

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2272

2001 SENATE FINANCE AND TAXATION

SB 2272

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2272

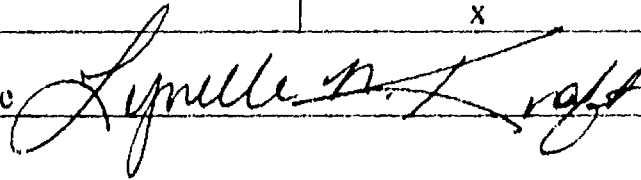
Senate Finance and Taxation Committee

Conference Committee

Hearing Date 1/29/01

Tape Number	Side A	Side B	Meter #
1	x		29.6-end
		x	0-9.3
2/13/01 - 2	x		47-end
		x	0-3.5

Committee Clerk Signature



Minutes:

Senator Urlacher: Opened the hearing on SB 2272, relating to renaissance zone income tax exemptions for certain purchases or leases of business property in small cities.

Senator Ken Kroeplin: Introduced the bill, testified in support. This bill would allow the very same deduction for a person making \$75,000 investment in a new or expanding business in a renaissance zone in a city of 2,500 or less.

Donnita Wald: ND Tax Dept., neutral. Appeared to answer some questions.

Senator Wardner: If I invested \$75,000 in a renaissance and the first year I owed \$1,000 in state income tax, I would be exempt from paying that?

Donnita Wald: That's correct.

Senator Christmann: Short or long form?

Donnita Wald: Both forms.

Senator Urlacher: What if a partnership is involved?

Donnita Wald: This credit is allowed only for individuals.

Connie Sprynczynatyk: ND League of Cities, appeared to answer question for Senator Stenehjem.

Senator Stenehjem: Under the current renaissance zone for the city of Bismarck, if I came in and bought a building in the zone and did nothing other than move my business in there, would I qualify for the tax deductions?

Connie Sprynczynatyk: Yes. Donnita Wald agreed.

Rich Gray: Manager of this program out of the Division of Community Services, appeared to clarify purchasing requirements.

Senator Stenehjem: Who's going to implement these?

Rich Gray: Local zone authority.

Senator Nichols: Are the benefits usually based on the efforts in these cases?

Rich Gray: Explains. Meter number 42.5-44.2.

Senator Christmann: Asks some questions of Rich. He explains. Meter number 44.4-50.8.

Senator Urlacher: So there's an oversight on each project based on the local criteria?

Rich Gray: Yes.

Senator Stenehjem: Under the existing renaissance zone, what's the exemption in the existing law?

Rich Gray: There are three state exemptions: Single family home, business income exemption, & investor exemption.

Senator Christmann: Who could say no to this?

Rich Gray: You have to look at that city's plan. Some people don't meet the qualifications.

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Senate Finance and Taxation Committee

Bill/Resolution Number 2272

Hearing Date 1/29/01

Senator Kroeplin: If a project is approved, is it automatic that the local property goes with it? Is that part of the criteria of the whole scheme of thing?

Rich Gray: We don't have to grant anything.

Senator Stenchjem: I would have to be approved in the renaissance zone before I apply and get the tax break?

Rich Gray: Yes.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion held 2/13/01. Meter number 47-end, Side A & 0-3.5, Side B.

Senator Kroeplin: Explained the bill again.

COMMITTEE ACTION:

Motion made by Senator Nichols for a DO PASS, Seconded by Senator Kroeplin. Vote was 4 yeas, 2 nays, 0 absent and not voting. Bill carrier was Senator Kroeplin.

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/22/2001

Bill/Resolution No.: SB 2272

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
<b>Revenues</b>						
<b>Expenditures</b>						
<b>Appropriations</b>						

**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 2272 creates certain renaissance zone income tax exemptions for investments by individuals in qualifying projects located in small cities. The exemption is up to \$10,000 of income tax per year for five years. The possible fiscal impact of these provisions is unknown.

**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.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Tax Department
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	01/26/2001

Date: 2/13/01  
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2072

Senate Finance and Taxation Committee

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

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

Action Taken DO PASS

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) 4 No 2

Absent 0

Floor Assignment Kroeplin

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

**REPORT OF STANDING COMMITTEE (410)**  
February 14, 2001 1:18 p.m.

**Module No: SR-27-3346**  
**Carrier: Kroeplin**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2272: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2272 was placed on the Eleventh order on the calendar.**



2001 HOUSE FINANCE AND TAXATION

SB 2272

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2272

House Finance and Taxation Committee

Conference Committee

Hearing Date March 12, 2001

Tape Number	Side A	Side B	Meter #
1	X		80
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

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

**SEN. KEN KROEPLIN, DIST. 23,** Introduced the bill as the prime sponsor. There are two qualifiers to the bill, that is a city of two thousand, five hundred population or less and the other qualifier is at least a seventy five thousand dollar investment in a new business. This tax credit that is in this legislation, is the very same tax credit that is in the current renaissance zone legislation, that a taxpayer would get for buying a primary residence in the renaissance zone. A business that would be located in one of these small areas, probably wouldn't make a whole lot of money, in the first years, this would allow them to go back to their personal income taxes.

**REP. CARLSON** Gave an example, are the provisions the same as if I were going to go to Fargo and build condos in a zone, the buyers would be intitled to the income tax credit?

**SEN. KROEPLIN** I was thinking of an example, if somebody bought a home in a renaissance zone in Fargo, a single family residence, they could use this exemption. We thought it could be helpful in the rural areas to spur economic development.

**REP. RENNER** How does the present legislation on these renaissance zones work as a tax credit?

**SEN. KROEPLIN** That is a big question, there are several different categories involved in renaissance zone legislation. I think there are people here that can explain it better than I can.

**REP. RENNER** I was just wondering if some of this isn't addressed in the bill we had last time.

**SEN. KROEPLIN** No, it is not, not this particular legislation. This would be in addition to what we have. That is for a business in a rural community, it would be the business that would receive the tax credit. This bill takes it back to the personal tax credit.

**REP. HERBEL** What is the significance of a twenty five hundred population?

**SEN. KROEPLIN** That is where the feds recognize between rural and urban.

**RICH GRAY, NORTH DAKOTA DIVISION OF COMMUNITY SERVICES,** Gave information regarding renaissance zones and credits. We have various exemptions and tax credits. The current law, provides for state tax exemption up to ten thousand dollars per year for five years for a total of fifty thousand dollars for the purchase of a single family home. The second one is for a business that purchases or leases property for use of a business, they will get a state income tax exemption on their income earned from that property location. The third one that is currently in law, deals with the investment. If an investor is purchasing a residential or commercial property, the investor will receive a state tax exemption on their income earned on

that property. There are three corresponding property tax provisions, which is up to the locals.

There is one for a purchase of a single family home, one for the purchase of a business and then one for the investor.

**REP. WINRICH** Under the current law, the Division of Community Services has set up pools for various sized communities, could you review that?

**RICH GRAY** What happens there, that pertains to the population break-down that is referred to zero to five thousand, five thousand and one to thirty thousand, and thirty thousand and above, this deals with the renaissance fund corporation. It deals with the two and a half million dollars of tax credits available in that particular realm of the law. What we have done is create three population categories, taken two and a half million dollars and broken it down in the three population categories, so that no one renaissance fund corporation can access the full two and a half million dollars. Our interpretation of that would be, that once you exhaust the full two and a half million dollars worth of credits, and then you have a renaissance fund corporation that has invested at least half of its funds, then there would have to be another two and a half million dollars triggered.

**REP. CLARK** The way this reads, it says, exempt up to ten thousand dollars on personal tax liability, essentially, this is removing the ten thousand dollar cap.

**RICH GRAY** The way this is set up right now, it is the same kind of a tax credit that you see for the purchase of a single family home, where somebody purchasing the home will get ten thousand dollars per year of their taxes for five years. It is all of their money, not just something earned.

**REP. CLARK** I know in this legislation, it has to do with new or expanding business which you will be exempt based upon your income, you could possibly get this exemption on not only your business income and taxes, but also, your personal income?

**RICH GRAY** You raise an interesting point. This deals with somebody, and it could be somebody else, making that seventy five thousand dollar investment. The first question we ask ourselves is, what is this connected to? Clearly, there needs to be an amendment made to this, that would include the term "what is a zone project" so something is being declared a zone project. Either the seventy five thousand dollars will be declared a zone project, or the new expanding business will be declared a zone project. Somebody will go to that zone authority and say something about his investment in a renaissance zone project.

**REP. DROVDAL** If I were to take seventy five thousand dollars and go into a community of two thousand population that had a renaissance zone and invest it in any kind of a business, I would get up to ten thousand dollars credit per year for five years off my income tax, what other credits would I also be entitled to?

**RICH GRAY** As this is written, the only exemption that would occur here, if it is the investor getting that exemption, is going to be the ten thousand dollars, because there is no property tax involved there.

**REP. DROVDAL** If I was to buy a building on main street and start a business, I would get the ten thousand, I would get depreciation on the building, I could also ask for an exemption in the community, what other credits could I or would I get?

**RICH GRAY** This issue here, is possibly you would get income earned, I don't think that is clear in here.

