

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2408

2001 SENATE FINANCE AND TAXATION

SB 2408

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2408

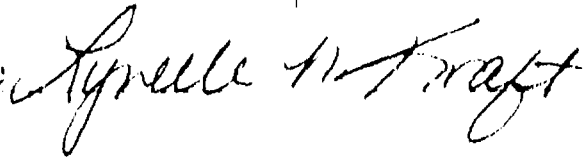
Senate Finance and Taxation Committee

Conference Committee

Hearing Date 2/13/01

Tape Number	Side A	Side B	Meter #
2/14/01 - 1	x		0-31.7
	x		51-end
		x	0-14.6

Committee Clerk Signature



Minutes:

Senator Urlacher: Opened the hearing on SB 2408, relating to the tobacco products tax.

Senator Stenehjem: Prime sponsor of the bill, testified in support. The bill deals with the taxing on smokeless tobacco. There was considerable discussion on this issue last session and it was determined that maybe it wasn't the time to talk about it as it happened at the end of the session. There are plenty of people here to explain the technicalities and the effect.

Senator Steve Tomac: Co-sponsored the bill, testified in support. This bill is long overdue. It basically changes to form of taxation for chewing tobacco from gross receipts to weight. In effort to be fair to all the consumers and industry alike, I think the change is a fair approach.

Tom Kelsh: Local attorney representing most states who in turn represent United States Smokeless Tobacco Co., testified in support. Bill would put chewing tobacco, snuff, & pipe tobacco in its own category.

Robert Shephard: Attorney representing US Smokeless Tobacco Co., testified in support.
Provided written testimony and handout of slide show and went over it.

John Job: AmCon Distributing Co., testified in support. Written testimony attached.

Russ Hanson: ND Petroleum Marketers Assoc., testified in support.

Tom Kelsh: Goes through the bill & proposes an amendment.

Senator Christmann: Without this amendment, the only thing left would be the cigars at 28%?
And if we do this amendment, the pipe tobacco would also be at the 28% instead of the \$.40 per ounce?

Tom Kelsh: Right.

Senator Wardner: Do your clients sell pipe tobacco and cigars?

Russ Hanson: They do sell some, but the majority sell chewing tobacco and cigarettes.

Gary Anderson: State Tax Dept., testified neutrally. Explained the fiscal note-revenue impact would be the same.

Senator Urlacher: Wouldn't leveling the playing field generate additional revenue?

Gary Anderson: The price of the products will determine that the slight increases and decreases wash each other out.

Senator Stenehjem: I'm at a lost to see why there wouldn't be a positive fiscal impact.

Gary Anderson: Chewing tobacco is different. We can get you more numbers.

Senator Christmann: Is there a sales tax on top of this?

Gary Anderson: Yes, 5% on the selling price. The tax that applies to the wholesale price.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion held 2/14/01. Meter number 51-end, Side A & 0-14.6, Side B.

John Quinlan: State Tax Dept., presented information on behalf of Gary Anderson of the department. Provides handout regarding the fiscal note and goes over it. Handout attached.

Senator Christmann: If we pass this bill, do you project that it will be revenue neutral with what we've had in the past?

John Quinlan: That's correct.

Senator Christmann: What would be your projected comparison of what will happen in the future if we pass this bill as opposed to if we don't pass it?

John Quinlan: If we don't pass, we show a increased revenue. These numbers are based on past increases.

Senator Christmann: We can't philosophically set a goal of making sure that the state is always going to get as much money from tobacco products as they have in the past and at the same time have a goal of cutting tobacco price.

Discussion of changing price on Pg. 4, Line 5. It was decided to leave it.

AMENDMENT ACTION:

Motion made by Senator Stenchjem, Seconded by Senator Wardner, to move the proposed amendments with changes on Pg. 4 Line 7, changing \$.15 to \$.16. Voice Vote was taken. All in favor, amendment adopted.

COMMITTEE ACTION: 2/14/01

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

FISCAL NOTE
 Requested by Legislative Council
 02/16/2001

Bill/Resolution No.:

Amendment to: SB 2408

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			\$10,000			
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.*

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.*

If enacted, SB 2408 First Engrossment is expected to increase State General Fund revenues by \$10,000 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:	03/12/2001

FISCAL NOTE
 Requested by Legislative Council
 01/30/2001

Bill/Resolution No.: SB 2408

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 2408 changes the taxation of tobacco products from 28% of wholesale price to a series of per ounce taxes, depending upon the type of product. For some types of product, this would be a tax increase, for others a tax decrease. Although we do not have complete detail on the amount of each type of product that is consumed in the state (current reporting forms do not require such detail) we believe the bill is overall close to revenue neutral for the 01-03 biennium. The current forecast for tobacco products is \$2.023 million for FY 02 and \$2.043 million for FY 03. This increase in forecasted revenue between the two years is primarily due to forecasted product price increases. Upon passage, SB 2408 would fix the tax on a per unit basis so future revenues would fluctuate based on consumption only.

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.

Name:	Kathryn L. Stromeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	02/12/2001

PROPOSED AMENDMENTS TO SENATE BILL NO. 2408

Page 1, line 15, after "cigars" insert ", pipe tobacco"

Page 1, line 18, after "cigars" insert ", pipe tobacco"

Page 1, line 21, after "cigars" insert ", pipe tobacco"

Page 1, line 22, after "cigars" insert ", pipe tobacco"

Page 2, line 5, after the underscored comma insert "and"

Page 2, line 6, remove ", and pipe tobacco"

Page 2, line 15, after "cigars" insert ", pipe tobacco"

Page 2, line 18, after "cigars" insert ", pipe tobacco"

Page 2, line 23, after "cigars" insert ", pipe tobacco"

Page 2, line 25, after "cigars" insert ", pipe tobacco"

Page 2, line 27, after "cigars" insert ", pipe tobacco"

Page 3, line 3, after "cigars" insert ", pipe tobacco"

Page 3, line 5, after the period insert "For sales of other tobacco products, the records must also include the net weight in ounces, as listed by the manufacturer."

Page 3, line 8, after "cigars" insert ", pipe tobacco"

Page 3, line 10, after the period insert "For sales of other tobacco products, each licensed distributor shall also report to the tax commissioner the net weight in ounces, as listed by the manufacturer."

Page 3, line 23, after "~~products~~" insert "and pipe tobacco"

Page 3, line 27, after "~~products~~" insert "and pipe tobacco"

Page 3, line 28, after "~~products~~" insert "and pipe tobacco"

Page 4, line 1, after "~~products~~" insert "or pipe tobacco"

Page 4, line 7, replace "fifteen" with "sixteen"

Page 4, remove lines 9 and 10

Page 5, line 4, remove the overstrike over the second overstruck comma and insert immediately thereafter "pipe tobacco."

Page 5, line 7, remove the overstrike over the overstruck comma and insert immediately thereafter "and pipe tobacco"

Page 5, line 14, after "~~products~~" insert "or pipe tobacco"

Page 5, line 27, after "~~snuff~~" insert ", pipe tobacco,"

Page 6, line 3, after "~~and~~" insert ", pipe tobacco,"

Page 6, line 20, remove the overstrike over the second overstruck comma and insert immediately thereafter "pipe tobacco,"

Page 6, line 22, remove the overstrike over the second overstruck comma and insert immediately thereafter "pipe tobacco,"

Page 6, line 27, remove the overstrike over the second overstruck comma and insert immediately thereafter "pipe tobacco,"

Page 6, line 30, remove the overstrike over the second overstruck comma and insert immediately thereafter "pipe tobacco,"

Page 7, line 3, after the period insert "For sales of other tobacco products, the return must also include the net weight in ounces, as listed by the manufacturer."

Page 7, line 25, after "~~and~~" insert "pipe tobacco,"

Renumber accordingly

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

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2408

enate Finance and Taxation Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____ (Voice Vote)

Action Taken Move Proposed Amendments; Change Pg. 4 line 7 - 15th to 16th

Motion Made By Stenehjem 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: 2/14/01
Roll Call Vote #: 7

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2408

enate Finance and Taxation Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass As Amended

Motion Made By Stenehjem Seconded By Nichols

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 Stenehjem

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

