

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2336

2001 SENATE FINANCE AND TAXATION

SB 2336

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2336

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 2/5/01

Tape Number	Side A	Side B	Meter #
1	x		44.3-end
		x	0-10.2
2/13/01 - 1		x	31.4-end
2	x		0-5.7
2/14/01 - 1	x		13.6-27
Committee Clerk Signature <i>Lynelle M. Kraft</i>			

Minutes:

Senator Urlacher: Opened the hearing on SB 2336, relating to a corporate and income tax deduction for research and development expenditures at an approved research and development center in this state.

Senator Judy Lee: Co-sponsored the bill, testified in support. This is a great opportunity for some interesting things to be done in our small communities.

John Kramer: President of Fargo-Cass County Development Corp., testified in support.

Explains the bill & gives some examples of research and development centers.

Senator Christmann: What's the difference between this and the existing credit that's available?

John Kramer: I don't know if any companies that have gotten credit.

Donnita Wald: State Tax Dept., testified neutrally. Has a couple of concerns. We read this bill as the R & D center could be located out of state, just that the product has to be produced in ND.

There is a credit already available and this could make it possible for double-dipping. The biggest concern is not clear as whether it is a one-time 20% deduction or 5 years of the deduction with 20% each year. This would need some clarifications on that.

Senator Stenehjem: I see you have statistics for 1998. Do have any statistics for 1999?

Donnita Wald: We don't have those statistics for the full year yet.

Senator Christmann: Would it be the same people from 1998?

Donnita Wald: It could be. Explains again who is eligible as far as in state and out of state development centers.

Senator Christmann: Is it the intention that these research centers have to be in the state? If that's the case, they already get a credit. All this would do is allow a deduction for the ones out of state. What's the intention?

John Kramer: The intent was for research done inside the state. Will work on amendments.

Senator Christmann: Were you aware that they already get a credit?

John Kramer: No, we were not. We will look to make sure we are not duplicating.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion held 2/13/01. Meter number 31.4-end, Tape 1, Side B & 0-5.7, Tape 2, Side A.

Donnita Wald: Appeared to explain amendments.

Senator Wardner: So it takes care of the double-dipping?

Donnita Wald: That's correct.

Senator Wardner: What are some examples of research centers other than universities?

John Kramer: Farm equipment company, explains how it would qualify.

Discussion continued.

Discussion held 2/14/01. Meter number 13.6-27.

John Walstad: Appeared to explain what the amendment does. It incorporates some suggestions that the tax dept. made for clarity. Also some thing that John Kramer suggested. The concern is that ED & F should look at the product that is being marketed here and make a determination before this deduction is available that the net long term affect to the state general fund is going to be positive. The other thing they would do is make a determination that the product does incorporate innovative technology.

Senator Urlacher: Are there a lot of safeguards in there?

John Walstad: A fair number.

Senator Christmann: Do you get any kind of picture of how much R & D might fall into this category so there's a fiscal note.

John Walstad: I really don't have a feel for how much R & D will be done. As far as the fiscal note, the fiscal effect of this is a ways in the future.

Senator Kroeplin: When they do research and development, aren't those expenses deductible when they're doing that? If you hire somebody and he's working for you, you can deduct his wages right? So that portion's already covered?

Joe Becker: State Tax Dept., when it's a person that's working in the research area, I'm not sure if that has to be capitalized as far as the cost. I really can't answer that.

AMENDMENT ACTION:

Motion made by Senator Nichols, Seconded by Senator Wardner, to move the amendments numbered 10500.0102. Voice Vote taken. All in favor, amendment adopted.

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Senate Finance and Taxation Committee
Bill/Resolution Number 2336
Hearing Date 2/5/01

COMMITTEE ACTION: 2/14/01

Motion made by Senator Wardner for a DO PASS AS AMENDED, Seconded by Senator Christmann. Vote was 6 yeas, 0 nays, 0 absent and not voting. Bill carrier was Senator Christmann.

FISCAL NOTE
 Requested by Legislative Council
 01/23/2001

Bill/Resolution No.: SB 2336

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						

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 2336 creates a corporation income tax deduction for certain research and development expenditures.

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 revenue loss associated with SB 2336 cannot be determined.

(Note: Current law allows a tax credit for certain research expenses. A total of 6 corporations claimed this credit on 1998 returns. The amount of the credit claimed was \$557,000.)

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: 02/02/2001

PROPOSED AMENDMENTS TO SENATE BILL NO. 2336

Page 1, line 8, remove "twenty percent of"

Page 1, line 9, replace "This" with "Twenty percent of this"

Page 1, line 15, remove "nonprofit"

Page 1, line 16, after "facillty" insert "located in this state"

Page 1, after line 18, insert:

"(3) Any expenditure for which a deduction is claimed under this subdivision is not eligible for the tax credit under section 57-38-30.5."

Renumber accordingly

PROPOSED AMENDMENTS TO SENATE BILL NO. 2336

Page 1, line 3, replace "an approved" with "a certified"

Page 1, line 8, remove "twenty percent of"

Page 1, line 9, replace "This" with "Twenty percent of this"

Page 1, line 13, replace "an approved" with "a certified"

Page 1, line 14, replace "the" with "a" and after "product" insert "that has been approved by the department of economic development and finance as a product that has potential to have a net long-term positive fiscal effect for state general fund revenues and as a product that incorporates innovative technology"

Page 1, line 15, remove "nonprofit"

Page 1, line 16, after "facility" insert "located in this state" and replace "approved" with "certified"

Page 1, line 18, after "products" insert "incorporating innovative technology"

Page 1, after line 18, insert:

"(3) Any expenditure for which a deduction is claimed under this subdivision is not eligible for the tax credit under section 57-38-30.5."

Renumber accordingly

Date: 2/14/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2336

Senate Finance and Taxation Committee

Subcommittee on _____

or

Conference Committee

Legislative Council Amendment Number 10500.0102

Action Taken Move Amendment (voice vote)

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 _____

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

Date: 2/17/01
Roll Call Vote #: 2

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2330

Senate Finance and Taxation Committee

Subcommittee on _____

or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass As Amended

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) 6 No 0

Absent 0

Floor Assignment Christmann

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

REPORT OF STANDING COMMITTEE

SB 2336: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2336 was placed on the Sixth order on the calendar.

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Renumber accordingly

2001 HOUSE FINANCE AND TAXATION

SB 2336

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2336

House Finance and Taxation Committee

Conference Committee

Hearing Date March 12, 2001

Tape Number	Side A	Side B	Meter #
1	x		6100 to Side B
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

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

JOHN KRAMER, FARGO CASS COUNTY DEVELOPMENT CORPORATION,

Testified in support of the bill. See written Fact Sheet.

REP. CARLSON Used Great Plains as an example, if they develop a new software package for a particular niche, and the work they did would be in a computer program, but yet, those diskettes are produced somewhere else, are you saying they would have to move the manufacturer of the diskette, they have already done the work, how does this apply to someone like them when there really isn't something very tangible, other than they have a copyright on this program that they developed?

JOHN KRAMER For instance, if they develop a new piece of software, and in fact, they are considering some of that now, and they spent a half a million. the plastic diskette, although that is a generic product, and they would never make that, but the product then is the service, it is the

