

MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

2448

2001 SENATE FINANCE AND TAXATION

SB 2448

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2448

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 2/6/01

Tape Number	Side A	Side B	Meter #
1	x		0-end
2/7/01 - 2	x		34.9-37
		x	41.2-end
3	x		0-12.3
2/12/01 - 1	x		7.7-9.5
Committee Clerk Signature <i>Lynelle H. Kraft</i>			

Minutes:

Senator Urlacher: Opened the hearing on SB 2448, relating to tobacco tax stamps and deductions for licensed distributors for tobacco products tax administrative expenses.

Representative Al Carlson: Co-sponsored the bill, testified in support. The reason this bill came forward is because we used to stamp cigarettes and that was our method of who was selling, how many were being sold, & if the proper taxes were be collected on those cigarettes. Explained that revenues from cigarette taxes are decreasing. There is a concern of people buying cigarettes on the reservations and selling them back on the market.

Gary Anderson: State Tax Dept., testified neutrally. Passes around example of stamp, & brochure of MyerCord Co., which is a stamping company. We have approximately 30 distributors in ND, and of those a fair share of those are already utilizing this equipment because they do have businesses in other states. Provides handout with information on cigarette sales.

We are preparing some amendments that would change some of the terminology as far as the tax metering machine.

Senator Wardner: Do you see a problem with the tax dept. administering this?

Gary Anderson: There may be a small administrative problem with is the discount situation. There could be a problem with tracking that. We could do it, it would just take a little bit of work.

Senator Nichols: Prior to 1991, there was different colored stamps put on cigarettes sold on the reservations?

Gary Anderson: Yes.

Senator Nichols: There wouldn't be a charge for putting those stamps on? How would this help you in regulating whether the correct taxes are being paid on cigarettes?

Gary Anderson: Under this bill, the cost of the stamps to the state would be passed on to the distributors. As far as benefit, it would help with inventory.

Senator Christmann: Do the three states that we border have stamps?

Gary Anderson: Yes.

Senator Christmann: Are the Midwestern states seeing the same picture in loss of cigarette sales? Is that the trend or is it happening more in ND?

Gary Anderson: I don't have that information. I can get back to you with some numbers.

Senator Stenehjem: 14 licensed distributors in ND?

Gary Anderson: There are 30 distributors. 14 would have capped out under this provision. Explains.

Senator Stenehjem: Can retailers buy from distributors out of state?

Gary Anderson: The law would require that the retailers purchase stamped cigarettes in ND.

Senator Kroeplin: The tribal sales can be to anyone?

Gary Anderson: Yes, as long as the sales takes place on the reservation. The state doesn't have the authority to regulate on reservations. The law does allow an individual to have one untaxed carton in their possession.

Senator Christmann: Is that at in enforced? Is there any way to tell?

Gary Anderson: No.

Senator Stenehjem: Can you explain the fiscal note on this?

Gary Anderson: The largest part is the discount to distributors. Explains.

Rick Clayburgh: State Tax Commissioner, testified neutrally. Makes a comment. Meter number 21.3-26.5. Discusses agreements with reservations.

Senator Stenehjem: Do you need legislation to provide for the agreements?

Rick Clayburgh: We can probably do that administratively.

Senator Stenehjem: Can we turn this into a study resolution?

Rick Clayburgh: That could be a valid use of the legislators' time.

June Herman: American Heart Assoc., testified neutrally. We don't see decrease in consumption of cigarettes. ND has the 3rd highest youth rate. We do know cost affects consumption. Our concern is what the volume discount would do to the overall price of cigarettes. We do know increase in excise tax does reduce consumption, and it's revenue neutral for the state. So we would encourage at every opportunity that the tax be increased on cigarettes to reduce consumption.

John Job: AmCon Distributing Co., testified in opposition. One of the things that concerns us is that additional labor that would have to go into distributing orders to be shipped in the state. The

machine has to have operators, maintenance, the machine has an expense is approximately \$5,000 a year.

Senator Stenehjem: If the amendments were adopted and you were allowed to use the existing machinery you have to stamp the cigarettes, would you be opposed?

John Job: No, but I would like to see a legal low or unfair practices amendment added to it. That would address some other concerns.

Bruce Keiser: OK Distributing Co., testified in opposition. I have a warehouse in MT, and to keep to completely separate inventories would be difficult. The unstamped cigarettes are very handy. This could be enough to put me out of business. I don't believe there are 30 distributor son the state. MyerCord equipment is very old, we have to lease it, it's not dependable.

Senator Urlacher: What happens when you have a breakdown?

Bruce Keiser: You hopefully can rig it or you have somebody there that can get the manual out and fix it. We've had it breakdown for two days in MT.

Senator Wardner: What happened to PitneyBoes, did they go out of business?

Bruce Keiser: Ther wasn't enough business.

Roger Borhhuis: Wholesale Supply Co., testified in opposition. Our concern is with the cost of stamping cigarettes and the labor involved.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion held 2/7/01. Meter number 34.9-37.

Amendment introduced.

Senator Stenehjem: I would like this turned into a study resolution.

Discussion held later. Meter number 41.2-end, Tape 2, Side B & 0-12.3 , Tape 3, Side A.

Gary Anderson: Appeared to explain amendment and answer any questions.

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Senate Finance and Taxation Committee
Bill/Resolution Number 2448
Hearing Date 2/6/01

Discussion held 2/12/01. Meter number 7.7-9.5.

Senator Stenehjem introduced amendment.

AMENDMENT ACTION:

Motion to move amendments made by Senator Stenehjem, Seconded by Senator Nichols.

Voice Vote taken. All present in favor, 1 absent. Amendment adopted.

COMMITTEE ACTION:

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

FISCAL NOTE

Requested by Legislative Council
02/13/2001

Bill/Resolution No.:

Amendment to: SB 2448

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 2448 First Engrossment requests the Legislative Council study compliance and jurisdictional issues relating to cigarette, tobacco and fuel taxes. There is no fiscal impact.

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. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	02/14/2001

FISCAL NOTE

Requested by Legislative Council
01/30/2001

Bill/Resolution No.: SB 2448

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			(\$791,000)			
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 2448 provides for the stamping of cigarettes.

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 2448 would cost the state general fund an estimated \$791,000 in the 01-03 biennium from the dealer discount, engraving and postage. (The cost of the stamps themselves are reimbursible and are not included.)

For each 10% decrease in tribal cigarettes sold that become stamped cigarettes sold, total revenues would increase by an estimated \$209,000 per year.

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:	02/05/2001

PROPOSED AMENDMENTS TO SENATE BILL NO. 2448

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative council study of compliance and jurisdictional issues arising under the tobacco, alcohol, and fuels tax laws.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE COUNCIL STUDY. The legislative council shall consider studying compliance and jurisdictional issues under the tobacco, alcohol, and fuels tax laws. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the fifty-eighth legislative assembly."

Renumber accordingly

Date: 2/12/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2448

Senate Finance and Taxation Committee

- Subcommittee on _____
- or
- Conference Committee

Legislative Council Amendment Number 10801.0101

Action Taken Move Amendment (Voice Vote)

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) 5 No 0

Absent 1

Floor Assignment _____

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

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

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2448

Senate Finance and Taxation Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass As Amended

Motion Made By Nichols Seconded By Stenehjem

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:

REPORT OF STANDING COMMITTEE

SB 2448: 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 2448 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL." replace the remainder of the bill with "for an Act to provide for a legislative council study of compliance and jurisdictional issues arising under the tobacco, alcohol, and fuels tax laws.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

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Renumber accordingly

