

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1327

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Dennis Halliwell  
Operator's Signature

10/3/03  
Date

2003 HOUSE FINANCE AND TAXATION

HB 1327

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Dennis Halliwell  
Operator's Signature

10/3/03  
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1327

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 20, 2003

Tape Number	Side A	Side B	Meter #
1		x	14
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

**REP. WESLEY BELTER, CHAIRMAN** Called the hearing to order.

**REP. BOB SKARPHOL, DIST. 2, TIOGA, ND** Introduced the bill. This is a rural economic development bill. He stated he was the president of the local economic development group. The larger cities have abilities that smaller cities in rural areas do not have. They can provide tax incentives, etc., in the larger communities simply because of their size. Most of the communities with twelve hundred or less population don't have the resources to be able to give anything away. This is an attempt in revitalizing rural North Dakota. It is my intention, that this apply to all corporate entities. In my discussion with the tax department, the analyst, told me that if we were to do this in one giant step, the fiscal impact to the State Treasury, would be six million dollars. That is the reason for phasing this in. They would get a twenty five percent benefit the first year,

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Donna Hall*  
Operator's Signature

10/3/03  
Date

Page 2

House Finance and Taxation Committee

Bill/Resolution Number HB 1327

Hearing Date January 20, 2003

fifty percent the second year, and seventy five the third year, and after four years, there would be no corporate income tax, for communities of two thousand and less in North Dakota.

**SEN. RON NICHOLS, DIST. 4**, Testified in support of HB 1326 and HB 1327. As all of you know, things are changing pretty fast in rural North Dakota. We are losing population, and the ones remaining in the small towns, are getting older. We are an aging population, it is difficult to keep young families in the rural towns. These two bills will help.

**MARY LOFTSGARD, SUPERVISOR OF CORPORATE INCOME TAX, STATE TAX DEPARTMENT**, Testified in a neutral position. She stated they had certain questions in terms of clarifying the language. They have questions regarding how the bill would work, there is no definition of net income. They are not sure how the bills would mesh.

**REP. WINRICH** Rep. Skarphol said the reason he phased this in with 25%, 50%, 75%, etc., is that he had gotten a fiscal note, which would be six million dollars. How can you determine that, if it is done all at once, the fiscal note that we have says, the impact cannot be determined, if it is phased in. What makes it so much more difficult to determine, if it is phased in?

**MARY LOFTSGARD** I am going on the assumption, because the fiscal note was prepared by another staff member, I hope the initial six million dollars was based on all corporations of less than two thousand population. I think our understanding at the time was, that this would only impact new corporations.

**REP. WINRICH** Asked if a revised fiscal note would be prepared.

**MARY LOFTSGARD** Stated she would request one.

With no further testimony, the hearing was closed.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Hallmark  
Operator's Signature

10/3/03  
Date

Page 3  
House Finance and Taxation Committee  
Bill/Resolution Number HB 1327  
Hearing Date January 20, 2003

**COMMITTEE ACTION** Later in the day, Tape #2, Side A, Meter #31.4

**REP. HEADLAND** Stated he supports the bill and would like to have amendments drafted regarding clarifying the language of the bill.

**REP. WINRICH** Stated he would help with getting more information and amendments drafted. Some of the committee members felt this would help with economic development in the small cities of North Dakota.

**REP. BELTER** Stated he would hold the bill until the amendments were drafted.

**COMMITTEE ACTION** 2-4-03, Tape #1, Side A, Meter #25

**REP. HEADLAND** Presented amendments #30341.0101 to the bill which would clarify the language for the tax department.

**REP. HEADLAND** Made a motion to adopt the amendments as presented.

**REP. DROVDAL** Second the motion. Motion carried by voice vote.

**REP. CLARK** Made a motion for a **DO NOT PASS AS AMENDED**.

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

12 YES      0 NO      2 ABSENT

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

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Deanna Ballantyne*  
Operator's Signature

10/3/03  
Date

**FISCAL NOTE**  
**Requested by Legislative Council**  
02/06/2003

Amendment to: HB 1327

**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.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$2,250,000)			
Expenditures						
Appropriations						

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 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.*

If enacted, Engrossed HB 1327 would provide corporate income tax deductions to businesses located in towns with populations at or below 2,000. The deduction is equal to 25% of taxable income for tax year 2003, and 50% for tax year 2004. We estimate the fiscal impact is an expected loss in state general fund revenues of \$2.25 million for the 2003-05 biennium.

**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.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Tax Dept.
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	02/06/2003

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Dennis Hall*  
Operator's Signature

10/3/03  
Date

**FISCAL NOTE**  
Requested by Legislative Council  
01/14/2003

Bill/Resolution No.: HB 1327

**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.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 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.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 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.*

☐ If enacted, HB 1327 would provide corporate income tax exemptions to new businesses locating in towns with populations at or below 2,000. It is uncertain how many new businesses would locate in small towns so the fiscal impact cannot be determined.

**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 Dept.
Phone Number:	328-3402	Date Prepared:	01/17/2003

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Dennis H. Smith*  
Operator's Signature

10/3/03  
Date

Date: 2-4-03  
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1327

House FINANCE & TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 30341.0100

Action Taken Do Not Pass as amended

Motion Made By Rep. Clark Seconded By Rep. Grosz

Representatives	Yes	No	Representatives	Yes	No
BELTER, CHAIRMAN	<input checked="" type="checkbox"/>				
DROVDAL, VICE-CHAIR	<input checked="" type="checkbox"/>				
CLARK	<input checked="" type="checkbox"/>				
FROELICH	<input checked="" type="checkbox"/>				
GROSZ	<input checked="" type="checkbox"/>				
HEADLAND	<input checked="" type="checkbox"/>				
IVERSON	<input checked="" type="checkbox"/>				
KELSH	<input checked="" type="checkbox"/>				
KLEIN	<input checked="" type="checkbox"/>				
NICHOLAS	<input checked="" type="checkbox"/>				
SCHMIDT	<input checked="" type="checkbox"/>				
WEILER	<input checked="" type="checkbox"/>				
WIKENHEISER	<input checked="" type="checkbox"/>				
WINRICH	<input checked="" type="checkbox"/>				

Total (Yes) 12 No 0

Absent 2

Floor Assignment Rep. Kelsh

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

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Hall  
Operator's Signature

10/3/03  
Date

**REPORT OF STANDING COMMITTEE (410)**  
February 5, 2003 11:29 a.m.

Module No: HR-22-1703  
Carrier: S. Kelsh  
Insert LC: 30341.0101 Title: .0200

**REPORT OF STANDING COMMITTEE**

**HB 1327: Finance and Taxation Committee (Rep. Belter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1327 was placed on the Sixth order on the calendar.**

Page 1, line 7, replace "the net" with "North Dakota taxable", replace "from" with "attributable to", and replace "established" with "operating"

Page 1, line 8, remove "after June 30, 2003,"

Page 1, line 12, remove "For"

Page 1, remove line 13

Page 1, line 14, remove "qualifying location."

Page 1, line 16, replace "must be reduced by seventy-five" with "is twenty-five" and after "percent" insert "of taxable income"

Page 1, line 17, replace "by" with "is" and after "percent" insert "of taxable income"

Page 1, line 18, replace "by twenty-five" with "is seventy-five" and after "percent" insert "of taxable income"

Page 1, line 19, after the period insert "A corporation granted a new and expanding business exemption under chapter 40-57.1 is not entitled to the reduction under this subdivision."

Renumber accordingly

2003 TESTIMONY  
HB 1327

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Halliwell  
Operator's Signature

10/3/03  
Date

Red. Winrich

HB

1327

**GROWING**  
North Dakota

WWW.GROWINGND.COM

400 East Broadway, Suite 50 | Bismarck, ND 58502-2857 | 701-325-6308

where you're @ Economic Development Services | North Dakota Development Fund

**ND DEVELOPMENT FUND**

North Dakotans have an interest in financially supporting business because business provides jobs, broadens our tax base and enhances our quality of life. The North Dakota Development Fund may be the perfect source for many primary-sector businesses. The fund provides "gap financing" not available from most conventional lenders.

APPLICATION PROCESS  
BOARD OF DIRECTORS  
INVESTMENTS  
PRESS RELEASES

AGENCY OVERVIEW  
AG PRODUCTS UTILIZATION  
BUSINESS DEVELOPMENT  
EVENTS CALENDAR  
INTERNATIONAL TRADE  
NORTH DAKOTA  
DEVELOPMENT FUND  
RESEARCH  
RURAL DEV. COUNCIL  
STAFF DIRECTORY  
TARGET MARKETING  
WORKFORCE DEVELOPMENT  
MANUFACTURING EXTENSION  
PARTNERSHIP

An eight-member board and experienced staff carry out the functions of the North Dakota Development Fund. The fund is a secondary source of financing, subordinate to private sources. If a business can't handle added debt, the Development Fund can take an equity financing position.

The Fund is a team player in economic development. It coordinates efforts between all the sources of financing, the business and the community. Any project considered for this financing must be feasible and have a reasonable chance of succeeding.

This fund was created to provide flexible "gap" financing through loans and equity investments. Funding is available to any primary-sector business with the exception of production agriculture. The Development Fund also administers the Regional Rural Revolving Loan Fund, which provides funding for projects located in rural areas. To access the Rural Revolving Loan Fund, the primary-sector business must be located in a community of less than 8,000 in population or be located more than five miles outside the city limits.

For more information, contact:

- Governor's Choice Award  
Winners Announced
- Hooven Announces Training  
Package for CrossUSA
- Information Technology  
Company Expanding to  
Beulah
- Divide Co. Economic  
Development Efforts Paying  
Off
- APUC Awards \$295,537 in  
Value-Added Ag Grants

<http://www.growingnd.com/services/fund/default.asp?sectionID=10&subSectionID=30&pa...> 1/21/2003

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Dennis Hall*  
Operator's Signature

10/3/03  
Date

**Dean Reese**  
CEO, ND Development Fund  
701-328-5310  
[dreese@state.nd.us](mailto:dreese@state.nd.us)

ADDITIONAL INFORMATION

ICON LEGEND

 2000-2001 NDDF Annual Report  
950 K

<http://www.growingnd.com/services/fund/default.asp?sectionID=10&subSectionID=30&pa..> 1/21/2003

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

  
Operator's Signature

10/3/03  
Date