

# MICROFILM DIVIDER

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



ROLL NUMBER
-------------

DESCRIPTION

2325

2001 SENATE HUMAN SERVICES

SB 2325

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2325

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 1/31/01

Tape Number	Side A	Side B	Meter #
I	x		0-20.4
2/5/01 - 2		x	37.6-40
Committee Clerk Signature <i>Lynelle W. Kraft</i>			

Minutes:

Senator Urlacher: Opened the hearing on SB 2325, relating to use of project operator payments in lieu of taxes to pay property taxes and special assessments for employees of the project.

Senator Terry Wanzek: Co-sponsored the bill, testified in support. This would provide a tool for businesses to recruit workforce and build communities.

Senator Wardner: If the company came in, they would pay some in lieu of taxes, the money would be held aside, and it could be used for workforce recruitment?

Senator Terry Wanzek: I don't think this bill says that. It would only be used for offsetting the property taxes.

Senator Nichols: The new employees would have to purchase a house in that town and they would get help with their property taxes?

Senator Terry Wanzek: Basically yes.

Jerry Hjelmsted: ND League of Cities, testified neutrally. We are not taking a position on this bill. We don't have an objection because it is an optional thing. The one concern we do have is the creation of the special fund by the city.

Senator Stenehjem: Where do they get the payments in lieu of taxes? Where are those dollars coming from?

Jerry Hjelmsted: That would be negotiations between the business & cities. They're an agreed upon amount.

Senator Stenehjem: Part of that money that would go in lieu of taxes that the company paid, would be put in a fund that the employees of the company could use to offset their property taxes, is that how that works?

Jerry Hjelmsted: Under this bill, a portion of those moneys would be required to go in a special fund for that purpose.

Senator Wardner: The benefit here is simply that the city or county can say to them-if we can get you to pay some in lieu of taxes, we'll put it away and try to benefit you with it.

Senator Stenehjem: This bill would just bring light the possibility of doing this. Couldn't they do it now?

Jerry Hjelmsted: They can.

Bill Wocken: Bismarek City administrator, testified neutrally. Written testimony attached.

Senator Nichols: If these moneys were to be used for workforce training or incentives, wouldn't be better just to make that part of the negotiations in the first place and lower the in lieu of tax payment, rather than running through the in lieu of fund and then giving it back out?

Bill Wocken: I do believe that would be a more appropriate way of handing it.

Senator Stenehjem: Could that money be used for wherever our tax dollars go?

Page 3  
Senate Finance and Taxation Committee  
Bill/Resolution Number 2325  
Hearing Date 1/31/01

Bill Wocken: Yes.

Senator Stenehjem: If a company decided to take an in lieu of tax payment in a dollar amount, no matter what happens, that money has to be used to pay property taxes and special assessment against the property of the employees of that operation.

Bill Wocken: That is my understanding. That is a dedicated fund.

Senator Terry Wanzek: Reappeared to respond to a few things.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion held 2/5/01. Meter number 37.6-40.

COMMITTEE ACTION 2/5/01

Motion made by Senator Nichols for a DO NOT PASS, Seconded by Senator Wardner.

Vote was 6 yeas, 0 nays, 0 absent and not voting. Bill carrier was Senator Nichols.

**C**

**O**

**N**

**T**

**NEXT FICHE**

Date: 2/5/01  
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2325

Senate Finance and Taxation Committee

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

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

Action Taken Do Not Pass

Motion Made By Nichols Seconded By Wardner

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

Total (Yes) 6 No 0

Absent 0

Floor Assignment Nichols

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

**REPORT OF STANDING COMMITTEE (410)**  
February 6, 2001 1:45 p.m.

Module No: SR-21-2500  
Carrier: Nichols  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**SB 2325: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO NOT PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2325 was placed on the Eleventh order on the calendar.**



2001 TESTIMONY

SB 2325

Mr. Chairman and members of the Senate Finance and Tax Committee. My name is Bill Wocken. I am City Administrator for the City of Bismarck and I am appearing this morning neither in support nor in opposition to Senate Bill 2325. I am somewhat confused by the bill.

As I understand it, local government is able to grant a 5 year property tax abatement to new business and to grant the business additional tax reduction beyond the first 5 years using the in-lieu-of procedure. This procedure allows the government unit and the business to agree in advance of the project to the level of taxation. Payments made are not based on the value of the business as is normally the case with ad valorem taxation, but rather on a mutually agreed payment. SB 2325 captures that in-lieu-of tax payment and uses it to pay the taxes and special assessments for designated employees of the business, presumably as an incentive for key personnel to work for the business.

My concern is that this arrangement sets the governmental unit up to treat taxpayers differently based on their employment. I have a concern for the constitutionality of this approach. I can agree with Senator Wanzek's testimony to use this money for job training instead of tax payments. I think it would be even better for the business to give the money they save in tax payments to their key personnel as a housing allowance and not to run the money through the municipal government at all.

I do not not debate the desire to assist the eligible business with in-lieu-of payments but I am uncomfortable with using these funds to pay workers' real estate tax and special assessment payments. I will be happy to try to answer any questions from the committee.