

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

4003

2001 SENATE FINANCE AND TAXATION

SCR 4003

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 4003

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 01/10/01

Tape Number	Side A	Side B	Meter #
	x		0-19,4
1/17/01 - 2	x		4,4-11
Committee Clerk Signature <i>J. M. Kraft</i>			

Minutes:

Senator Urlacher: Opened the meeting. Roll call was taken, all were present.

Senator Urlacher: Called the hearing on SCR 4003, a resolution urging Congress to reduce or eliminate the impediment of capital gains and state taxes on passage of property to succeeding generations.

John Walstad, Legislative Council, introduced the bill.

John Walstad: Bill is from the Interim Tax Committee relating to passing property to succeeding generations. Capital gains taxes and estate taxes should be reduced or eliminated.

Senator Urlacher: Is there other areas that allow the movement of property within the family?

John Walstad: I am not sure, I do not know of any specific exemptions that make it easier. There are ways to avoid capital gains or estate taxes but that needs to be done well in advance.

Senator Nichols: With regard to the estate tax, what is the amount for a family and is that changing on the federal level?

John Walstad: The tax depends on the size of the estate. When you're talking about a substantial estate tax, you're talking about a substantial dollar value in property that's passing from one generation to another. The valuation increase is perhaps inflationary rather than actual wealth accumulation. The tax hit is on inflationary growth when actual wealth generated and the property value is actually less than you end up owing in taxes.

Senator Urlacher: There's also a cap on increases in the estate exception, is there not?

John Walstad: There is and that amount is an increasing amount.

Joan Galster: From the Tax Commissioner's Office: The current minimum before there is any Federal or state tax due is an estate of \$675,000. That gradually goes and up and the cap right now is a million dollars in the year 2006.

Senator Stenehjem: Are farmers treated differently than any other business owners?

Joan Galster: It's based on any decedents total gross estate regardless of what it is. There are certain exemptions.

Senator Stenehjem: Is a sole proprietorship treated the same as a farm?

Joan Galster: They would be treated the same.

John Risch: From the United Transportation Union, had opposing testimony. See written testimony.

Senator Christmann: Are you troubled by the fact that in smaller estates it's a double taxation?

John Risch: I'm not tremendously troubled that if someone who has accumulated a great wealth at some point should have to pay tax on a portion of that.

Senator Christmann: Not to argue with any specific figures, there's a difference between a great deal of wealth and a modest size farm, is it still going to get potentially taxed? It doesn't take a huge farm because of land value, it might be something that is big enough to make a living for

one family but yet is pretty substantial in the land valuation because of the inflation. The ones with the great wealth aren't paying this anyway because they are able to have attorneys and work things so they don't have a tax consequence. What are your thoughts on that?

John Risch: There are a lot of ways to avoid it. I'm of the belief that the few who do have pay it, the gov't has bent over backwards with payment periods, etc. There have been steps taken in the right direction.

Senator Kroeplin: Questioned him about a certain figure in his written testimony.

John Risch: Explained where he got information from.

Senator Urlacher closed the hearing on 4003. Action delayed.

Discussion held 1/17/01.

COMMITTEE ACTION: 1/17/01

Motion made by Senator Wardner for a DO PASS, Seconded by Senator Christmann.

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

Date: 1/17/01  
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 4003

Senate Finance and Taxation Committee

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

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

Action Taken Do Pass

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 Nichols

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

**REPORT OF STANDING COMMITTEE (410)**  
January 17, 2001 4:01 p.m.

**Module No: SR-07-1162**  
**Carrier: Nichols**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SCR 4003: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SCR 4003 was placed on the Eleventh order on the calendar.**

2001 HOUSE FINANCE AND TAXATION

SCR 4003



2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SCR 4003

House Finance and Taxation Committee

Conference Committee

Hearing Date March 20, 2001

Tape Number	Side A	Side B	Meter #
1	X		76
Committee Clerk Signature <i>Janie Stein</i>			

Minutes:

**REP. AL CARLSON, CHAIRMAN** Opened the hearing.

**JOHN WALSTAD, ATTORNEY FOR THE LEGISLATIVE COUNCIL,** Testified that the bill was introduced by the interim Taxation Committee. The committee was given a study to look at ways to improve retirement possibilities for farmers. See the Report of the North Dakota Legislative Council, Fifty Seventh Legislative Assembly, 2001, page 350.

**REP. WINRICH** What is the current limit on the estate taxes?

**JOHN WALSTAD** It is \$675,000.

**REP. WINRICH** Do you have an estimate of the number of farms in North Dakota that would fall under that, in fact, have to pay estate taxes?

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House Finance and Taxation Committee

Bill/Resolution Number SCR 4003

Hearing Date March 20, 2001

**JOHN WALSTAD** No, the committee didn't gather information on that. The information the committee used was more in the nature of heresy.

**REP. CARLSON** The way this is written regarding estate tax and capital gains tax, it sure applies to a lot of people that don't own farms.

**JOHN WALSTAD** That is certainly correct, there were some amendments at the final meeting of the committee. In the title of the resolution, there was a reference to farm property, that was removed, so the sentence about what we are asking Congress to do, does not just apply to farm property, it is any kind of property.

With no further testimony, the hearing was closed.

**COMMITTEE ACTION** 3-20-01

**REP. NICHOLAS** Made a motion for a **DO PASS**

**REP. RENNERFELDT** Second the motion. **MOTION CARRIED**

**14 Yes    1 No    0 Absent**

**REP. HERBEL** Was given the floor assignment.

Date: 3-20-01  
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SCR 4003

House FINANCE & TAXATION Committee

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

*Consent  
Subcommittee?*

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

Action Taken Do Pass

Motion Made By Rep. Nicholas Seconded By Rep. Rennerfeldt

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN	✓		NICHOLAS, EUGENE	✓	
DROVDAL, DAVID, V-CHAIR	✓		RENNER, DENNIS	✓	
BRANDENBURG, MICHAEL	✓		RENNERFELDT, EARL	✓	
CLARK, BYRON	✓		SCHMIDT, ARLO	✓	
GROSZ, MICHAEL	✓		WIKENHEISER, RAY	✓	
HERBEL, GIL	✓		WINRICH, LONNY		✓
KELSH, SCOT	✓				
KROEBER, JOE	✓				
LLOYD, EDWARD	✓				

Total (Yes) 14 No 1

Absent 0

Floor Assignment Rep. Herbel

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

**REPORT OF STANDING COMMITTEE (410)**  
March 20, 2001 11:10 a.m.

**Module No: HR-48-6117**  
**Carrier: Herbel**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SCR 4003: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends DO PASS (14 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SCR 4003 was placed on the Fourteenth order on the calendar.**

2001 TESTIMONY

SCR 4003

# united transportation union



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**RISCH**  
Legislative Director  
NORTH DAKOTA LEGISLATIVE BOARD

Testimony of John Risch  
Before the Senate Committee on  
Finance and Taxation  
Opposing SCR 4003  
January 10, 2001

Mr. Chairman members of the committee, my name is John Risch. I am the North Dakota legislative Director of the United Transportation Union. The UTU is the largest rail labor union in North America. Our membership includes conductors, engineers, switchmen, trainmen and yardmasters.

In recent years much has been said about the unfairness of the so-called "death tax", but contrary to most of the talk, the estate tax is a fair and necessary tax.

Between 98 and 99 percent of all estates in America pass from one generation to another without any estate tax being assessed. Federal estate taxes don't kick in until net assets (after debts and charitable contributions are deducted) exceed \$675,000 for a single person and \$1.35 million for a married couple. In the year 2006, the single exemption will increase to \$1 million and \$2 million for married couples.

The estate tax raises a considerable amount of revenue for the federal treasury and helps limit concentrations of power and wealth. One of the arguments heard in the Congress of 1916 when the estate tax first became law was that the tax was needed to "break up the swollen fortunes of the rich."

Steel magnate Andrew Carnegie wrote some 100 years ago that, "The parent who leaves his son enormous wealth...generally deadens the talents and energies of the son and leads him to lead a less useful and less worthy life than he otherwise would."

Carnegie's point brings to mind the recent welfare reform debates, when some claimed that giving a single mother \$10,000 a year in welfare stifles her incentive to work. If that is truly the case, just think how much worse it must be for someone who gets a windfall of \$10 million or even a \$1 billion. So the estate tax could even be a hidden blessing for some of the few being taxed.

The estate tax is assessed on less than 2% of the nation's largest estates, making it a very progressive tax. And from the point of view of most taxpayers, that's a very good thing. When those with great amounts of wealth pay more, it lessens the tax burden on the rest of us.

In fiscal year 2000, the federal estate tax is expected to raise \$27 billion. Wiping out this tax would require either raising taxes on others or reducing the anticipated budget surplus.

Even if eliminating the estate tax simply lowered the overall budget surplus, do the wealthiest Americans need tax relief? Or might it be better to provide tax relief to farmers, workers, and small business owners?

It's worth noting that the bulk of the largest wealth accumulations in our country have never been touched by the income tax--they're mainly unrealized capital gains. Without the estate tax, those gains would remain untaxed forever because wealth is not taxed as income at death.

The estate tax encourages charitable giving:

Although only 300 estates reported gross assets of more than \$20 million in 1995, those estates were responsible for about 40% of all reported charitable bequests. In the previous year, the 280 estates worth more than \$20 million were responsible for more than half of reported charitable bequests.

Without a progressive estate tax, bequests to charity would probably be a lot lower. A 1998 report by the U.S. Treasurer's Office found that, "There is overwhelming evidence that estate taxes stimulate charitable bequests." After all, a \$10 million bequest to charity generates the full \$10 million in gratitude and recognition, while the same \$10 million leaves heirs with as little as \$4.5 million (after federal and state taxes).

Both the family farmer and the small business owner are poster children for the anti-estate tax movement, but the truth is that few of them are subject to estate taxes. In 1998 there were just 48,000 estates in the United States that paid any estate tax. Of those, only 1200 of them were made up primarily of small businesses and farms. And unlike other couples, a farm couple can shelter up to \$2.6 million from tax.

In addition, IRS rules allow on-going family farms or businesses to value their assets at less than market value and to pay any estate taxes over nearly 15 years at interest rates as low as 2%. If anything, the estate tax actually encourages heirs to keep businesses in the family rather than selling.

Conclusion:

Compared to other ways of paying for government, who could quarrel with a tax that raises a good deal of money without bothering almost 99 percent of us, encourages charitable giving, helps build character and promotes America's core economic and democratic values?

For these reasons I urge the committee to make a "DO NOT PASS" recommendation on SCR 4003.

