN. KEN SOLBERG, DIST. 7,** Introduced the bill as the prime sponsor of the bill. He stated this is a government efficiency bill. There are many things in our government which are not what you would say, very efficient. It seems to be, the right thing to do, is begin the process by putting in place, areas which are over expanding and overlapping in different agencies. This certainly is one. I am not sure how long it has been since the State Treasurer has collected the wholesale liquor tax and also the commercial airlines tax. We have a tax department in this state, and as long as we have one, that is where it should be. They certainly have the people and the knowhow. They collect fuel tax, sales tax, licensing is with that, retail liquor tax, that they collect on the sales tax, tobacco tax, even though the enforcement there is in the Attorney General's Office. Maybe in a few years, we will be looking at that. If we are going to collect taxes, and some of us aren't so sure we should, but as long as we are going to, let's collect them

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House Finance and Taxation Committee

Bill/Resolution Number SB 2053

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in one department. This is just moving the collections of the wholesale liquor into the tax department, and doing it with the people they have, no additional employees, no additional enforcement. I have been accused of it being a political bill, it is not a political bill. I don't care who would have won the treasurer's office last time, this bill would have been here.

**REP. WINRICH** In the last primary election, the voters of North Dakota voted to down a proposed constitutional amendment which would have eliminated the treasurer's office, that seems to be an endorsement of the duties and the work of that office, why are you going against the voters of North Dakota here?

**SEN. SOLBERG** I think I have a job to do as an elected official from the seventh district of the state of North Dakota. I am not going against the wishes of the people of North Dakota. That has nothing to do with keeping the office of the state treasurer in there. If you read the bill, understand what is going on, it is taking the taxing and putting it in the tax department. We didn't have anything on that ballot that said, if this measure is defeated, that the treasurer must keep all of the duties in the office.

**REP. WINRICH** I agree, that certainly wasn't in the ballot, but I think the election was an endorsement of the treasurer's office and the duties of that office.

**SEN. SOLBERG** I am not going to get into the discussion, because that is in a separate constitutional measure.

**REP. CARLSON** We are going to attempt to look at the merits whether these duties should be there or not be there, I know it becomes a political issue, but in my estimation, as we make up our minds on this bill, if it is a logical thing to have that duty done there, or not a logical thing. I am hoping we address the fact, I don't understand everything they do in that office.

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House Finance and Taxation Committee  
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**REP. HERBEL** Asked what this would do to the FTE's in the treasurer's department?

**SEN. SOLBERG** I don't know, we have the State Treasurer's bill in front of appropriations right now, they haven't acted on that yet. I don't know if there will be any movement on that or not. I am not on that sub committee. At the present time, to the best of my knowledge, there has been no talk about that whatsoever.

**REP. CARLSON** Give an explanation on the twenty thousand dollar appropriation.

**SEN. SOLBERG** I believe that is the amount estimated that the treasurer's office has stated that their budget takes to collect these taxes.

**REP. LLOYD** On page 9, line 17, it talks about taxes imposed on air transportation companies, what is the connection between that and the liquor?

**SEN. SOLBERG** There is no connection, but the treasurer's office does collect a common air carrier tax. I believe that is just sent in to the treasurer's office, that is also moving from there. I believe that is just a small portion of the office. That is part of moving it, if we are going to move one section, let's move them all.

**REP. KROEBER** Is this the same bill we had last year, only we were going to put it in the Attorney General's Office?

**SEN. SOLBERG** Not to my knowledge.

**KATHY GILLMORE, STATE TREASURER** Testified in opposition of the bill. You talk about efficiency, there is nothing more efficient than my office. You talk about cost, you are considering twenty thousand dollars to move it, this does not make good sense. I can tell you right now, what is being done in the Tax Department, for example, with the telecommunications tax, we do the legwork for them. They collect the tax, but we do everything for them, because

they don't have the mechanism. It is somewhat of an exercise in futility and certainly not good government for doing it. The rationale is just not there. If you are looking at good government and applauding efficiency. Stated she served in the legislature in 1989 and 1991, their main concern was to make sure anything they did, was fair, honest and for the will of the people. A small efficient office does that. We are an office of seven people. We do a yeoman's job, we are very efficient and then we seem to be punished by that efficiency. You take this to a larger office, it will grow. Soon they will see how many hours they have to put into it, they don't have the expertise, and the cost next time will be greater, make no mistake about that. That is how government grows. She stated that the money will still have to come back to the treasurer's office even if it is collected by the tax department.

**REP. CARLSON** Asked her to explain the process.

**KATHY GILLMORE** The money comes in, through the treasurer's office, it is immediately deposited in the general fund. If you take it to the tax department, it will have to go through the tax department, back to us for placement in the general fund. There is also the regulation of the law, we serve the constituency quickly. They know where to call when they have a problem, they know where to call when there are legal issues, and they want answers.

**REP. CARLSON** Do you do the licenses?

**KATHY GILLMORE** Yes.

**REP. CARLSON** Are there any enforcement capabilities in here?

**KATHY GILLMORE** Yes

**REP. CARLSON** Do you do any reporting to the tax commissioner?

**KATHY GILLMORE** I am sure they are appraised of the revenue that has come in. I have a copy of the revenue if you would like to see that. There is a little over twelve million which is collected. It is broken down into categories. There is no overlap, everything that is being done is being done singularly. That estimate of the twenty thousand, did not come from us, we were not asked for an estimate. Again, I would caution you, that is an increase on government spending, that is not holding the line on spending. There is a case law in Minnesota, that said the legislative body there, could not try to take out the office of State Treasurer, by taking apart that office piece by piece. I think that is important for us, as government, to recognize that sometimes in our haste to make things better, we tread on very delicate territory.

**REP. LLOYD** On page 1, line 21, regarding the aeronautics commission, shall consult with the state tax commissioner regarding taxes to be assessed, this is in old language, is that traditionally, how the tax commissioner is already involved?

**KATHY GILLMORE** It is different with the liquor's administration, with the airline taxes, the tax commissioner and I both sit on the tax equalization board, and he gives a report from me when the taxes have been remitted, that is a mechanism for that, it is just a reporting form. It is usually during our August meeting. All that is done with the liquor, is that we notify him of the tax collected, so that it can be built into the OMB budget.

**REP. LLOYD** Who helps the commission set the bond?

**KATHY GILLMORE** You will have to discuss that with the tax commissioner.

**REP. LLOYD** He would be involved in that?

**KATHY GILLMORE** Yes

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House Finance and Taxation Committee

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**REP. WINRICH** Sen. Solberg characterized this bill as moving tax collections to the office of the tax commissioner and out of the treasurer's office, but it appears to me and Chairman Carlson suggested this, that a lot of other things are moved, I noticed in Section 1, deals with bonds guaranteeing the performance of common carrier aircraft companies in the state, Section 5 and 6, deal with wholesale liquor licensing and fees and in Section 6, in particular, in some cases determining that a license should be granted on the basis of a person's ability to serve the public, and in other sections there are obvious administrative rules, etc., under those circumstances, it is hard for me to imagine that the tax department will take this over for merely an additional twenty thousand dollars in administrative expenses, that there needs to be people with expertise in those areas, in order to deal with the administrative rules and different aspects, could you comment on that?

**KATHY GILLMORE** That is what I was alluding to. The cost of government continues to rise. You have a small efficient office that does all of this for a very small amount of money, and as you build it into another office, where they don't know what they are doing, no offense from anyone from tax, they are good people, but it is a learning process and an expansion. They have a lot of work to do already. My suggestion to you is, if they think they can take that over with no additional expense, besides the twenty thousand, then they have people who, perhaps, are not working to capacity, because it just will not happen. You will see another increase in two years.

**REP. MERLE BOUCHER, DIST. 9** Testified in opposition of the bill. See attached written testimony plus duties and functions of the federal treasurer's department.

**GARY ANDERSON, DIRECTOR FOR SALES & SPECIAL TAXES, STATE TAX**

**DEPARTMENT** Responded to the fiscal note. The fiscal note does indicate it would create a

twenty thousand dollar administrative expense for us. In looking at the bill and its responsibilities that is placed on our department, we have determined that it would cost us approximately five to ten thousand dollars on a one-time charge for programming. Anytime you add a new tax to our system, there is programming required. The additional monies would be used in order to implement the administrative costs associated with the licensing, there is some compliance costs, any costs associated with legal issues that might occur within this area. When I talk about administration, you are looking at things like forms, the cost of the paper you will use for the applications of the processing.

**REP. CARLSON** You do not require any additional FTE's?

**GARY ANDERSON** It is our belief, that it would not. I have looked at this particular bill and I oversee the sales and special taxes group, that includes sales taxes, cigarette taxes, fuel taxes, estate taxes, as part of that responsibility, especially in regard to sales taxes, we have a permit process that is necessary for businesses wishing to register in North Dakota. The fuel tax is something I would equate to this process. I realize there are some compliance processes here, that are different, when the state treasurer mentioned brand registrations, that is certainly something that is different then what we are familiar with. When you are talking about fuel taxes, there is a licensing process. We currently have fourteen hundred licenses that we issue, that we have on file at this time, for fuel licenses. We feel that, in looking at it as an administrator, trying to determine what the effect would have, in terms of picking up this responsibility, we would feel, in looking at this, it would mirror much of the method we use currently for fuel tax and licensing. When you talk about FTE's as well, because of responsibilities somewhat near the fuel tax session, we feel that we would spread some of that

responsibility to several individuals, which would tie into their current positions associated with fuel. We also, through our audit program, would initiate some of the compliance aspects within that group as well.

**REP. CARLSON** So you feel the twenty thousand dollar number is accurate?

**GARY ANDERSON** As I understand the bill and heard testimony, yes, I do.

**REP. KROEBER** How do you feel you would go about the enforcement on this, and secondly, when you take and put this in with all of your other taxes, are you going to give the same service to the liquor industry, do you think, that they are getting now, when all of this is being handled by one person in one spot?

**GARY ANDERSON** In regard to providing service, I believe our office has the ability to provide the service to all types of taxes. Although we are talking about, possibility, spreading out the worker's responsibility associated with this, in terms of one on one with the taxpayer, some of that is associated with positions which would not have that one on one connection with the taxpayer, we would certainly look to the assistance of our legal department, we have three attorneys on staff that can assist us, as they do with all of our taxes. They may necessarily not be a one on one, but the individual who is dealing with the taxpayer, would have those other conditional resources available to respond to the taxpayer. I don't believe there would be a loss of service.

**REP. KROEBER** Do you perceive that your office will be picking up a large number of duties such as this from other departments in the state?

**GARY ANDERSON** I am not familiar with another responsibility, at least in the near future, that will be transferring to this office. I would say that in regard to anytime the legislature

determines a responsibility for the tax department, as would any agency in the state, obviously, one of our concerns would be to look at what the requirements would be, from an administrative standpoint. I am sure there would be situations where there would be a need for possibly an FTE, from an administrative standpoint.

**REP. WINRICH** Part of the new language in this bill on page 8, lines 21 to 23, does all monies collected by the tax commissioner, be transferred to the treasurer and be deposited in the state general fund, the treasurer testified that under current practice, they collect the taxes and deposit it in the general fund, and Sen. Sollerg said this will create more efficiency, how is it to be more efficient to introduce another step in the process and sort of a middleman in the commissioner's office instead of simply doing it the way we are doing it now?

**GARY ANDERSON** I believe the only response I can make is, currently, we do collect taxes within the tax department, in addition to sales taxes, city taxes, fuel taxes, as a part of that process, we do collect the taxes. As this provision would indicate, they are directed to be transferred to the treasurer's office and subsequently deposited in the general fund.

**REP. CARLSON** So this isn't a new policy, it is done with other taxes you collect?

**GARY ANDERSON** That is what I am saying, it is not a brand new process, it appears it is similar to what occurs in other tax statutes already.

**REP. SCHMIDT** I noticed our present treasurer is a member of the National Conference of State Liquor Administrators and also on the Resolution Committee of the National Conference of State Liquor, will that now be tax people going to those conferences?

**GARY ANDERSON** I can only speak to the bill, I am not familiar on that.

**BOB OLHEISER, DEPUTY STATE TREASURER**, Testified in opposition of the bill. I did not intend to testify, except to some of Mr. Anderson's comments to provide technical and factual information to the committee. The fact of the matter is, the tax department has not studied the duties of the state treasurer's office and because of that fact, they don't understand what is involved in it. We need to back up a bit and understand that the alcohol division and the collection of whatever revenue from licensing or taxes, in that area, is much different then collecting fuel taxes or any of the other taxes they are involved with. Alcohol, the nature of the product is treated differently then other products. It is a very highly regulated product. One of the things I think they misunderstand is when the question was asked by the committee about the service provided to the industry, treasurer Gillmore talked about the twenty six beer wholesalers and the seven alcohol wholesalers in the state, I really don't think the tax department has any idea of the level of service those people expect in that particular area. We provide, on a monthly basis, the required rules to send in their prior month's shipments from the manufacturers, that is due by the fifteenth of every month. Somebody literally has to go through those reports and add up the numbers to determine, has the tax that has been paid match what the manufacturer says has been sent into the state of North Dakota. We collect the tax from the wholesalers, but the manufacturer also sends in information which states, they sent that amount of product to the state of North Dakota. That is only one part of the total process. That is not something that you do on a part time basis. It is also not something you parcel out to several individuals. Those duties alone take about sixty five percent of this individual's time on a monthly basis. It is not a process you can automate, there are certain things you have to look for in a brand registration,

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and if there not there, this isn't imaging kinds of things, it is a process where a physical person has to do this.

With no further testimony, the hearing was closed.

**COMMITTEE ACTION** 3-14-01, TAPE #2, SIDE A, METER #4056

**REP. CARLSON** Reviewed the bill.

Committee members didn't see where it would be more efficient by taking the liquor taxing away from the treasurer's office, since they have to report back to them anyway.

**REP. DROVDAL** Made a motion for a **DO NOT PASS**.

**REP. HERBEL** Second the motion. **MOTION CARRIED.**

10 YES      3 NO      2 ABSENT

**REP. WINRICH** Was given the floor assignment.

Date: 3-14-01  
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2053

House FINANCE & TAXATION Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Not Pass

Motion Made By Rep. Drovdal Seconded By Rep. Herbel

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN		✓	NICHOLAS, EUGENE	✓	
DROVDAL, DAVID, V-CHAIR	✓		RENNER, DENNIS	✓	
BRANDENBURG, MICHAEL	✓		RENNERFELDT, EARL	✓	
CLARK, BYRON		✓	SCHMIDT, ARLO	A	
GROSZ, MICHAEL		✓	WIKENHEISER, RAY	✓	
HERBEL, GIL	✓		WINRICH, LONNY	✓	
KELSH, SCOT	✓				
KROEBER, JOE	A				
LLOYD, EDWARD	✓				

Total (Yes) 10 No 3

Absent 2

Floor Assignment Rep Winnich

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

**REPORT OF STANDING COMMITTEE (410)**  
March 15, 2001 8:28 a.m.

**Module No: HR-45-5653**  
**Carrier: Winrich**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2053: Finance and Taxation Committee (Rep. Carison, Chairman) recommends DO NOT PASS (10 YEAS, 3 NAYS, 2 ABSENT AND NOT VOTING). SB 2053 was placed on the Fourteenth order on the calendar.**

2001 TESTIMONY

SB 2053

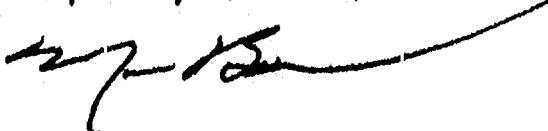
**TESTIMONY IN OPPOSITION TO SB2053**  
**House Finance and Tax Committee**  
**Al Carlson, Chairman**

Chairman Carlson and members of the House Finance and Tax committee, my name is Merle Boucher Representative from District 9. I come before you once again to ward off the witch hunt that continues to waste legislator's time. SB 2053 would remove wholesale liquor tax collection from the Treasurers office and move them to the Tax Department.

I would suggest we take a different approach. Let's model the Treasurers position after the federal system consequently expanding the powers of the office. The treasurer could advise the governor on economic policy, oversee the workings of the Bank of North Dakota, the Office of Management and Budget and the Tax Department, sell bonds, monitor the sale and use of firearms, and perhaps create a North Dakota Secret Service to squelch dubious plans at partisan folly. The possibilities are endless.

Joking aside, this is just another bill in a string of attempts to reduce or remove the powers of executive offices held by Democrats. Enough is enough. Continuously attacking offices of the minority party is a disgrace to this institution and and the intelligence of the voters. If the real goal, as supporters claim, is to make government more efficient then a comprehensive look at the entire executive branch is in order. Lets dust off the proposed constitution from 1972 hold a bipartisan conference to "stream line" government. I'm skeptical that these efforts are any where near the altruistic search for government efficiency that proponents would like you to believe. This hit and miss approach exposes the real partisan motivation and the good tax payers of North Dakota deserve better than this.

Respectfully Submitted,



Merle Boucher

## **Duties and Functions of the Federal Treasury Department**

The Treasury Department includes the Office of the Secretary and the **Departmental Offices**. This is where all of the policy-making offices are found. Each office has an Assistant Secretary directly responsible for its activities. In addition, there are many bureaus with different responsibilities.

For instance, the **Bureau of Engraving and Printing** (BEP) makes our paper currency and the **United States Mint** produces our coins. The **Internal Revenue Service** (IRS) collects income taxes and other forms of Federal Government revenue. Law enforcement functions fall under the jurisdiction of the **United States Customs Service**, the **Bureau of Alcohol, Tobacco, and Firearms** (ATF) and the **United States Secret Service**. Maintaining the Federal Government's accounts is the job of the **Financial Management Service** (FMS). Processing the sale and redemption of Treasury bonds, notes and bills is the responsibility of the **Bureau of the Public Debt**. Finally, the Treasury must oversee and regulate savings institutions and National banks. The **Office of the Comptroller of the Currency** (OCC) and the **Office of Thrift Supervision** (OTS) each handle these tasks.

(From the US Treasury website)

### **North Dakota State Treasurer**

#### **Cash Management**

The State of North Dakota has one legal depository for state funds - the Bank of North Dakota which is owned and operated by the state. This bank is the fiscal agent for the state. Excess funds are invested within the Bank of North Dakota. General fund moneys are invested in certificates of deposit, money market demand accounts, and interest-bearing checking accounts, with rates determined by the Bank of North Dakota. Trust fund moneys may be invested in corporate bonds or government securities. The Bank of North Dakota is a state-owned institution, there are no collateral requirements.

The divisions of the State Treasurer's Office and their functions are:

#### **Accounting and Receipting:**

Receipts and deposits income for all state agencies into the state's accounting system. Provides reconciliation for state accounts. Responsible for the proper management of accounting, human service and payroll checks to agencies under the central accounting system.

#### **Securities and Investment:**

Provides daily investment management services for state agencies. Investment services are provided for trust funds, ag commodity groups, and the Veteran's Postwar Trust Fund to invest funds outside the Bank of North Dakota. Custodian for certificates of deposits acquired for various trust funds.

### **Tax Collections and Distribution:**

The State Treasurer is responsible for collection of alcohol beverage taxes and air transportation taxes. Revenue distributions assigned to the State Treasurer's Office for distribution to local political subdivisions include: Highway tax, coal severance tax, estate tax, coal conversion facilities tax, cigarette tax, oil and gas gross production tax, homestead tax credit, personal property replacement tax, state revenue sharing, township road fund, electrical transmission lines facilities tax, city lodging/restaurant tax, city occupancy tax, city sales tax, airline tax, flood control, forest service, wetlands tax exemption and taylor grazing.

### **Boards and Commissions:**

The State Treasurer serves as a member of the following entities by law: Board of Tax Equalization, State Historical Board, State Investment Board, State Canvassing Board, Teacher's Fund for Retirement Board, and the Board of University and School Lands. The current State Treasurer is a member of the National Association of State Treasurers, the National Conference of State Liquor Administrators, the College Savings Plans Network and Business and Professional Women. She is currently serving on the following committees: Retirement and Investment Office Internal Audit Committee, State Employee Suggestion Incentive Committee, Pension Committee of the National Association of State Treasurers and the Resolutions Committee of the National Conference of State Liquor Administrators.

(State Treasurer Website)