

MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

2181

2001 SENATE FINANCE AND TAXATION

SB 2181

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2181

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 1/23/01

Tape Number	Side A	Side B	Meter #
1	x		18.6-end
		x	0-8
2		x	2.4-11.2
1/30/01 - 2		x	49.2-end
3	x		0-11.2
1/31/01 - 2	x		23.1-37.5
Committee Clerk Signature <i>Suzanne M. Frost</i>			

Minutes:

Senator Urlacher: Opened the hearing on SB 2181, relating to limitations on the sales tax exemption for rentals of motor vehicles.

Senator Jack Traynor: Introduced the bill, testified in support. Written testimony attached.

Senator Urlacher: On the collection, the company would collect just like any other company?

Senator Jack Traynor: Yes.

Senator Nichols: With regard to the \$150,000 of other funds, would that projection be collected by the cities?

Senator Jack Traynor: I don't know.

Gary Anderson: ND Tax Dept., appeared to clarify fiscal note.

Jack McDonald: Enterprise Rent-a-Car, testified in opposition. It's ND citizens who primarily rent the cars, because their cars are being repaired. People are not flocking to ND like other states.

Scott Bothfield: Enterprise Rent-a-Car, testified in opposition. Written testimony attached.

Senator Nichols: What is the average number of days individuals rent a car?

Scott Bothfield: 80% is to local renters. Average dealership rental-2 ½ days, average insurance replacement -10 to 15 days.

Senator Stenehjem: How many vehicles does Enterprise have registered in ND?

Scott Bothfield: About 350-400, depending on the time of year.

Senator Stenehjem: How many vehicles have you purchased in the last year in ND, that you've paid the 5% excise tax on?

Scott Bothfield: About 300.

Senator Christmann: What taxes do other states have?

Jill Bergquist: Enterprise Rent-a-Car, explains other states' taxes and provides handout.

Senator Wardner: Asks about use tax and excise tax.

Jill Bergquist: Clarifies the taxes.

Senator Christmann: Each year when you reregister the vehicle, you have your registration fee plus the 5% tax on that in SD?

Jill Bergquist: No, not in SD.

Senator Stenehjem: How many total vehicles does Enterprise have in their rental fleet?

Scott Bothfield: ½ million nationwide.

Dan House: Operator of Avis Rental, testified in opposition. Feels it is a double taxation.

Shares some of the same reasons with Scott Bothfield. Our business is serves people primarily out of state. Meter number 38.6-52.7.

Senator Wardner: What percent do you charge on your billing to recover the registration and the licensing?

Dan House: Nothing.

Senator Wardner: In other states, as far as your company, the rate is the same?

Dan House: Pretty much, there are some exceptions.

Senator Stenehjem: You would rather do is be exempt from paying the initial excise tax, and pay it based on a daily rental? And you would like to pay you licensing fee based on the same criteria?

Dan House: Yes.

Senator Christmann: What prevents you from putting a few percent on to the bill to help re-coop the costs of your original excise tax and registration fees? Market or law?

Dan House: No law that prevents this. Other states are doing it. Avis Corporation prevents me.

Jill Bergquist: Stands to clarify question about adding a tax to re-coop.

Scott Bothfield: Stands to clarify how cars are plated in ND vs. SD.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion held 1/30/01. Meter number 49.2-end, Tape 2, side B & 0-11.2, Tape 3, Side A.

Senator Stenehjem to come up with amendment.

Discussion held 1/31/01. Meter number 23.1-37.5.

Senator Stenehjem explained the amendment.

Jack McDonald: Appeared to state agreement with amendment.

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Senate Finance and Taxation Committee
Bill/Resolution Number 2181
Hearing Date 1/23/01

AMENDMENT ACTION:

Motion made by Senator Wardner, Seconded by Senator Christmann, to move the amendment numbered 10130.0101. Voice Vote taken. All in favor, amendment adopted.

COMMITTEE ACTION: 1/31/01

Motion was made for DO PASS AS AMENDED & REREFFERED TO APPROPRIATIONS by Senator Christmann, Seconded by Senator Wardner. Vote was 5 yeas, 1 nay, 0 absent and not voting. Bill carrier was Senator Stenehjem.

FISCAL NOTE

Requested by Legislative Council
04/10/2001

Bill/Resolution No.:

Amendment to: Reengrossed
 SB 2181

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			\$1,998,000	\$174,000		
Expenditures						
Appropriations						

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 2181 Second Engrossment with Conference Committee Amendments imposes the state sales tax on car rentals. It also imposes a 3% surcharge on car rentals, which offsets motor vehicle excise tax paid by car rental companies on the vehicles added to their fleet. Revenues from the 3% surcharge in excess of motor vehicle excise taxes are to be remitted to the state and distributed as sales tax revenues.

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.*

The provisions of SB 2181 Second Engrossment with Conference Committee Amendments that subject car rentals to state sales tax are expected to increase State General Fund and State Aid Distribution Fund revenues by \$1.872 million during the 01-03 biennium. The 3% surcharge provisions are expected to generate an additional \$300,000 of biennial revenue in excess of motor vehicle excise taxes, which will be distributed to the State General Fund and State Aid Distribution Fund.

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.

Name:	Kathryn L. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	04/10/2001

FISCAL NOTE

Requested by Legislative Council

03/16/2001

Bill/Resolution No.:

Amendment to: Reengrossed
 SB 2181

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			\$276,000	\$24,000		
Expenditures						
Appropriations						

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 2181 Second Engrossment with House Amendments imposes a 3% surcharge on car rentals, which offsets the motor vehicle excise tax paid by car rental companies on vehicles added to their fleet. Revenues from the 3% surcharge in excess of motor vehicle excise taxes are remitted to the state and distributed as sales tax revenues.

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.*

The 3% surcharge is expected to generate \$276,000 in state general fund revenues during the 01-03 biennium.

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.*

Name:	Kathryn L. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	03/19/2001

FISCAL NOTE
 Requested by Legislative Council
 02/15/2001

Bill/Resolution No.:

Amendment to: Engrossed
 SB 2181

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			\$1,998,000	\$174,000		
Expenditures						
Appropriations						

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 2181 Second Engrossment imposes the state sales tax on car rentals. It also imposes a 3% surcharge on car rentals, which offsets the motor vehicle excise tax paid by car rental companies on the vehicles added to their fleet. Revenues from the 3% surcharge in excess of motor vehicle excise taxes are remitted to the state and treated as sales tax revenues.

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.*

The provisions of SB 2181 Second Engrossment that subject car rentals to the state sales tax are expected to increase State General Fund and State Aid Distribution Fund revenues by \$1.872 million during the 01-03 biennium. The 3% surcharge provisions are expected to generate an additional \$300,000 of biennial revenue in excess of motor vehicle excise taxes, which will also go to the State General Fund and the State Aid Distribution Fund.

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.

Name:	Kathryn L. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	02/20/2001

FISCAL NOTE
 Requested by Legislative Council
 02/02/2001

Bill/Resolution No.:

Amendment to: SB 2181

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			\$1,722,000	\$150,000		
Expenditures						
Appropriations						

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.*

Engrossed SB 2181 removes the exemption for short-term leases of automobiles, subjecting car rentals to state sales tax. It also enables cities to impose a 1% city tax on car rentals and allows rental companies to collect a 3% surcharge to offset motor vehicle excise taxes paid.

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.*

The provisions of Engrossed SB 2181 that subject car rentals to sales tax are expected to increase State General Fund and State Aid Distribution Fund revenues by \$1.872 million during the 01-03 biennium. The city tax and surcharge provisions depend on actions by the cities and rental companies and the possible fiscal impact of these provisions (Sections 1 and 2 of Engrossed SB 2181) cannot be determined.

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.*

Name:	Kathryn L. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	02/11/2001

