

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

4005

2001 SENATE FINANCE AND TAXATION

SCR 4005

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 4005

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 01/10/01

Tape Number	Side A	Side B	Meter #
I	x		26.1-31.5
Committee Clerk Signature <i>Lynelle Kraft</i>			

Minutes:

Senator Urlacher: Called the hearing on SCR 4005, a resolution urging Congress to reduce or eliminate capital gains taxes on inflationary valuation increases of farm and ranch property.

John Walstad, Legislative Council, introduced the bill.

John Walstad: Explained the bill, giving example. This resolution is aimed at that capital gains taxes should not apply to increases in value that are an illusion because of inflation.

Senator Urlacher: And that would be specific for farm and ranch property?

John Walstad: Yes.

Senator Stenchjem: My feeling is we should tax everybody equally, regardless of what business they've chosen to get involved with. Would I be taxed differently as a business owner than a farmer, under 4005?

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Senate Finance and Taxation Committee
Bill/Resolution Number 4005
Hearing Date 01/10/01

John Walstad: The quick answer is yes. Congress has considered legislation to index capital gains for inflation and that legislation, which was killed for another reason, was for all property. This resolution is specific to farm and ranch property.

No Opposition Testimony.

Senator Urlacher: Closed the hearing on 4005.

Committee Action:

Motion made by Senator Nichols for DO PASS, Seconded by Senator Christmann. Vote was 5 yeas, 1 nay, 0 absent or not voting. Bill carrier was Senator Nichols.

Date: 1/10/01
Roll Call Vote #:

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 4005

Senate Finance and Taxation Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken To Pass

Motion Made By Sen. Nichols Seconded By Sen. Christmann

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 1

Absent 0

Floor Assignment Senator Nichols

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

REPORT OF STANDING COMMITTEE (410)
January 10, 2001 12:29 p.m.

Module No: SR-02-0858
Carrier: Nichols
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SCR 4005: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS (5 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SCR 4005 was placed on the Eleventh order on the calendar.

2001 HOUSE FINANCE AND TAXATION

SCR 4005

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SCR 4005

House Finance and Taxation Committee

Conference Committee

Hearing Date March 20, 2001

Tape Number	Side A	Side B	Meter #
1	X		878
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

REP. AL CARLSON, CHAIRMAN, Opened the hearing.

JOHN WALSTAD, ATTORNEY FOR THE LEGISLATIVE COUNCIL, Gave an explanation of the interim tax committee's study. See Report of the North Dakota Legislative Council, Fifty-Seventh Legislative Assembly, 2001, Page 350.

REP. WINRICH Is there any rationale for limiting it to farm and ranch property?

JOHN WALSTAD, I guess the only reason for limiting it to farm and ranch property is that was what the committee was supposed to be looking at. You are right, the same problem would exist with regard to any kind of property where you are subject to a capital gains tax, if you hold it for a long period of time. Inflation will make it look like you have made a lot of money.

REP. SCHMIDT I was on that tax committee, this is in direct correlation with the capitalization rate of farm land. That capitalization rate is causing farm land to go up artificially. Farm land has increased in value by the formula, but in reality, it is not.

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House Finance and Taxation Committee

Bill/Resolution Number SCR 4005

Hearing Date March 20, 2001

JOHN WALSTAD The concern you point out is a valid one, but the capitalization rate is used to establish the taxable value of farm land. IRS uses something worse, which is market value.

REP. CARLSON It is kind of a two-bladed sword, because if you weren't going to pass it on, and you would sell it, you would hope it would be inflated and worth a lot more. The problem is only when you pass it on. But then, you still have the ugly thing called capital gains.

JOHN WALSTAD That would probably be an estate tax situation, but capital gain for a sale preceeding death, you would have that same problem, that valuation change.

With no further testimony, the hearing was closed.

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

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

REP. LLOYD Asked the question whether, if he had a quarter of land and wanted to retire, he wanted to sell the quarter of land to live on for his retirement, is that appropriate for this?

REP. CARLSON That would be more the capital gains side of it.

REP. LLOYD So I sell it, and my capital gains is fifteen percent on the capital gains, and I put that money in the bank and I live on it, if I transfer that to my estate, and then the estate has to sell it in order to pay the tax on it

JOHN WALSTAD Answered, stating, if the property is held until death, then it is subject to estate tax rather than capital gain, there is a substantial exclusion of value from estate tax, so the capital gains tax would probably be more intrusive than the estate tax.

My view is, capital gains or estate tax should not be different, it should not influence your decision about holding the property until you die or transferring it to whoever you want to have it now.

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House Finance and Taxation Committee

Bill/Resolution Number SCR 4005

Hearing Date March 20, 2001

REP. LLOYD There is a difference right now, do you know the magnitude of the difference?

JOHN WALSTAD No I don't, but there is a substantial exclusion under the estate tax law.

There is no comparable provision for capital gains.

REP. RENNER I thought the size of the estate could be \$675,000 or a 1.3 million, if you are married. In your example, if your estate was smaller than that, and you died, your heirs could sell that property tax free.

After the question and answer period, a roll call vote was taken on the Do Pass motion

14 yes 1 no 0 absent

REP. RENNER Was given the floor assignment.

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

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SCR 4005

House FINANCE & TAXATION Committee

Subcommittee on _____

or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Rep. Renner Seconded By Rep. Herbel

*Call Scott
Chapman?*

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. Renner

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

REPORT OF STANDING COMMITTEE (410)
March 20, 2001 11:26 a.m.

Module No: HR-48-6121
Carrier: Renner
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SCR 4005: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends DO PASS (14 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SCR 4005 was placed on the Fourteenth order on the calendar.