

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

4031

2001 SENATE FINANCE AND TAXATION

SCR 4031

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 4031

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 2/12/01

| Tape Number | Side A | Side B | Meter # |
|---|--------|--------|----------|
| 1 | x | | 5.1-25.2 |
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| Committee Clerk Signature <i>Lynelle R. Kraft</i> | | | |

Minutes:

Senator Urlacher: Opened the hearing on SCR 4031, a resolution directing the Legislative Council to study the state corporate income tax laws.

Senator Ben Tollefson: Co-sponsored the bill, testified in support. Companies move where they can do better economically. We think ND's on the brink of a lot of movement toward greater economic venture. I urge a do pass. I also draw your attention to some of the leadership that have signed onto this bill.

Senator Nichols: What are the other states surrounding doing?

Senator Ben Tollefson: I don't know. I'll get that information for you.

Senator Randy Schobinger: Co-sponsored the bill, testified in support. I feel this is a wise move at this time given the constraints we have on the budget. It is my belief that eliminating the corporate income tax in the state will have very beneficial effects over time. I ask for your

favorable consideration. Chief Financial Magazine had a report out where they stated that ND's corporate income tax is the highest in the nation.

Senator Wardner: In the article, when they came to that conclusion, did they realize that it's kind of a graduated corporate tax?

Senator Randy Schobinger: They did note what states had graduated corporate taxes, but what they took is the top rate. My concern is that when these things go out to the chief financial officers in the country, that has an impact on their decision making process.

Senator Nichols: What percentage of the corporate taxes that we collect are from inside the state and out of state?

Senator Randy Schobinger: The Tax Dept. would have numbers on that.

Senator Wardner: Do you think that eliminating the corporate income tax would be even more important than tax incentives?

Senator Randy Schobinger: This is a study to look at that.

Dale Anderson: Greater ND Assoc., testified in support. North Dakota is a very high taxed state. There are only 9 states that are taxed more highly than ND. A look at the whole tax structure is needed. ND needs a balanced approach to taxation. We would urge this type of study and possibly broaden it.

Senator Kroepelin: What about farms-how do they determine what's a corporation?

Senator Randy Schobinger: I believe it would be determined on who's paying the corporate income tax right now.

Discussion followed.

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Senate Finance and Taxation Committee

Bill/Resolution Number 4031

Hearing Date 2/12/01

COMMITTEE ACTION:

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

Vote was 6 yeas, 0 nays, 0 absent and not voting. Bill carrier was Senator Wardner.

REPORT OF STANDING COMMITTEE (410)
February 12, 2001 11:42 a.m.

Module No: SR-25-3030
Carrier: Wardner
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SCR 4031: Finance and Taxation Committee (Sen. Uriacher, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SCR 4031 was placed on the Eleventh order on the calendar.

2001 HOUSE FINANCE AND TAXATION

SCR 4031

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SCR 4031

House Finance and Taxation Committee

Conference Committee

Hearing Date March 21, 2001

| Tape Number | Side A | Side B | Meter # |
|--|--------|--------|---------|
| 1 | | X | 1,383 |
| | | | |
| | | | |
| Committee Clerk Signature <i>Jamie Stein</i> | | | |

Minutes:

REP. AL CARLSON, CHAIRMAN, Opened the hearing.

SEN. RANDY SCHOBINGER, DIST. 3, MINOT Testified in support of the resolution, I as a sponsor of the resolution. This is a resolution to study the effectiveness of either, eliminating or restructuring, the corporate income tax of North Dakota, with the focus being on economic development. I don't believe it can be disputed that the corporate income tax is one of those issues that needs to be looked at when we talk about what can we do, to bring business and industry to North Dakota. Maybe many of you are aware that the Chief Financial Officer Magazine, November, 2000 Issue, talked about North Dakota and its corporate income tax, and stated it was the highest in the nation. Whether that is true, or imagined, it went out to most of the chief financial officers in the country, they do look at those things. All this resolution does, is ask the legislative council to study the corporate income tax and the effects of eliminating that tax.

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House Finance and Taxation Committee

Bill/Resolution Number SCR 4031

Hearing Date March 21, 2001

REP. KELSH Do you have any information as to how our corporate income tax compares to Montana or South Dakota or Minnesota?

SEN. SCHOBINGER That information is out there, I don't have it with me. I can get that for you.

SEN. BEN TOLLEFSON, DIST. 38, MINOT Testified in support of the resolution. This sounds like a huge step to take, if you would ever eliminate corporate income tax from the revenue stream for the state of North Dakota, it amounts to about fifty million dollars per year. If you do look around at economic development, it is a big part for the state of North Dakota. If you look at South Dakota, they have no corporate income tax. They tax in other ways. Montana has a flat rate tax, and Minnesota has a higher flat rate tax. We are grasping at straws to make North Dakota a better place to live and do business, and to keep the young people here. We feel that studying this issue, would be a worthwhile interim project.

DALE ANDERSON, GREATER NORTH DAKOTA ASSOCIATION, Testified in support of the resolution. We have a policy of an important tax balance of North Dakota. The tax balance involves the property tax, sales tax, individual income tax and corporate income tax. We feel that package is essential to be in their proper balance for our state to be profitable and successful. We need to look at that balance, and this is probably the appropriate time to look at it. We are involved in a new economy initiative, that whole process will look at the kinds of businesses that are here today. The time is appropriate.

REP. KROEBER Why do you think that in 1998, corporate income taxes were over sixty five million dollars, and now they are about forty five million dollars?

DALE ANDERSON I don't know the answer to that, I suspect it is the state of the economy. I have not looked at the numbers and don't have a firm analysis of why the change has taken place.

BILL BUTCHER, STATE DIRECTOR OF NFIB, Testified in support of the resolution. We represent approximately three thousand small business owners in North Dakota and many of them are affected by corporate income tax. On behalf of those business owners that I represent, I can't think of anything that would encourage investment or expansion of business more, then this study of tax relief or elimination for corporations. Related to personal experience in that regard. He related to the fact that South Dakota did not have a corporate income tax, which is really a selling point in moving a business there.

REP. CARLSON Stated that South Dakota did not have a corporate income tax, they just extract it from people in a different method, you need to understand the total pie in how they derive that money. It always comes from somewhere.

REP. HERBEL Along those same lines of thought, if we extract one hundred million dollars out of the corporate income tax over the next biennium, or whatever the biennium may be, that is also going to have to be paid by someone, and the way things are going, it will be private property tax.

REP. LLOYD Asked if there is a business privilege tax?

MARY LOFTSGARD, SUPERVISOR OF CORPORATE INCOME TAX, STATE TAX DEPARTMENT, Answered the question, stating, there was a business privilege tax at one time, but it was repealed.

REP. KROEBER Stated that he was looking in the tax book, and we do have a little quirk in this law as we do in our income tax law, in that, we do allow the corporations to deduct their

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House Finance and Taxation Committee

Bill/Resolution Number SCR 4031

Hearing Date March 21, 2001

federal income tax liability before calculating their state tax liability. Which results in making our charts look abnormal again, kind of like our fourteen percent income tax. That should be kept in consideration when we talk about the level of tax.

REP. CARLSON That is a valid point.

With no further testimony, the hearing was closed.

COMMITTEE ACTION

REP. DROYDAL Made a motion for **DO PASS AND BE PLACED ON THE CONSENT**

CALENDAR

REP. GROSZ Second the motion. **MOTION CARRIED BY VOICE VOTE AND WAS**

PLACED ON THE CONSENT CALENDAR.

REP. GROSZ Was given the floor assignment.

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NEXT FICHE

Date: 3-21-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SCR 4031

House FINANCE & TAXATION Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Rep. Drovdal Seconded By Rep. Grosz

| Representatives | Yes | No | Representatives | Yes | No |
|-------------------------|-----|----|-------------------|-----|----|
| CARLSON, AL, CHAIRMAN | ✓ | | NICHOLAS, EUGENE | A | |
| DROVDAL, DAVID, V-CHAIR | ✓ | | RENNER, DENNIS | ✓ | |
| BRANDENBURG, MICHAEL | ✓ | | RENNERFELDT, EARL | A | |
| CLARK, BYRON | ✓ | | SCHMIDT, ARLO | ✓ | |
| GROSZ, MICHAEL | ✓ | | WIKENHEISER, RAY | ✓ | |
| HERBEL, GIL | ✓ | | WINRICH, LONNY | ✓ | |
| KELSH, SCOT | ✓ | | | | |
| KROEBER, JOE | ✓ | | | | |
| LLOYD, EDWARD | ✓ | | | | |
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Total (Yes) 13 No 0

Absent 2

Floor Assignment Rep. Grosz

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

REPORT OF STANDING COMMITTEE (410)
March 21, 2001 11:33 a.m.

Module No: HR-49-6266
Carrier: Grosz
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SCR 4031: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends DO PASS and BE PLACED ON THE CONSENT CALENDAR (13 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). SCR 4031 was placed on the Tenth order on the calendar.

