

2023 HOUSE FINANCE AND TAXATION

HB 1168

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1168
1/9/2023

A bill relating to the provision of an income tax credit for purchases of manufacturing machinery and equipment to automate a manufacturing process.
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Chairman Headland opened the hearing at 10:30am.

Members present: Chairman Headland, Vice Chairman Hagert, Representative Anderson, Representative Bosch, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Toman, Representative Finley-DeVille, and Representative Ista. No members absent.

Discussion Topics:

- Automation tax credit
- Workplace safety and productivity measurements for tax credit
- New and expanding business tax credit

Representative Steiner introduced bill.

Andrea Pfennig, Director of Government Affairs for the Greater Chamber of North Dakota, testified in support (#12605).

Scott Staudinger, Vice President of Government Affairs and Human Resources with Cloverdale Foods Company, testified in support (#12623). Read written testimony from Miranda Berquist, Chief Financial Officer at Cloverdale Foods Company.

Dana Hager, Executive Director for Economic Development Association of North Dakota, introduced the next person to testify.

Nathan Schneider, Vice President of the Bismarck Mandan Chamber EDC and an Economic Development Association of North Dakota board member, testified in support (#12604).

Ellen Huber, City of Mandan Business Development and Communications, testified in support (#12615).

Brian Ritter, President and CEO with the Bismarck Mandan Chamber EDC, testified in support (#12530).

Cairn Reisch, Community Relations Manager with Marvin, testified remotely in support (#12527).

Matt Peyerl, Office of the State Tax Commissioner, neutral testimony.

Dave Lehman, North Dakota Department of Commerce, neutral testimony #13203.

Chairman Headland closed the hearing at 11:04am.

Additional written testimony:

Delore Zimmerman, Executive Director with Valley Prosperity Partnership, testimony in support #12572.

Katherine Grindberg, Fargo Moorhead West Fargo Chamber of Commerce, testimony in support #12564.

Mary Brucker, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

HB 1168
1/16/2023

A bill relating to the provision of an income tax credit for purchases of manufacturing machinery and equipment to automate a manufacturing process.
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Chairman Headland opened the meeting at 2:27pm.

Members present: Chairman Headland, Vice Chairman Hagert, Representative Anderson, Representative Bosch, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Toman, and Representative Ista. Members absent: Representative Finley-DeVille

Discussion Topics:

- Proposed amendment 23.0487.01001

Chairman Headland distributed a proposed amendment 23.0487.01001 (#13803).

Representative Steiner moved the amendment 23.0487.01001.

Representative Olson seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Lisa Finley-DeVille	AB
Representative Jay Fisher	Y
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	N
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	Y

Motion carried 12-1-1

Representative Dockter moved a Do Pass as Amended.

Representative Steiner seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Lisa Finley-DeVilleville	AB
Representative Jay Fisher	YY
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	N
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	Y

Motion carried 12-1-1

Representative Fisher is the bill carrier.

Meeting adjourned at 2:42pm.

Reconsidered on 1-17-2023.

Mary Brucker, Committee Clerk

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1168

AG
1-16-23
(1-1)

Page 1, line 3, after "manufacturing" insert "and animal agricultural"

Page 1, line 4, after "manufacturing" insert "or animal agricultural"

Page 1, line 8, after "**manufacturing**" insert "**and animal agricultural**"

Page 1, line 10, replace "manufacturing" with "qualifying"

Page 1, line 11, remove "for the purpose of automating manufacturing processes"

Page 1, line 13, replace "manufacturing" with "qualifying"

Page 1, line 18, after "a." insert "\"Animal agricultural machinery and equipment\" means new or used automation and robotic equipment used to upgrade or advance an animal agricultural process. The term does not include replacement automation and robotic equipment that does not upgrade or advance an animal agricultural process.

b. "Animal agricultural process" means the breeding, raising, harvesting, or processing of animals for producing meat, dairy, or eggs, or meat, dairy, or egg products. For purposes of this subdivision, "animal" means beef or dairy cattle, swine, sheep, goats, bison, farmed elk, or poultry.

c."

Page 1, line 21, replace "b." with "d."

Page 2, line 1, replace "c." with "e."

Page 2, line 1, remove "for the purpose of automating"

Page 2, line 2, remove "manufacturing processes"

Page 2, line 6, replace "d." with "f."

Page 2, line 7, replace "e." with "g."

Page 2, line 7, replace "manufacturing" with "qualifying"

Page 2, after line 11, insert:

h. "Qualifying machinery and equipment" means animal agricultural machinery and equipment and manufacturing machinery and equipment for the purpose of automating manufacturing or animal agricultural processes."

Page 2, line 13, replace "manufacturing" with "qualifying"

Page 4, line 9, after "manufacturing" insert "and animal agricultural"

Renumber accordingly

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1168
1/17/2023

A bill relating to the provision of an income tax credit for purchases of manufacturing machinery and equipment to automate a manufacturing process.

Chairman Headland opened the meeting at 9:22 AM

Members present: Chairman Headland, Vice Chairman Hagert, Representative Anderson, Representative Bosch, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Toman, Representative Finley-DeVille, and Representative Ista. No members absent.

Discussion Topics:

- Reconsideration of action
- Rerefer to Appropriations Committee

Chairman Headland informed the committee we forgot to rerefer this bill to Appropriations.

Representative Hatlestad moved to reconsider our actions.

Representative Bosch seconded the motion.

Voice vote-motion carried.

**Amendment 23.0487.01001 was voted on and passed in committee on January 16, 2023.

Representative Steiner moved a Do Pass as Amended and Rerefer to Appropriations.

Representative D. Anderson seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Lisa Finley-DeVille	Y
Representative Jay Fisher	Y
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	N

Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	Y

Motion carried 13-1-0

Representative Fisher remains the carrier of the bill.

Meeting adjourned at 9:23 AM.

***This bill was reconsidered from previous actions on January 16, 2023.*

Mary Brucker, Committee Clerk

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1168

AG
1-16-23
(1-1)

Page 1, line 3, after "manufacturing" insert "and animal agricultural"

Page 1, line 4, after "manufacturing" insert "or animal agricultural"

Page 1, line 8, after "**manufacturing**" insert "**and animal agricultural**"

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b. "Animal agricultural process" means the breeding, raising, harvesting, or processing of animals for producing meat, dairy, or eggs, or meat, dairy, or egg products. For purposes of this subdivision, "animal" means beef or dairy cattle, swine, sheep, goats, bison, farmed elk, or poultry.

c."

Page 1, line 21, replace "b." with "d."

Page 2, line 1, replace "c." with "e."

Page 2, line 1, remove "for the purpose of automating"

Page 2, line 2, remove "manufacturing processes"

Page 2, line 6, replace "d." with "f."

Page 2, line 7, replace "e." with "g."

Page 2, line 7, replace "manufacturing" with "qualifying"

Page 2, after line 11, insert:

h. "Qualifying machinery and equipment" means animal agricultural machinery and equipment and manufacturing machinery and equipment for the purpose of automating manufacturing or animal agricultural processes."

Page 2, line 13, replace "manufacturing" with "qualifying"

Page 4, line 9, after "manufacturing" insert "and animal agricultural"

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1168: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (13 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1168 was placed on the Sixth order on the calendar.

Page 1, line 3, after "manufacturing" insert "and animal agricultural"

Page 1, line 4, after "manufacturing" insert "or animal agricultural"

Page 1, line 8, after "**manufacturing**" insert "**and animal agricultural**"

Page 1, line 10, replace "manufacturing" with "qualifying"

Page 1, line 11, remove "for the purpose of automating manufacturing processes"

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Page 2, line 7, replace "manufacturing" with "qualifying"

Page 2, after line 11, insert:

"h. Qualifying machinery and equipment means animal agricultural machinery and equipment and manufacturing machinery and equipment for the purpose of automating manufacturing or animal agricultural processes."

Page 2, line 13, replace "manufacturing" with "qualifying"

Page 4, line 9, after "manufacturing" insert "and animal agricultural"

Renumber accordingly

2023 HOUSE APPROPRIATIONS

HB 1168

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Brynhild Haugland Room, State Capitol

HB 1168
2/2/2023

Relating to the provision of an income tax credit for purchases of manufacturing and animal agricultural machinery and equipment to automate a manufacturing or animal agricultural process; and to provide an effective date

10:16 AM Chairman Vigesaa- Meeting was called to order and roll call was taken:

Members present; Chairman Vigesaa, Representative B. Anderson, Representative Bellew, Representative Brandenburg, Representative Hanson, Representative Kreidt, Representative Martinson, Representative Mitskog, Representative Meier, Representative Mock, Representative Monson, Representative Nathe, Representative J. Nelson, Representative O'Brien, Representative Pyle, Representative Richter, Representative Sanford, Representative Schatz, Representative Schobinger, Representative Strinden, Representative J. Stemen and Representative Swiontek.

Members not Present: Representative Kempenich,

Discussion Topics:

- Income Tax Credit
- Proposal from Governors Budget

Representative Headland- Introduces HB 1168

Matt Peyerl, Auditor with ND State Tax Commissioner -Answers committee questions

Josh Teigen- Commerce Commissioner- Answers committee questions. (Testimony # 18807)

Chairman Vigesaa Closed the meeting for HB 1168 at 10:50 AM

Risa Berube, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Brynhild Haugland Room, State Capitol

HB 1168
2/9/2023

Relating to the provision of an income tax credit for purchases of manufacturing and animal agricultural machinery and equipment to automate a manufacturing or animal agricultural process; and to provide an effective date

9:31 AM Chairman Vigesaa- Meeting was called to order and roll call was taken:

Members present; Chairman Vigesaa, Representative Kempenich, Representative Bellew, Representative Brandenburg, Representative Hanson, Representative Kreidt, Representative Martinson, Representative Mitskog, Representative Meier, Representative Mock, Representative Monson, Representative Nathe, Representative J. Nelson, Representative O'Brien, Representative Pyle, Representative Richter, Representative Sanford, Representative Schatz, Representative Schobinger, Representative Strinden, and Representative G. Stemen

Members not Present: Representative B. Anderson and Representative Swiontek

Discussion Topics:

- Revenue Reduction
- Divided Among Approved Appicates

Representative Nathe Move to amend 5 million down to 3 million.

Representative Mitskog- Seconds the motion.

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	A
Representative Larry Bellew	Y
Representative Mike Brandenburg	Y
Representative Karla Rose Hanson	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	Y
Representative David Monson	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy Pyle	Y

Representative David Richter	Y
Representative Mark Sanford	Y
Representative Mike Schatz	Y
Representative Randy A. Schobinger	Y
Representative Greg Stemen	Y
Representative Michelle Strinden	Y
Representative Steve Swiontek	A

Motion Carries 21-0-2

Representative J. Stemen- Move for a Do Pass as Amended

Representative Nathe- Seconds the motion.

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	A
Representative Larry Bellew	Y
Representative Mike Brandenburg	Y
Representative Karla Rose Hanson	N
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	Y
Representative David Monson	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Mike Schatz	Y
Representative Randy A. Schobinger	Y
Representative Greg Stemen	Y
Representative Michelle Strinden	Y
Representative Steve Swiontek	A

Motion Carries 20-1-2 Representative J. Stemen will carry the bill.

Chairman Vigesaa Closed the meeting for HB 1168 at 9:46 AM

Risa Berube, Committee Clerk

23.0487.02001
Title.03000

Prepared by the Legislative Council staff for
the House Appropriations Committee
February 9, 2023

JA
2-9-23

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1168

Page 2, line 30, replace "two" with "one"

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1168, as engrossed: Appropriations Committee (Rep. Vigesaa, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (20 YEAS, 1 NAY, 2 ABSENT AND NOT VOTING). Engrossed HB 1168 was placed on the Sixth order on the calendar.

Page 2, line 30, replace "two" with "one"

Renumber accordingly

2023 SENATE FINANCE AND TAXATION

HB 1168

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1168
3/7/2023

Relating to the provision of an income tax credit for purchases of manufacturing and animal agricultural machinery and equipment to automate a manufacturing or animal agricultural process.
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9:00 AM Chairman Kannianen opens hearing.

Senators Present: **Kannianen, Weber, Patten, Rummel, Piepkorn, Magrum.**

Discussion Topics:

- Funding increase
- Sunset bill
- Application process
- Manufacturing workers
- Workforce issues
- Company payroll
- Criteria failure

9:01 AM Representative Steiner introduced bill.

9:04 AM Josh Teigen, Commissioner, North Dakota Department of Commerce, testified in favor. #22324

9:27 AM Andrea Pfennig, GNDC, testified in favor. #22403

9:35 AM Dana Hager, Economic Association of North Dakota, introduced Nathan Schneider.

9:35 AM Nathan Schneider, VP Bismarck Mandan Chamber EDC, testified in favor. #22401

9:40 AM Katherine Grindberg, Executive Vice President, Fargo Chamber of Commerce, testified in favor. #22463

9:40 AM Karen Reisch, Community Relations, Marvin Windows, testified verbally in favor.

9:46 AM Matt Pearl, State Tax Commission, testified verbal neutral testimony.

Additional written testimony:

Scott Staudinger #22703
Kristin Hedger #22495

Senate Finance and Taxation Committee

HB 1168

March 7, 2023

Page 2

Anna Nelson #22477

Chris Rathjen #22429

Madison Cermak #22406

Delore Zimmerman #22316

Guy Moos #22306

Brian Ritter #22013

Peter Rackov #22272

Nathan Liesen, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1168
3/8/2023

Relating to the provision of an income tax credit for purchases of manufacturing and animal agricultural machinery and equipment to automate a manufacturing or animal agricultural process.
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2:37 PM Chairman Kannianen opens meeting.

Senators Present: **Kannianen, Weber, Patten, Rummel, Piepkorn, Magrum.**

Discussion Topics:

- Tax percent decrease
- Business Retainment

2:39 PM Senator Rummel verbally provided additional information.

2:56 PM Chairman Kannianen closed the meeting.

Nathan Liesen, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB1168
3/15/2023

Relating to the provision of an income tax credit for purchases of manufacturing and animal agricultural machinery and equipment to automate a manufacturing or animal agricultural process.
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10:33 AM Senator Kannianen opened the meeting.

Senators Present: **Kannianen, Weber, Patten, Rummel, Piepkorn, Magrum.**

Discussion Topics:

- Amendment discussion
- Business decisions
- Workforce development

10:33 AM Senator Rummel proposed amendment. #25332

10:54 AM Senator Kannianen closed the meeting.

Nathan Liesen, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1168
3/15/2023

Relating to the provision of an income tax credit for purchases of manufacturing and animal agricultural machinery and equipment to automate a manufacturing or animal agricultural process.

4:25 PM Chairman Kannianen opens meeting.

Senator Present: **Kannianen, Weber, Patten, Rummel, Piepkorn, Magrum.**

Discussion Topics:

- Proposed amendment

4:26 PM Senator Rummel provided proposed amendment. LC 23.0487.03002 #25332

4:42 PM Charles Dendy, ND Tax Department, provided verbal information.

4:45 PM Chairman Kannianen closed the meeting.

Nathan Liesen, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1168
3/20/2023

Relating to the provision of an income tax credit for purchases of manufacturing and animal agricultural machinery and equipment to automate a manufacturing or animal agricultural process.

10:23 AM Chairman Kannianen opened the meeting.

Senator Present: **Kannianen, Weber, Patten, Rummel, Piepkorn, Magrum.**

Discussion Topics:

- Amendment
- Committee Action

10:23 AM Senator Rummel provided amendment LC 23.0487.03003 #25904

10:37 AM Senator Rummel moved AMENDMENT LC 23.0487.03003.

10:37 AM Senator Patten seconded.

Roll call vote.

Senators	Vote
Senator Jordan Kannianen	Y
Senator Mark F. Weber	Y
Senator Jeffery J. Magrum	N
Senator Dale Patten	Y
Senator Merrill Piepkorn	Y
Senator Dean Rummel	Y

Passed 5-1-0

10: 38 AM Senator Rummel moved DO PASS as AMENDED and RE-REFER to APPROPRIATIONS

10:38 AM Senator Patten seconded.

Roll call vote.

Senators	Vote
Senator Jordan Kannianen	Y
Senator Mark F. Weber	Y
Senator Jeffery J. Magrum	N
Senator Dale Patten	Y
Senator Merrill Piepkorn	Y
Senator Dean Rummel	Y

Passed 5-1-0

Senator Rummel will carry the bill.

10:43 AM Chairman Kannianen closed the meeting.

Nathan Liesen, Committee Clerk

March 17, 2023

3/20/23

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1168

Page 1, line 13, replace "twenty" with "ten"

Page 2, line 3, after "c." insert "\"First-time claimant\" means a taxpayer that has not previously claimed a credit against the tax imposed under section 57-38-30 or 57-38-30.3 for purchases of animal agricultural machinery and equipment or manufacturing machinery and equipment for the purpose of automating manufacturing or animal agricultural processes.

d."

Page 2, line 6, replace "d." with "e."

Page 2, line 9, replace "e." with "f."

Page 2, line 13, replace "f." with "g."

Page 2, line 14, replace "g." with "h."

Page 2, line 19, replace "h." with "i."

Page 2, line 29, after "5." insert "a."

Page 2, line 30, replace "one" with "four"

Page 2, line 30, remove "five hundred thousand"

Page 2, line 30, replace "However, if" with:

- "(1) From the aggregate credit limit in this subdivision, the tax commissioner shall designate:
 - (a) One million dollars for credits claimed by first-time claimants for animal agricultural machinery and equipment for the purpose of automating animal agricultural processes; and
 - (b) One million dollars for credits claimed by first-time claimants for manufacturing machinery and equipment for the purpose of automating manufacturing processes.
- (2) If the portion of the aggregate limit which is designated for first-time claimants in paragraph 1 is greater than the amount of credits claimed by the corresponding first-time claimants, the remaining portion of the aggregate limit which is designated for the first-time claimants in paragraph 1 must be included in the amount available to claimants that are not first-time claimants.
- (3) If the portion of the aggregate limit which is not designated for first-time claimants in paragraph 1 is greater than the amount of credits claimed by claimants that are not first-time claimants, the remaining portion of the aggregate limit which is not designated

for first-time claimants in paragraph 1 must be included in the amount available to first-time claimants to the extent necessary to satisfy all first-time claims.

29
3/20/23

- (4) If the sum of the portion of the aggregate limit which is designated for the corresponding first-time claimants in paragraph 1 and any amount available to the first-time claimants under paragraph 3 is less than the amount of credits claimed by the first-time claimants, the tax commissioner shall prorate the credits among the first-time claimants.

b. If"

Page 3, line 2, replace "If" with:

"c. After determining the credits claimed by the first-time claimants as provided in subdivision a, if"

Page 3, line 2, after "section" insert "by claimants that are not first-time claimants"

Page 3, line 3, after "available" insert "to claimants that are not first-time claimants"

Page 3, line 4, after "claimants" insert "that are not first-time claimants"

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1168, as reengrossed: Finance and Taxation Committee (Sen. Kannianen, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (5 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). Reengrossed HB 1168 was placed on the Sixth order on the calendar. This bill affects workforce development.

Page 1, line 13, replace "twenty" with "ten"

Page 2, line 3, after "c." insert "\"First-time claimant\" means a taxpayer that has not previously claimed a credit against the tax imposed under section 57-38-30 or 57-38-30.3 for purchases of animal agricultural machinery and equipment or manufacturing machinery and equipment for the purpose of automating manufacturing or animal agricultural processes."

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 - (a) One million dollars for credits claimed by first-time claimants for animal agricultural machinery and equipment for the purpose of automating animal agricultural processes; and
 - (b) One million dollars for credits claimed by first-time claimants for manufacturing machinery and equipment for the purpose of automating manufacturing processes.
- (2) If the portion of the aggregate limit which is designated for first-time claimants in paragraph 1 is greater than the amount of credits claimed by the corresponding first-time claimants, the remaining portion of the aggregate limit which is designated for the first-time claimants in paragraph 1 must be included in the amount available to claimants that are not first-time claimants.
- (3) If the portion of the aggregate limit which is not designated for first-time claimants in paragraph 1 is greater than the amount of credits claimed by claimants that are not first-time claimants, the remaining portion of the aggregate limit which is not designated for first-time claimants in paragraph 1 must be

included in the amount available to first-time claimants to the extent necessary to satisfy all first-time claims.

- (4) If the sum of the portion of the aggregate limit which is designated for the corresponding first-time claimants in paragraph 1 and any amount available to the first-time claimants under paragraph 3 is less than the amount of credits claimed by the first-time claimants, the tax commissioner shall prorate the credits among the first-time claimants.

b. If"

Page 3, line 2, replace "If" with:

"c. After determining the credits claimed by the first-time claimants as provided in subdivision a, if"

Page 3, line 2, after "section" insert "by claimants that are not first-time claimants"

Page 3, line 3, after "available" insert "to claimants that are not first-time claimants"

Page 3, line 4, after "claimants" insert "that are not first-time claimants"

Renumber accordingly

2023 SENATE APPROPRIATIONS

HB 1168

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

HB 1168
3/27/2023

A bill for an act relating to the provision of an income tax credit for purchases of manufacturing and animal agricultural machinery and equipment to automate a manufacturing or animal agricultural process; and to provide an effective date.

10:41 AM Chairman Wanzek called the meeting to order.
Senators Wanzek, Erbele, Roers, Dwyer, and Vedaa are present.

Discussion Topics:

- Automation tax credit not available to small manufacturers
- Labor recruitment and retention
- Competitive disadvantages for manufacturers
- Incentives to manufacturers to locate in ND
- Priorities to award tax credits
- Bill cap \$4,000,000.
- History of tax incentive
- First-time claimants
- Date of qualification approval and notice
- 1500 manufacturers competing for the credits
- Increased production and safety requirements
- Investment as piece of workforce effort
- Need for tax credit certainty for business planning
- Commerce and Tax Department roles
- Automation tax credit & two new initiatives priority
- Workforce piece and a grant program in Commerce are pilot programs

10:42 AM Senator Rummel, District 37, testified. (No written testimony)

11:01 AM Josh Teigen, ND Commerce Commission, testified. (No written testimony)

11:10 AM Andrea Pfennig, Greater ND Association, testified. Testimony #26693

11:14 Dana Hager, ND Economic Development Commission, testified. Testimony #26725

Additional Written Testimony:

Steve Speich Factory Manager John Deere Intelligent Solutions Group – Fargo, Corey Reynolds Factory Manager John Deere Seeding Group – Valley City Testimony #26725

11:15 Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

HB 1168
3/30/2023

A bill for an act relating to the provision of an income tax credit for purchases of manufacturing and animal agricultural machinery and equipment to automate a manufacturing or animal agricultural process; and to provide an effective date.
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10:00 AM Chairman Wanzek opened the meeting.
Senators Wanzek, Dwyer, J. Roers, Vedaa, and Erbele were present.

Discussion Topics:

- Amendments
- Budget
- Credit percentage

Senator Wanzek reviewed the bill. Committee discussed.

10:10 AM Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

HB 1168
4/3/2023

A bill for an act, relating to the provision of an income tax credit for purchases of manufacturing and animal agricultural machinery and equipment to automate a manufacturing or animal agricultural process; and to provide an effective date.

3:53 PM Chairman Wanzek opened the meeting.
Senators Wanzek, Dwyer, J. Roers, Vedaa, and Erbele were present.

Discussion Topics:

- Automation equipment
- Addition of animal ag
- Tax credit pro-rated

3:55 PM Matt Perdue, Lobbyist #929, testified. (No written testimony)

3:56 PM Andrea Pfennig, Lobbyist #1237, testified on behalf of the Greater ND Association.
(No written testimony)

4:01 PM Senator Dwyer moved a Do Pass recommendation for HB 1168.
Senator Roers seconded the motion.

Senators	Vote
Senator Terry M. Wanzek	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jim P. Roers	Y
Senator Shawn Vedaa	Y

Motion passed 5-0-0

Senator Dwyer will carry this bill.

4:02 PM Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

HB 1168
4/4/2023

Relating to the provision of an income tax credit for purchases of manufacturing and animal agricultural machinery and equipment to automate a manufacturing or animal agricultural process; and to provide an effective date.

Chairman Bekkedahl opened the meeting. Members present: **Senators Bekkedahl, Krebsbach, Burckhard, Davison, Dever, Dwyer, Erbele, Kreun, Meyer, Roers, Schaible, Sorvaag, Wanzek, Rust, and Mathern, Vedaa.**

10:24 AM Senator Bekkedahl opened the meeting.

Discussion Topics:

- Equipment purchases
- Committee action

10:25 AM Senator Dwyer introduced the bill verbally.

10:30 AM Senator Dwyer moved DO PASS.
Senator Roers seconded.

Roll call vote

Senators	Vote
Senator Brad Bekkedahl	Y
Senator Karen K. Krebsbach	Y
Senator Randy A. Burckhard	Y
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Curt Kreun	Y
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Jim P. Roers	Y
Senator David S. Rust	Y
Senator Donald Schaible	Y
Senator Ronald Sorvaag	Y
Senator Shawn Vedaa	Y
Senator Terry M. Wanzek	Y

The motion passed 16-0-0.
Senator Rummel will carry the bill.

10:31 AM Senator Bekkedahl closed the meeting.
Justin Boone on behalf of Kathleen Hall, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1168, as reengrossed and amended: Appropriations Committee (Sen. Bekkedahl, Chairman) recommends **DO PASS** (16 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed HB 1168, as amended, was placed on the Fourteenth order on the calendar. This bill affects workforce development.

2023 CONFERENCE COMMITTEE

HB 1168

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1168
4/21/2023
Conference Committee

A bill relating to the provision of an income tax credit for purchases of manufacturing and animal agricultural machinery and equipment to automate a manufacturing or animal agricultural process.

Chairman Hagert opened the meeting at 9:31 AM.

Members present: Chairman Hagert, Representative Dockter, Representative Olson, Chairman Rummel, Senator Kannianen, and Senator Magrum.

Discussion Topics:

- Automation credits
- Agricultural automation
- New manufacturing automation
- Bucket distribution

Senator Rummel informed the committee of the Senate amendments.

Committee discussion.

Chairman Hagert adjourned at 9:43 AM.

Mary Brucker, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1168
4/21/2023
Conference Committee

A bill relating to the provision of an income tax credit for purchases of manufacturing and animal agricultural machinery and equipment to automate a manufacturing or animal agricultural process.

Chairman Hagert opened the meeting at 6:00 PM.

Members present: Chairman Hagert, Representative Dockter, Representative J. Olson, Chairman Rummel, Senator Kannianen, and Senator Magrum.

Discussion Topics:

- Proposed amendments
- Committee vote

Chairman Hagert proposed an amendment from the bill version 23.0487.3003 and include on page 1, line 13, change 10% to 15%, on page 3, line 5, \$3 instead of \$1 million per year, page 3, line 8, replace \$1 million with \$500,000, and on page 3, line 11, replace \$1 million with \$500,000 then leave the remainder of bill the way it was.

Senator Rummel proposed an amendment to match the code for the 21st Century Manufacturing Animal Workforce Incentive.

Senator Kannianen moved the Senate recede from Senate amendments and amend as follows with amendments mentioned above.

Representative J. Olson seconded the motion.

Committee discussion.

Roll call vote: 6-0-0

Motion carried.

Representative J. Olson is the House carrier and Senator Rummel is the Senate carrier.

Chairman Hagert adjourned at 6:09 PM.

Mary Brucker, Committee Clerk

April 21, 2023

UMG
4/22/23
182

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1168

That the Senate recede from its amendments as printed on pages 1678 and 1679 of the House Journal and pages 1052 and 1053 of the Senate Journal and that Reengrossed House Bill No. 1168 be amended as follows:

Page 1, line 4, after "process" insert "; to amend and reenact subdivision j of subsection 3 of section 54-35-26 of the North Dakota Century Code, relating to evaluation of economic development tax incentives"

Page 1, after line 6, insert:

"SECTION 1. AMENDMENT. Subdivision j of subsection 3 of section 54-35-26 of the North Dakota Century Code is amended and reenacted as follows:

- j. ~~Manufacturing automation equipment credit~~ Twenty-first century manufacturing and animal agricultural workforce incentive."

Page 1, line 13, replace "twenty" with "fifteen"

Page 2, line 3, after "c." insert "\"First-time claimant\" means a taxpayer that has not previously claimed a credit against the tax imposed under section 57-38-30 or 57-38-30.3 for purchases of animal agricultural machinery and equipment or manufacturing machinery and equipment for the purpose of automating manufacturing or animal agricultural processes.

d."

Page 2, line 6, replace "d." with "e."

Page 2, line 9, replace "e." with "f."

Page 2, line 13, replace "f." with "g."

Page 2, line 14, replace "g." with "h."

Page 2, line 19, replace "h." with "i."

Page 2, line 29, after "5." insert "a."

Page 2, line 30, replace "one" with "three"

Page 2, line 30, remove "five hundred thousand"

Page 2, line 30, replace "However, if" with:

"(1) From the aggregate credit limit in this subdivision, the tax commissioner shall designate:

- (a) Five hundred thousand dollars for credits claimed by first-time claimants for animal agricultural machinery and equipment for the purpose of automating animal agricultural processes; and

my
4/22/23
292

(b) Five hundred thousand dollars for credits claimed by first-time claimants for manufacturing machinery and equipment for the purpose of automating manufacturing processes.

(2) If the portion of the aggregate limit which is designated for first-time claimants in paragraph 1 is greater than the amount of credits claimed by the corresponding first-time claimants, the remaining portion of the aggregate limit which is designated for the first-time claimants in paragraph 1 must be included in the amount available to claimants that are not first-time claimants.

(3) If the portion of the aggregate limit which is not designated for first-time claimants in paragraph 1 is greater than the amount of credits claimed by claimants that are not first-time claimants, the remaining portion of the aggregate limit which is not designated for first-time claimants in paragraph 1 must be included in the amount available to first-time claimants to the extent necessary to satisfy all first-time claims.

(4) If the sum of the portion of the aggregate limit which is designated for the corresponding first-time claimants in paragraph 1 and any amount available to the first-time claimants under paragraph 3 is less than the amount of credits claimed by the first-time claimants, the tax commissioner shall prorate the credits among the first-time claimants.

b. if"

Page 3, line 2, replace "if" with:

"c. After determining the credits claimed by the first-time claimants as provided in subdivision a, if"

Page 3, line 2, after "section" insert "by claimants that are not first-time claimants"

Page 3, line 3, after "available" insert "to claimants that are not first-time claimants"

Page 3, line 4, after "claimants" insert "that are not first-time claimants"

Page 4, line 20, replace "1" with "2"

Page 4, line 21, replace "This" with "Sections 2 and 3 of this"

Page 4, line 21, replace "is" with "are"

Renumber accordingly

**2023 HOUSE CONFERENCE COMMITTEE
ROLL CALL VOTES**

BILL NO. HB 1168 as (re) engrossed

House Finance and Taxation Committee

- Action Taken**
- HOUSE accede to Senate Amendments
 - HOUSE accede to Senate Amendments and further amend
 - SENATE recede from Senate amendments
 - SENATE recede from Senate amendments and amend as follows
See below
 - Unable to agree, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Senator Kannianen Seconded by: Representative J. Olson

Representatives	4/21 AM	4/21 PM		Yes	No	Senators	4/21 AM	4/21 PM		Yes	No
<i>Chairman Hagert</i>	x	X		X		<i>Chairman Rummel</i>	x	X		X	
<i>Rep. Dockter</i>	x	X		X		<i>Senator Kannianen</i>	x	X		X	
<i>Rep. Olson</i>	x	X		X		<i>Senator Magrum</i>	x	X		X	
Total Rep. Vote				3	0	Total Senate Vote				3	0

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier Representative J. Olson Senate Carrier Senator Rummel

LC Number 23.0487 . 03005 of amendment

LC Number 23.0487 . 05000 of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Page 1, line 13, change 10% to 15%; on page 3, line 5, \$3 instead of \$1 million per year; page 3, line 8, replace \$1 million with \$500,000; and on page 3, line 11, replace \$1 million with \$500,000 then match the code for the 21st Century Manufacturing Animal Workforce Incentive.

REPORT OF CONFERENCE COMMITTEE

HB 1168, as reengrossed: Your conference committee (Sens. Rummel, Kannianen, Magrum and Reps. Hagert, Dockter, J. Olson) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1678-1679, adopt amendments as follows, and place HB 1168 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1678 and 1679 of the House Journal and pages 1052 and 1053 of the Senate Journal and that Reengrossed House Bill No. 1168 be amended as follows:

Page 1, line 4, after "process" insert "; to amend and reenact subdivision j of subsection 3 of section 54-35-26 of the North Dakota Century Code, relating to evaluation of economic development tax incentives"

Page 1, after line 6, insert:

"SECTION 1. AMENDMENT. Subdivision j of subsection 3 of section 54-35-26 of the North Dakota Century Code is amended and reenacted as follows:

j. ~~Manufacturing automation equipment credit~~Twenty-first century manufacturing and animal agricultural workforce incentive."

Page 1, line 13, replace "twenty" with "fifteen"

Page 2, line 3, after "c." insert "First-time claimant" means a taxpayer that has not previously claimed a credit against the tax imposed under section 57-38-30 or 57-38-30.3 for purchases of animal agricultural machinery and equipment or manufacturing machinery and equipment for the purpose of automating manufacturing or animal agricultural processes.

d."

Page 2, line 6, replace "d." with "e."

Page 2, line 9, replace "e." with "f."

Page 2, line 13, replace "f." with "g."

Page 2, line 14, replace "g." with "h."

Page 2, line 19, replace "h." with "i."

Page 2, line 29, after "5." insert "a."

Page 2, line 30, replace "one" with "three"

Page 2, line 30, remove "five hundred thousand"

Page 2, line 30, replace "However, if" with:

"(1) From the aggregate credit limit in this subdivision, the tax commissioner shall designate:

(a) Five hundred thousand dollars for credits claimed by first-time claimants for animal agricultural machinery and equipment for the purpose of automating animal agricultural processes; and

- (b) Five hundred thousand dollars for credits claimed by first-time claimants for manufacturing machinery and equipment for the purpose of automating manufacturing processes.
- (2) If the portion of the aggregate limit which is designated for first-time claimants in paragraph 1 is greater than the amount of credits claimed by the corresponding first-time claimants, the remaining portion of the aggregate limit which is designated for the first-time claimants in paragraph 1 must be included in the amount available to claimants that are not first-time claimants.
- (3) If the portion of the aggregate limit which is not designated for first-time claimants in paragraph 1 is greater than the amount of credits claimed by claimants that are not first-time claimants, the remaining portion of the aggregate limit which is not designated for first-time claimants in paragraph 1 must be included in the amount available to first-time claimants to the extent necessary to satisfy all first-time claims.
- (4) If the sum of the portion of the aggregate limit which is designated for the corresponding first-time claimants in paragraph 1 and any amount available to the first-time claimants under paragraph 3 is less than the amount of credits claimed by the first-time claimants, the tax commissioner shall prorate the credits among the first-time claimants.

b. If"

Page 3, line 2, replace "If" with:

"c. After determining the credits claimed by the first-time claimants as provided in subdivision a, if"

Page 3, line 2, after "section" insert "by claimants that are not first-time claimants"

Page 3, line 3, after "available" insert "to claimants that are not first-time claimants"

Page 3, line 4, after "claimants" insert "that are not first-time claimants"

Page 4, line 20, replace "1" with "2"

Page 4, line 21, replace "This" with "Sections 2 and 3 of this"

Page 4, line 21, replace "is" with "are"

Renumber accordingly

Reengrossed HB 1168 was placed on the Seventh order of business on the calendar.

TESTIMONY

HB 1168



January 6th, 2023

To: House Finance and Taxation Committee, North Dakota Legislature, Bismarck, ND 58505

RE: Support of Automation Tax Credit

Finance and Taxation Committee Chairman Rep. Headland,

Marvin is a fourth-generation, family-owned and operated business, headquartered in Warroad, MN. Marvin's product portfolio offers an extensive selection of made-to-order window and door solutions, providing homeowners with a premier line of replacement windows sold and installed by local professionals. Since the company's inception, Marvin has earned a reputation as an innovator and industry thought leader. Today, the company is driven by a purpose to imagine and create better ways of living.

With 9 facilities and over 2,000 employees in North Dakota, we continue to reinvest in the state. To meet increasing demand, Marvin expanded its operations in Fargo/West Fargo with the addition of two new facilities in 2022 and one currently in the works for early-2023. This additional 402,000 square feet will allow us to support growth of the brand's expansive window and door portfolio as well as continue to create new jobs within the region.

If the tax credit would be approved, it would be an important part of the financial planning process for all our facilities. We are active participants in the previous Automation Tax Credit, and we would be very grateful for it to get passed again.

On behalf of Marvin, thank you for your consideration of the continuation of the automation tax credit and for your support in promoting a strong business environment in the state of North Dakota.

Sincerely,

A handwritten signature in black ink that reads "Cairn Reisch". The signature is fluid and cursive, with the first name "Cairn" and last name "Reisch" clearly distinguishable.

Cairn Reisch, CVA
Community Relations Manager



House Finance & Taxation Committee – HB 1168

Representative Craig Headland, Chair

January 9, 2023

Chairman Headland, Members of the Committee:

My name is Brian Ritter and I'm President of the Bismarck Mandan Chamber EDC. Please accept the following testimony on behalf of our organization's more than 1,200 members in support of HB 1168.

The single most important issue facing our members, and our economy right now, is workforce. According to the latest statistics from Job Service North Dakota (JSND), Burleigh County has a 1.6% unemployment rate and 2,650 open jobs. Using that same report, Morton County has a 2.1% unemployment rate and 320 open jobs. That's nearly 3,000 total open jobs in the Bismarck-Mandan metropolitan area, alone.

Given those numbers, it's no wonder that our employers are looking for every possible way to address that shortage of labor. One of those means is purchasing new equipment that allow fewer employees to do as much work as they were before, when they had more help, or even more. The proposed tax credit would incentivize our State's manufactures to purchase such equipment thus allowing them to retain workers and increase productivity, right here in North Dakota.

As such, I would respectfully ask that the Committee give a DO PASS recommendation to HB 1168.



FMWF Chamber Support for HB 1168

January 9th, 2023

Chairman Headland and members of the House Finance and Taxation Committee:

For the record, my name is Katherine Grindberg and I have the pleasure of serving as the Executive Vice President for the Fargo Moorhead West Fargo (FMWF) Chamber of Commerce. The Chamber's mission is to be a catalyst for economic growth and prosperity for businesses, members, and the greater community. On behalf of our over 1,900 members, I write this letter in support of House Bill 1168.

The Chamber fully supports the sustainable continuation of the state's automation income tax credit for purchases of manufacturing machinery and equipment to automate manufacturing processes in the state to improve job quality or increase productivity. We continually hear feedback on how great of a tool this is for our manufacturing businesses.

On behalf of our members, I would like to thank the committee for their time and consideration this morning.

Respectfully,

Katherine Grindberg

Executive Vice President
FMWF Chamber of Commerce
kgrindberg@fmwfchamber.com



Testimony
House Bill 1168
House Finance and Taxation Committee
January 9, 2023

Chairman Headland and members of the House Finance and Taxation Committee. The Valley Prosperity Partnership (VPP) is an initiative led by business executives to advance and advocate for shared strategic economic development opportunities that will strengthen and diversify the Red River Valley region and North Dakota.

Thank you for your consideration of HB 1168, which the VPP wholeheartedly supports. Advantages commonly attributed to automation include **higher production rates and increased productivity**, more efficient use of materials, better product quality, improved safety, and reduced factory lead times. Automation has been found to be effective in unlocking innovation, developing new solutions, and enabling employees to acquire new skills and knowledge.

Labor shortages in North Dakota and elsewhere are growing, as an ageing workforce gradually retires, and younger generations sometimes steer clear of manufacturing jobs because of a perception that they are dangerous, tedious, and unhealthy. Technologies that automate processes (such as robotics and CNC) or augment them (such as virtual reality displays and computer vision) can help to alleviate worker shortages by increasing interest in manufacturing careers, worker productivity and job satisfaction.

Based on discussions with manufacturers who see the value of the tax credit and have used it in the past (or have considered using it) the VPP recommends the following changes to the current version of 1168.

- Increase the aggregate amount of credits allowed each calendar year to at least ten million dollars to provide adequate funding to meet demand and have a meaningful impact on North Dakota's manufacturing industry,
- Set a maximum per project and company per year,
- Make the credits available on a first come first serve basis so that they can be issued in a timely and predictable manner, which will enable companies to effectively plan investments in automation equipment.

Valley Prosperity Partnership Steering Committee

Brian Johnson, CEO, Choice Bank,
Co-Chair Valley Prosperity Partnership*

Judd Graham, Market President
Dacotah Bank - Fargo
Co-Chair Valley Prosperity
Partnership*

Jonathan Holth, JLG Architects
Vice Co-Chair*

Marshal Albright, President & CEO
Cass County Electric Cooperative,

Andrew Armacost, President
University of North Dakota

Steve Burian, President & CEO
Burian & Associates

Dan Conrad, President & CEO
Blue Cross Blue Shield North Dakota

David Cook, President
North Dakota State University

Tim Curoe, CEO
RD Offutt Company

Mylo Einarson, President & CEO
Nodak Electric Cooperative

Chad Flanagan, Partner
Eide Bailly

Rod Flanigan, President
North Dakota State College of Science

Todd Forkel, CEO
Altru Health System

Shannon Full, President/CEO
Fargo Moorhead West Fargo
Chamber of Commerce*

Shawn Gaddie, Director of Infrastructure
Management Services, AE2S
AE2S

Jim Galloway, Principal
JLG Architects

Kevin Hanson, President & CEO
Gate City Bank

Tiffany Lawrence, CEO & President
Sanford Fargo

Keith Lund, President & CEO
Grand Forks Region EDC*

William C. Marcil, Sr. Chairman
Forum Communications Company

Pat McAdaragh, President & CEO
Midco

Jeff Melgaard, Vice President
Construction Engineers

Tammy Peterson, Grand Forks Region
President & Ag Banking Director
Bremer Bank

Joe Raso, President & CEO
Greater Fargo Moorhead EDC*

Jim Roers, President & CEO
Roers Construction & Development

Richard Solberg, Chairman & CEO
Bell State Bank & Trust

David White, President
Border States Electric

Barry Wilfahrt, President & CEO
The Chamber Grand Forks/East Grand
Forks*

Chris Wolf, North Valley Market President
Alerus Financial

Delore Zimmerman, Executive Director*

* Member Executive Committee



PO Box 1091 • Bismarck, ND 58502

701-355-4458 • www.ednd.org

**Testimony of Nathan Schneider
Economic Development Association of North Dakota
In Support of HB 1168
House Finance and Taxation Committee
January 9, 2023**

Chairman Headland and members of the House Finance and Taxation Committee:

I'm Nathan Schneider, vice president of the Bismarck Mandan Chamber EDC and an Economic Development Association of North Dakota (EDND) board member. On behalf of EDND, I would like to express our support of HB 1168, which reauthorizes a 21st century manufacturing workforce incentive.

EDND represents more than 80 state organizations on the front line of economic development efforts in North Dakota. The organization's primary purpose is to promote the creation of new wealth throughout North Dakota, develop more vibrant communities and improve quality of life.

Workforce availability is the most significant challenge facing North Dakota businesses, limiting the growth potential of the state's economy. EDND supports the development of workforce attraction, development and retention strategies that address the needs of the state's companies. As of November 2022, North Dakota had an unemployment rate of 1.9 percent, and workforce is high on the priority list for businesses of every size.

Similar previous credit incentives to support automation has a long history in North Dakota, dating back to 2009. The credit was designed to support North Dakota manufacturing companies that invest in technology to automate the manufacturing process. The program has been successful in helping North Dakota manufacturers gain market share and increase their competitiveness through automation. It has been widely used by North Dakota manufacturers, including Aldevron, John Deere, Bobcat and Doosan, Baker Boy, Cloverdale, Dakota Turbines, Killdeer Mountain Manufacturing, Peterson Farms Seed, Pivotal Edge, Precision Ag, Remington Seeds, Steffes Corporation and WCCO Belting, which have spoken on the importance of the credit.

This incentive is important to primary sector businesses challenged to recruit and retain a skilled workforce while remaining competitive nationally and internationally. Investment in innovative



GREATER NORTH DAKOTA CHAMBER
HB 1168
House Finance and Taxation Committee
Chair Craig Headland
January 9, 2023

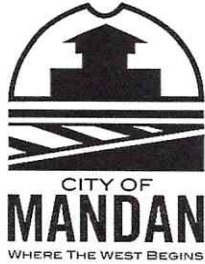
Mr. Chairman and members of the House Finance and Taxation Committee, my name is Andrea Pfennig with the Greater North Dakota Chamber. GNDC is North Dakota's largest statewide business advocacy organization, with membership represented by small and large businesses, local chambers, and trade and industry associations across the state. We are also the state affiliate for the National Association of Manufacturers. We stand in **support** of House Bill 1168.

In 2019, the Automation Tax Credit was approved for a period of four years with a \$1 million limit on the credits available in each calendar year. Total output from manufacturing has grown from \$4.16 billion in 2019 to \$4.63 billion in 2021. It's important to note that much of this growth occurred during the pandemic and a downturned economy. These results demonstrate a strong return on investment for North Dakota.

Manufacturers help drive and diversify North Dakota's economy; however, workforce shortages present a significant challenge to growing or simply maintaining operations. Manufacturers have been utilizing automation as a solution. According to the Department of Commerce, the Automation Tax Credit has had high demand with over \$34 million of approved equipment purchases since 2019. While companies may receive up to a 20% credit, they've only been receiving an average of 8.68% due to oversubscription of the program.

One of GNDC's policy goals regarding workforce is to augment strategic resources for automation, recognizing it is an important tool to address workforce challenges. From a business climate perspective, we feel that advancing automation through targeted incentives helps position North Dakota to be globally competitive.

We strongly urge a do pass on HB 1168. Mr. Chairman and members of the Committee, this concludes my comments. Thank you and I'd be happy to answer any questions.



Business Development & Communications

**Testimony of Ellen Huber
City of Mandan Business Development & Communications
In Support of HB 1168
House Finance and Taxation Committee
January 9, 2023**

Chairman Headland and members of the House Finance and Taxation Committee, my name is Ellen Huber, City of Mandan business development and communications director. On behalf of the City of Mandan, I would like to express support for HB 1168, which would reauthorize the 21st century manufacturing workforce incentive that makes available an automation tax credit to certified primary sector businesses. It also increases the aggregate amount of credits allowed in a calendar year from \$1 million dollars to an amount of \$2.5 million.

The ability to recruit and retain needed employees remains a huge challenge for businesses in our state and community. This situation has forced some businesses to close and is constraining the growth of others. Our city supports workforce attraction, development and retention strategies that help solve this dilemma. Morton County had a 2.1% unemployment rate as of November, the most recent month for which data is available.

This incentive offsets a small portion, up to 20%, of the cost for manufacturers to purchase automation equipment, but in reality there's been far more demand by manufacturers statewide than the amount of credit available, so it winds up being pro-rated among applicants. Thus why the increase in total credits is requested also.

Mandan business applicants for the income tax credit include True North Steel, which makes tanks, culverts, staircases and a variety of structures; and Cloverdale Foods, a meat processing company still family-owned after more than 100 years, employing about 500 people.

Cloverdale staff share examples of poaching efforts by other states striving to recruit them with incentives for relocation. The company recently invested upwards of \$20 million in a sizeable plant, warehouse and office expansion plus new equipment to increase bacon production. Mandan assisted with a new and expanding business property tax exemption on the additions, plus committed about \$140,000 to a 0% interest repayable loan toward an interest buydown.

The state also plays a key role in the retention and expansion of businesses like this that diversify North Dakota's economy. We urge the committee's support for reauthorizing and strengthening the 21st century manufacturing workforce incentive.



CLOVERDALE FOODS COMPANY • 3015 34TH ST. NW • MANDAN, ND 58554

January 9, 2023

Re: Manufacturing Automation Tax Credit

Cloverdale Foods Company, local to Mandan, ND, has been part of the community for over 100 years. On behalf of our 480+ hardworking employees, please accept this letter as a sign of support for the Manufacturing Automation Tax Credit. Throughout the family's 4 generations of competing in the food business we have learned how to create quality products and positively impact the community. In 2022, in North Dakota alone, Cloverdale reached \$20 million in sales and 5 million pounds sold. In 2021 and 2022 we have grown 11% and 12% respectively and expect to match that growth rate again in 2023. We want to continue to grow what we produce within the great state of North Dakota as we approach our next growth milestones of 57.5 million pounds and \$225 million in sales within the next 12-18 months.

This tax credit is important to Cloverdale for several reasons. Over the past 5 years Cloverdale submitted over \$5 million worth of qualified automation projects through the Automation Tax Credit Program. The list of overall equipment has ranged from stuffing lines, smokehouse upgrades, tumblers, slicing line automation, a bacon press, fermentation rooms and packing line upgrades. As noted last year, we launched two new categories in 2022, Snack Sticks and Fully Cooked Bacon. We have already identified a need to further automate these two new lines, in addition to, what we have already invested in during 2022. Furthermore, we have two significant automation projects that need to be completed on our palletization system for finished goods along with, bacon air chillers within the next year. As you can see, our investment in automation, upgrades, and safety is far from complete. Investing in automation is such a significant part of staying relevant to the competition, increasing efficiency of output, and creating the safest environments for our workforce.

In addition, we fully support the proposal to increase the total annual funding available from \$1 million to \$2.5 million. The current demand statewide for the Automation Tax Credit greatly exceeds the current \$1 million limit, which consequently reduces the amount of max credit dollars that can get awarded to each qualified recipient. For example, in 2021 Cloverdale had \$988k of qualified purchases, the max award is 20% of that value or \$198k; however, due to demand and the current limit, we only received 40% of the \$198k, or \$79k.

As you are aware, there are many companies throughout this great state investing in their businesses. If the tax credit and limit increase would be approved, it would be an important part of the financial planning process for all of us. We will continue to be active participants in the Automation Tax Credit and we would be very grateful for the funding to get passed.

Sincerely,

Miranda Bergquist
CFO



2020	Space Age Synthetics Ltd	Fargo
2020	Steffes LLC	Dickinson
2020	SWEN Products Inc	West Fargo
2021	3D Specialties, Inc	Fargo
2021	ABBIAMO PASTA CO	Casselton
2021	Agri-Cover Inc.	Jamestown
2021	Baker Boy, Inc.	Dickinson
2021	Cargill, Inc	West Fargo
2021	Cloverdale Foods Company	Mandan
2021	GPK Products, Inc.	Fargo
2021	Green Valley Foods LLC	Devils Lake
2021	Harris Machine Company	Oakes
2021	Innovative Solutions, LLC	Bismarck
2021	Integrity Steel Supply	Mapleton
2021	IRONWORKS WELDING INC.	Dickinson
2021	John Deere & Company	Fargo
2021	John Deere Valley City	Valley City
2021	Marvin Lumber and Cedar Company, LLC	Grafton
2021	Mid Mac Marketing, Inc.	Jamestown
2021	Red River Commodities	Fargo
2021	STEFFES LLC	Grand Forks
2021	STEFFES LLC	Grand Forks
2021	TrueNorth Steel, INC	Fargo
2021	Wood Products Inc	Grand Forks
2021	Downtown Dental	Jamestown
2021	Integrity Windows, LLC	Fargo
2021	Integrity Windows, LLC	West Fargo
2021	Integrity Windows, LLC	West Fargo
2021	Phat Fish Brewing LLC	Dickinson

** These are companies that have applied. Some of these, however, may have been denied due to not being primary sector or not having a qualifying project.*

23.0487.01001
Title.

Prepared by the Legislative Council staff for
Representative Headland
January 16, 2023

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1168

Page 1, line 3, after "manufacturing" insert "and animal agricultural"

Page 1, line 4, after "manufacturing" insert "or animal agricultural"

Page 1, line 8, after "**manufacturing**" insert "**and animal agricultural**"

Page 1, line 10, replace "manufacturing" with "qualifying"

Page 1, line 11, remove "for the purpose of automating manufacturing processes"

Page 1, line 13, replace "manufacturing" with "qualifying"

Page 1, line 18, after "a." insert "\"Animal agricultural machinery and equipment\" means new or used automation and robotic equipment used to upgrade or advance an animal agricultural process. The term does not include replacement automation and robotic equipment that does not upgrade or advance an animal agricultural process.

b. "Animal agricultural process" means the breeding, raising, harvesting, or processing of animals for producing meat, dairy, or eggs, or meat, dairy, or egg products. For purposes of this subdivision, "animal" means beef or dairy cattle, swine, sheep, goats, bison, farmed elk, or poultry.

c."

Page 1, line 21, replace "b." with "d."

Page 2, line 1, replace "c." with "e."

Page 2, line 1, remove "for the purpose of automating"

Page 2, line 2, remove "manufacturing processes"

Page 2, line 6, replace "d." with "f."

Page 2, line 7, replace "e." with "g."

Page 2, line 7, replace "manufacturing" with "qualifying"

Page 2, after line 11, insert:

h. "Qualifying machinery and equipment" means animal agricultural machinery and equipment and manufacturing machinery and equipment for the purpose of automating manufacturing or animal agricultural processes."

Page 2, line 13, replace "manufacturing" with "qualifying"

Page 4, line 9, after "manufacturing" insert "and animal agricultural"

Renumber accordingly



Testimony in Support of
House Bill No. 1168
House Appropriations Committee
February 2023

TESTIMONY OF

Josh Teigen, Commissioner, ND Department of Commerce

Chairman Vigessa and members of the House Appropriations Committee, for the record my name is Josh Teigen and I have the privilege to serve as the Commissioner of Commerce for North Dakota.

I am here today in support of HB 1168. Commerce has administered the automation tax credit program for years. As we look to an all-the-above approach to help solve our state's workforce challenges, investing in automation is one of the pieces to that puzzle. We know that autonomy and automation will remain critical to the state's success moving forward, and the automation tax credit is a critical element to that success. There is pent-up demand for the increase in this program funding up to \$5 million from the previous \$1 million that existed.

For example, in 2019, we received nearly \$21 million in requests. We approved 16 of the 19 applications and that resulted in the companies receiving roughly 7% of the amount they requested. In 2020, we received approximately \$9.5 million in requests, and we approved 18 of the 29 applications, resulting in a 13% net credit to those businesses. In 2021, we received \$16 million in requests and approved 21 of the 26 applications resulting in an 8% benefit to the companies.

In 2021, manufacturing represented a \$4.63 billion industry output, which is approximately 7.5% of our state's economy. The manufacturing sector has seen a 10-year growth of 71% within ND and 82% of our ND manufacturing exporters are considered small businesses and would be most impacted by this program.

Thank you for your time and I encourage your support of HB 1168. I will be happy to stand for any questions you may have.



Senate Finance & Taxation Committee – HB 1168

Senator Jordan Kannianen, Chair

March 7, 2023

Chairman Kannianen, Members of the Committee:

My name is Brian Ritter and I am the President & CEO of the Bismarck Mandan Chamber EDC. Please accept the following testimony on behalf of our organization's more than 1,230 members in support of HB 1168

The single most important issue facing our members, and our economy, right now is workforce. According to the latest statistics from Job Service North Dakota (JSND), Burleigh County has a 2.1% unemployment rate and 2,375 open jobs. Using that same report, Morton County has a 2.8% unemployment rate and 388 open jobs. That's nearly 2,800 total open jobs in the Bismarck-Mandan metropolitan area, alone.

Given those numbers, it's no wonder that our employers are looking for every possible way to address that shortage of labor. One of those means is purchasing new equipment that allow fewer employees to do as much work as they were before, when they had more help, or even more. The proposed tax credit would incentivize our State's manufacturers to purchase such equipment thus allowing them to retain works and increase productivity, right here in North Dakota.

As such, I would respectfully ask that the Committee give a DO PASS recommendation to HB 1168.



March 7, 2023

Senator Kannianen and members of the Senate Finance and Taxation Committee

I am Peter Rackov, Chief Financial Officer of Steffes, LLC; a Primary Sector manufacturing company with two plants in Grand Forks and one in Dickinson. Steffes employs approximately 430 people in the state.

As a North Dakota manufacturer, Steffes encounters many challenges to fulfill existing demand and to have enough capacity to bid on work inside and outside North Dakota. Many of the challenges come from a lack of available labor to operate equipment. The twenty-first century manufacturing workforce incentive (Automation Tax Credit) will provide and has encouraged manufacturers such as Steffes to automate processes, improve skillsets for employees and ultimately increase jobs and wages. Automation increases capacity, develops worker skills, improves product quality and I believe, will draw workforce to our state.

Steffes has used this credit in the past to automate processes, create jobs, increase capacity, and ultimately, increase profits taxable within the state. I strongly support the Twenty - first Century Manufacturing and Animal Agricultural Workforce Incentive (House Bill 1168) and encourage the legislature to designate enough dollars to fully fund (par. 5) the credit for qualified applicants. In the last couple of years, the approved funding has only allowed a fraction of the available credit to be awarded to manufacturers, which I believe limits use and has a negative impact on the benefits that otherwise would have been achieved.

I strongly support a "do pass" recommendation from this committee.

Sincerely,

Peter Rackov
Chief Financial Officer
Steffes, LLC
3050 HWY 22N
Dickinson, ND 58601



March 6, 2023

RE: Support of HB 1040, Automation Tax Credit

Chairman Hedlund and the Finance and Taxation Committee:

My name is Guy Moos, and I am the president of Baker Boy, Inc., a manufacturer of premium bakery products in Dickinson, North Dakota. I am writing to express my strong support of House Bill 1168.

Baker Boy is among the several North Dakota manufacturers that are planning, or have a need, to invest in automation advancements. Contrary to what some may say, automation advancements don't replace the jobs of our hard-working employees. Instead, Baker Boy's recent automation advancements have allowed us to provide our plant employees with increased job stability and higher wages through skill specialization – all while growing our company's sales.

In 2019, I voiced my support of HB 1040, the "Twenty-First Century Manufacturing Workforce Initiative." The passage of that bill came at a consequential moment for our state. It allowed Baker Boy and other North Dakota manufacturers to make more strides toward facility modernization, while also allowing us to more easily navigate the challenges created by the workforce shortages that have gripped every industry throughout the 2020s.

Automation is still very critical to manufacturers because of this lack of workforce. Robotic packaging and palletizing systems installed at Baker Boy in the past year has led to greater employee safety, and higher pay scales for many of our employees.

If this bill is passed, the increase in total annual funding for the Automation Tax Credit would have great impacts for the growth of the entire North Dakota manufacturing community. It will allow us to continue combating workforce shortages and allow manufacturers to reinvest and/or reinvent themselves to suit the needs of our national and world markets.

Thank you for allowing me to voice my support of HB 1168, and for your support of the hard work and challenges faced by North Dakota manufacturers.

Thank you,

Guy M. Moos
President, Baker Boy, Inc.
170 GTA Drive
Dickinson, ND 58601

bakerboy.com



Testimony
House Bill 1168
Senate Finance & Taxation Committee
March 7, 2023

Chairman Kannianen and members of the Senate Finance and Taxation Committee. The Valley Prosperity Partnership (VPP) is an initiative led by business executives to advance and advocate for shared strategic economic development opportunities that will strengthen and diversify the Red River Valley region and North Dakota.

Thank you for your consideration of HB1168, which the VPP wholeheartedly supports. Advantages commonly attributed to automation include **higher production rates and increased productivity**, more efficient use of materials, better product quality, improved safety, and reduced factory lead times. Automation has been found to be effective in unlocking innovation, developing new solutions, and enabling employees to acquire new skills and knowledge.

Labor shortages in North Dakota and elsewhere are growing, as an ageing workforce gradually retires, and younger generations sometimes steer clear of manufacturing jobs because of a perception that they are dangerous, tedious, and unhealthy. Technologies that automate processes (such as robotics and CNC) or augment them (such as virtual reality displays and computer vision) can help to alleviate worker shortages by increasing interest in manufacturing careers, worker productivity and job satisfaction.

Based on discussions with manufacturers who see the value of the tax credit and have used it in the past (or have considered using it) the VPP recommends that the bill include the following elements to create a 21st century manufacturing workforce incentive:

- **Set the aggregate number of credits allowed each year to at least \$2.5 million dollars** to provide adequate funding to meet demand and have a meaningful impact on North Dakota's manufacturing industry,
- Set a maximum per project and company per year,
- Make the credits available on a first come first serve basis so that they can be issued in a timely and predictable manner, which will enable companies to effectively plan investments in automation equipment.



Testimony in Support of
House Bill No. 1168
Senate Finance and Taxation Committee
February 2023

TESTIMONY OF

Josh Teigen, Commissioner, ND Department of Commerce

Chairman Kannianen and members of the Senate Finance and Taxation Committee, for the record my name is Josh Teigen and I have the privilege to serve as the Commissioner of Commerce for North Dakota.

I am here today in support of HB 1168. Commerce has administered the automation tax credit program for years. As we look to an all-the-above approach to help solve our state's workforce challenges, investing in automation is one of the pieces to that puzzle. We know that autonomy and automation will remain critical to the state's success moving forward, and the automation tax credit is a critical element to that success. There is pent-up demand for the increase in this program funding up to \$5 million from the previous \$1 million that existed.

For example, in 2019, we received nearly \$21 million in requests. We approved 16 of the 19 applications and that resulted in the companies receiving roughly 7% of the amount they requested. In 2020, we received approximately \$9.5 million in requests, and we approved 18 of the 29 applications, resulting in a 13% net credit to those businesses. In 2021, we received \$16 million in requests and approved 21 of the 26 applications resulting in an 8% benefit to the companies.

In 2021, manufacturing represented a \$4.63 billion industry output, which is approximately 7.5% of our state's economy. The manufacturing sector has seen a 10-year growth of 71% within ND and 82% of our ND manufacturing exporters are considered small businesses and would be most impacted by this program.

Thank you for your time and I encourage your support of HB 1168. I will be happy to stand for any questions you may have.



PO Box 1091 • Bismarck, ND 58502
701-355-4458 • www.ednd.org

**Testimony of Nathan Schneider
Economic Development Association of North Dakota
In Support of HB 1168
Senate Finance and Taxation Committee
March 7, 2023**

Chairman Kannianen and members of the Senate Finance and Taxation Committee:

My name is Nathan Schneider. I serve as the vice president of the Bismarck Mandan Chamber EDC and sit on the board of directors for the Economic Development Association of North Dakota (EDND). On behalf of EDND, I would like to express our support of HB 1168, which reauthorizes a 21st-century manufacturing workforce incentive.

EDND represents more than 80 state organizations on the front line of economic development efforts in North Dakota. The organization's primary purpose is to promote new wealth creation throughout North Dakota, develop more vibrant communities and improve quality of life.

Workforce availability is the most significant challenge facing North Dakota businesses, limiting the growth potential of the state's economy. EDND supports the development of workforce attraction, development and retention strategies that address the needs of the state's companies. As of November 2022, North Dakota had an unemployment rate of 1.9 percent, and workforce is high on the priority list for businesses of every size.

Supporting automation through credit incentives has a long history in North Dakota, dating back to 2009. The credit was designed to support North Dakota manufacturing companies investing in technology to automate manufacturing processes. The program has been successful in helping North Dakota manufacturers gain market share and increase their competitiveness through automation.

In a climate where manufacturers can invest anywhere in the world, North Dakota may not be a top choice for businesses due to its lack of workforce and geography. This includes not only the attraction of new manufacturers but also the retention of companies already in the area supporting local communities and jobs. Investment in innovative equipment can mean the difference between retaining a business or having it close. Programs like this may prevent a business from moving elsewhere or the difference between status quo and expansion.

An amendment adding animal agriculture machinery to this bill opens this income tax credit to new businesses, allowing further growth and development in North Dakota. With this increased demand for the program, we encourage bringing the bill's fiscal note back to \$5 million to better position companies looking to this credit for expansion and growth.

We thank the committee for continuing to keep North Dakota globally competitive in recruiting and retaining viable businesses. We urge the committee to support the 21st-century manufacturing workforce incentive.



GREATER NORTH DAKOTA CHAMBER
HB 1168
Senate Finance and Taxation Committee
Chair Jordan Kannianen
March 5, 2023

Mr. Chairman and members of the Senate Finance and Taxation Committee, my name is Andrea Pfennig with the Greater North Dakota Chamber. GNDC is North Dakota's largest statewide business advocacy organization, with membership represented by small and large businesses, local chambers, and trade and industry associations across the state. We are also the state affiliate for the National Association of Manufacturers. We stand in **support** of House Bill 1168.

In 2019, the Automation Tax Credit was approved for a period of four years with a \$1 million limit on the credits available in each calendar year. Total output from manufacturing has grown from \$4.16 billion in 2019 to \$4.63 billion in 2021. It's important to note that much of this growth occurred during the pandemic and a downturned economy. These results demonstrate a strong return on investment for North Dakota.

Manufacturers help drive and diversify North Dakota's economy providing an average annual salary of \$62,000. However, workforce shortages present a significant challenge to growing or simply maintaining operations. Manufacturers have been utilizing automation as a solution. According to the Department of Commerce, the Automation Tax Credit has had high demand with over \$34 million of approved equipment purchases since 2019. While companies may receive up to a 20% credit, they've only been receiving an average of 8.68% due to oversubscription of the program.

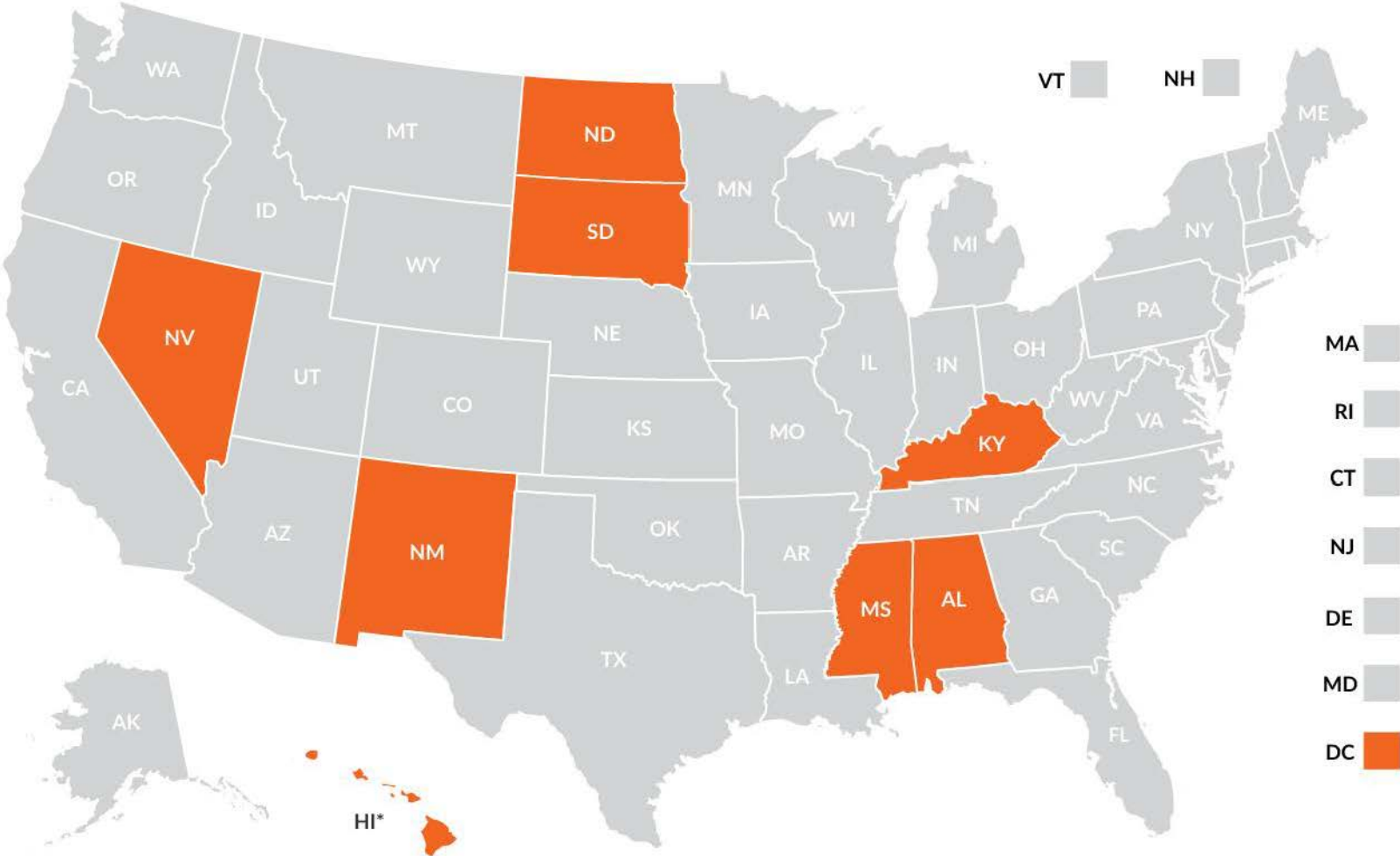
It is interesting to note that according to information from the Tax Foundation, in 2019 North Dakota was one of only 8 states that taxes manufacturing machinery. North Dakota ranks #17 in the Tax Foundation's 2023 State Business Tax Climate Index.

One of GNDC's policy goals regarding workforce is to augment strategic resources for automation, recognizing it is an important tool to address workforce challenges. From a business climate perspective, we feel that advancing automation through targeted incentives helps position North Dakota to be globally competitive. Finally, we support an equitable, competitive, and consistent tax structure that fosters long-term revenue stability and provides certainty to business for sustained growth and investment.

We strongly urge a do pass on HB 1168. Mr. Chairman and members of the Committee, this concludes my comments. Thank you and I'd be happy to answer any questions.

Does Your State Tax Manufacturing Machinery?

Sales Taxes on Manufacturing Machinery, 2019



Note: DE, MT, NH, and OR have no sales tax. Alaska has a local option sales tax. *Hawaii taxes both manufacturing machinery and manufacturing raw materials.

Source: Tax Foundation; Commerce Clearing House; state statutes.

- Taxes Manufacturing Machinery
- Does Not Tax Manufacturing Machinery

HB 1168
Senate Finance and Taxation Committee
Chair Jordan Kannianen
March 1, 2023

Mr. Chairman and members of the Committee, my name is Chuck Black and I represent Flowcore Systems. Flowcore Systems appreciates the opportunity to provide **support** for HB 1168, Automation Tax Credit.

FlowCore Systems is a chemical injection & water treatment automation solutions company founded in 2013 based out of Williston. We employ 19 people and have experienced significant growth in the last three years. In 2022 our sales increased 200%. We have partnered with a global distribution company and have delivered and are monitoring automation systems in North Dakota, Texas, New Mexico, Oklahoma, West Virginia, and Pennsylvania. We are currently in discussions to begin delivering our systems to the Middle East, and Argentina.

As a North Dakota primary sector manufacturer, we strongly support the passage of HB 1168, Automation Tax Credit. We have not utilized this program in the past, but feel it is an important tool that will help us grow and expand our business as we continue to invest in North Dakota.

Thank you for your consideration.

Regards,

A handwritten signature in black ink that reads "Chuck Black". The signature is written in a cursive, flowing style.

Chuck Black
President
FlowCore Systems
4401 16th Ave W, Suite B
Williston, ND 58801



February 17, 2023

Members of the Senate Finance & Taxation Committee

Re: Support for HB1168 – Automation Tax Credit

Senator Kannianen and members of the Senate Finance & Taxation Committee:

My name is Patrick Brandt, President of the Minn-Dak Manufacturers Association (MDMA), representing area manufacturers in the region for almost 50 years. **I am writing to you on behalf of the MDMA board to ask you to vote yes on [HB1168](#), regarding the Automation Tax Credit renewal and increased funding.**

Our member organizations are experiencing growth like never before, and manufacturing is becoming one of the key pillars of our region's future economic footprint. To support that growth, we need our member organizations to be able to meet market opportunities by building new products, increasing output, and finding ways to do things better and more efficiently.

One of the biggest challenges right now for our members is workforce. There just simply aren't enough workers to meet the demands and opportunities that are available to our manufacturers. There are many initiatives underway to address workforce, including recruiting and attraction initiatives, driving interest in manufacturing with students, and immigration. These are just a few of those initiatives and all supported by MDMA. Automation is another key strategy to address this shortage.

Automation allows manufacturers to continue growing while needing less workers to operate the lines. A great example of this is a recent tour MDMA members conducted with one of our Fargo members, GPK Products. GPK engineers and fabricates pipe fittings and is part of a supply chain that starts here in Fargo and extends nationally. One highlight of the tour was a manufacturing line that at one time required 3 workers to drive but is now fully automated. Without automation, that line would sit idle. GPK took advantage of the Automation Tax Credit to find a solution, make the investment, and now their output continues to grow while workforce challenges are being addressed.

We ask you to vote **YES** on HB1168 for the benefit of our members and the growth we want them to drive for our region. The tax credit will help our members continue to drive the innovation and economic benefits that are available to our members and that our region is counting on them to deliver.

Thank you and best regards,

Patrick Brandt, President

MDMA Board Members:

- Reza Maleki, Professor of Practice, Industrial & Manufacturing Engineering, NDSU
- Kambiz Farahmand, Professor, Industrial & Manufacturing Engineering, NDSU
- Brian Fuder, Apprenticeship ND/CDL Manager, NDSCS
- Ryan Asheim, Chief Business Development Officer, FM Economic Development Organization
- Josh Herbold, Vice President & Commercial Relationship Manager, Bremer Bank
- John Henning, Chief Engineer, GPK Products
- Paul Naseth, Business Development, Borsheim Crane Service
- Josh Payne, Manufacturing Engineer
- Carl Wendelbo, President, Precision Machine LLC
- Patrick Mineer, CEO, Golden Path Solutions

February 17, 2023

Re: Support for HB1168 – Automation Tax Credit

Dear Senator Kannianen and Finance & Taxation Committee:

My name is Rick Lemke, President of the Red River Manufacturers & Engineers Association (RRMEA), representing area manufacturers in the region. **I am writing to you on behalf of the RRMEA board to ask you to vote yes on [HB1168](#), regarding the Automation Tax Credit renewal and increased funding.**

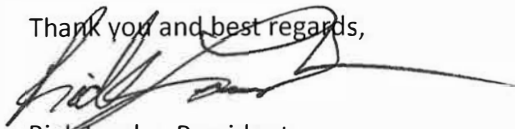
North Dakota manufacturing is one of the key pillars of our region's future economic footprint. To support that growth, we need our member organizations to be able to meet market opportunities by building new products, increasing output, and finding ways to do things better and more efficiently.

One of the biggest challenges right now for manufacturers is workforce. There just simply aren't enough workers to meet the demands and opportunities that are available to our manufacturers. There are many initiatives underway to address workforce, including recruiting and attraction initiatives, driving interest in manufacturing with students, and immigration. These are just a few of those initiatives and all supported by RRMEA. Automation is another key strategy to address this shortage.

Automation allows manufacturers to continue growing while needing less workers to operate the lines. A great example of this is GPK Products. GPK engineers and fabricates pipe fittings and is part of a supply chain that starts in Fargo and extends nationally. The manufacturing line at one time required 3 workers to drive but is now fully automated. Without automation, that line would sit idle. GPK took advantage of the Automation Tax Credit to find a solution, make the investment, and now their output continues to grow while workforce challenges are being addressed.

We ask you to vote **YES** on HB1168 for the benefit of our members and the growth we want them to drive for our region. The tax credit will help our members continue to drive the innovation and economic benefits that are available to our members and that our region is counting on them to deliver.

Thank you and best regards,



Rick Lemke, President

RRMEA Board Members:

- Will Cromarty, Director of Business Development, Aerial Robotics
- Russell Martinson, Director of Sales, Be More Colorful
- Ryan Asheim, Chief Business Development Officer, FM Economic Development Organization
- Josh Herbold, Vice President & Commercial Relationship Manager, Bremer Bank
- Lacey Bjork Anderson, CEO, The Birch Group
- Bernie Dardis, Mayor, City of West Fargo
- Jenna Mueller, Foundation Executive Director, Fargo Moorhead West Fargo Chamber of Commerce
- Kristi Schreiber, Vice President of Finance, Unity Holdings, Inc.
- Rach Lolmasteymaugh, Executive Director, Midwest Manufacturers Association



Business Development & Communications

**City of Mandan Business Development & Communications
In Support of HB 1168
House Finance and Taxation Committee
March 7, 2023**

Chairman Headland and members of the House Finance and Taxation Committee, my name is Madison Cermak, City of Mandan business development and communications director. On behalf of the City of Mandan, I would like to express support for HB 1168, which would reauthorize the 21st century manufacturing workforce incentive that makes available an automation tax credit to certified primary sector businesses. It also increases the aggregate amount of credits allowed in a calendar year from \$1 million dollars to an amount of \$2.5 million.

The ability to recruit and retain needed employees remains a huge challenge for businesses in our state and community. This situation has forced some businesses to close and is constraining the growth of others. Our city supports workforce attraction, development and retention strategies that help solve this dilemma. Morton County had a 2.1% unemployment rate as of November, the most recent month for which data is available.

This incentive offsets a small portion, up to 20%, of the cost for manufacturers to purchase automation equipment, but in reality there's been far more demand by manufacturers statewide than the amount of credit available, so it winds up being pro-rated among applicants. Thus why the increase in total credits is requested also.

Mandan business applicants for the income tax credit include True North Steel, which makes tanks, culverts, staircases and a variety of structures; and Cloverdale Foods, a meat processing company still family-owned after more than 100 years, employing about 500 people.

Cloverdale staff share examples of poaching efforts by other states striving to recruit them with incentives for relocation. The company recently invested upwards of \$20 million in a sizeable plant, warehouse and office expansion plus new equipment to increase bacon production. Mandan assisted with a new and expanding business property tax exemption on the additions, plus committed about \$140,000 to a 0% interest repayable loan toward an interest buydown.

The state also plays a key role in the retention and expansion of businesses like this that diversify North Dakota's economy. We urge the committee's support for reauthorizing and strengthening the 21st century manufacturing workforce incentive.

March 6, 2023

Newman Signs letter in support of House Bill 1168.

Dear Representatives,

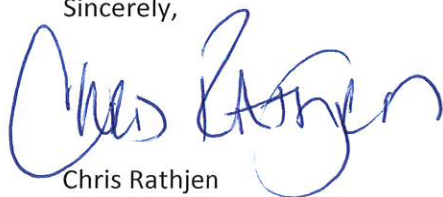
We at Newman Signs are big believers in the importance of automation in our traffic sign manufacturing plant. We have been struggling for at least four years to hire employees. It's become clear to us that our workforce must be enhanced through automation, that waiting for our numbers to increase the old-fashioned way **will not work**.

We have taken many steps to increase the number of people seeking employment with us. For example, upward wage adjustments, increased benefits, flexible hours, and working remotely. Given that, we are not however, seeing an increase in new hires.

Because of the inability to hire new employees, increased efficiencies have become essential. Efficiencies with increased automation is the direction we decided to go. In 2022, Newman Signs invested in a table cutter with the help of the ND Automation Tax Credit. The machine will help us nest our art together electronically (eliminating waste), instead of by hand, which will save time and allow that employee to do other duties with the saved time. And last but definitely not least, signs will now be cut to size which eliminates hand trimming of each sign individually. These savings are desperately needed so our employees can go to other places within the manufacturing plant where short staffed.

Newman Signs is currently looking at additional automation within our manufacturing plant in 2023. Please pass House Bill 1168 so there is more funding available for automation within manufacturing plants. With no current prospects for new employees, we have no choice but to try to seek additional automation. We appreciate the state of ND help.

Sincerely,



Chris Rathjen
Director of Operations





FMWF Chamber Support for HB 1168

March 7th, 2023

Chairman Kannianen and members of the Senate Finance and Taxation Committee

For the record, my name is Katherine Grindberg and I have the pleasure of serving as the Executive Vice President for the Fargo Moorhead West Fargo (FMWF) Chamber of Commerce. The Chamber's mission is to be a catalyst for economic growth and prosperity for businesses, members, and the greater community. On behalf of our over 1,900 members, I write this letter in support of House Bill 1168.

The Chamber fully supports the sustainable continuation of the state's automation income tax credit for purchases of manufacturing machinery and equipment to automate manufacturing processes in the state to improve job quality or increase productivity. We continually hear feedback on how great of a tool this is for our manufacturing businesses.

On behalf of our members, I would like to thank the committee for their time and consideration this morning.

Respectfully,

Katherine Grindberg

Executive Vice President
FMWF Chamber of Commerce
kgrindberg@fmwfchamber.com



March 6, 2023

Chairman Sen. Jordan L. Kannianen
Senate Finance and Taxation Committee
Testimony in support of House Bill 1168

Chairman Sen. Kannianen and members of the Senate Finance and Taxation Committee,

At last check, the North Dakota Labor Market Information Center reported that there are nearly 10 online job openings for every one resume. That represents a dire workforce shortage across the state. In region 1 alone, that ratio is about 8:1. In a number of talks with employers in the region regarding solutions aimed at easing this workforce shortage, automation has been on the table.

North Dakota legislators are uniquely positioned to help advance efforts to increase automation, at least for several industries within the state: manufacturing and agriculture. The former is a growing industry, with total output growing from \$4.16 billion in 2019 to \$4.63 billion in 2021. While tax credits have existed within that time frame, high demand has not allowed companies to reap the full benefits. The aforementioned numbers also indicate that a favorable return on investment may be expected on the tax credit proposed in HB 1168.

Aside from its implications on the workforce issue, the ability to automate is also expected to increase safety, efficiency, and competitiveness within these industries. In western North Dakota especially, manufacturing is also an important piece of the area's robust energy industry. Additionally, successfully implementing this program could potentially open the door for others to expand automation to address workforce issues, allow current employees to upskill, and further increase output and revenue.

For the reasons listed above, the Williston Area Chamber of Commerce urges a "do pass" recommendation for HB 1168. Thank you so much for your time and consideration. Please do not hesitate to reach out with any questions.

Sincerely,

Anna Nelson
President
Williston Area Chamber of Commerce
anna@willistonchamber.com
701-570-0747

Testimony In Favor of HB1168
Kristin R. Hedger
Senior Vice President for Business Development
and Government Relations
Killdeer Mountain Manufacturing Inc.
For The Senate Finance and Taxation Committee
March 7, 2023

Chairman Kannianen and Members of the Senate Finance and Taxation Committee, My name is Kristin Hedger. I am a senior vice president for business development and government relations for Killdeer Mountain Manufacturing Inc. We make parts for civilian and military aircraft. We have manufacturing facilities in Killdeer, Dickinson, and Hettinger in western North Dakota, which employ about 420 people in North Dakota.

We are a family-owned business that was founded more than 30 years ago by Don and Patricia Hedger to provide jobs in western North Dakota.

I regret not being able to testify in person at today's hearing, as I am on business travel this week.

I am writing in support of House Bill 1168, which would provide a nonrefundable North Dakota income tax credit for machinery and equipment that is used to automate a manufacturing process.

The Legislature has approved tax credits similar to this one in previous years and attached a "sunset clause" to the legislation. As I understand it, this bill would not have a sunset clause on the credit. This would be a superior approach and would allow for better business planning for manufacturers like ourselves.

Let me give you an example of how this tax credit would benefit North Dakota. We at KMM often need to invest in wire-cutting equipment. I am talking about large and sophisticated machines that can cost \$600,000 or more. They allow for more precise and efficient manufacturing of the parts we make. This modern cutting equipment saves time and cuts down on waste.

Because we are able to improve our cutting process in this way, we are able to hire more employees to do what we call the "heavy touch" assembly that follows the wire cutting. This helps us to increase the number of jobs we offer, raise our wages, and give our employees an even better quality of life.

Please recommend a "Do Pass" for HB1168 and help provide better jobs and wages in our state.

Thank you.



Written Testimony

3-3-2023

Re: Manufacturing Automation Tax Credit

Cloverdale Foods Company, local to Mandan, ND, has been part of the community for over 108 years. On behalf of our 480+ hardworking employees, please accept this letter as a sign of support for the Manufacturing Automation Tax Credit. Throughout the family's 4 generations of competing in the food business we have learned how to create quality products and positively impact the community. In North Dakota, Cloverdale has \$20 million in annual sales and 5 million pounds sold. Cloverdale has sustained excellent growth, in 2021 and 2022 we grew by 11% and 12% respectively. In 2023 we expect to match or exceed those that growth percentages. As a Premier Primary Sector Employer and a long-term steward of the great state of North Dakota, this credit is vitally important to assist our growth and in obtaining our next overall milestone of 58 million annual pounds produced and \$225 million in net sales. It is our intent to meet or exceed those milestones within the next 12 to 18 months.

The Manufacturing Automation Tax Credit is important to Cloverdale for several reasons. Over the past 5 years Cloverdale submitted over \$5 million worth of qualified automation projects through the Automation Tax Credit Program. The list of overall equipment has ranged from stuffing lines, smokehouse upgrades, tumblers, slicing line automation, a bacon press, fermentation rooms and packing line upgrades.

In 2022, Cloverdale launched two new product categories: Snack Sticks and Fully Cooked Bacon. Current demand has exceeded our strategic plan and we have identified a need to further automate these new production lines to add capacity, in addition to, what we have already invested.

In 2023, Cloverdale has two major automation projects: palletization system for finished goods and bacon air chillers. To retain our market share and add growth capacity, Cloverdale must continue to invest in automation. Investing in automation is significant in our efforts to stay relevant to the competition, increasing efficiency of output, and creating the safest environments for our workforce.

HR Department
3015 34th Street NW
Mandan, ND 58554

Cloverdale fully support the proposal to create a new section to chapter 57-38 and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to the provision of an income tax credit for purchases of manufacturing and animal agricultural machinery and equipment to automate a manufacturing or animal agricultural process. This new section will increase the total annual funding available from \$1 million to \$1.5 million per annual.

Our support comes from the evidence that the current demand statewide for the Automation Tax Credit far exceeds the current \$1 million limit, which consequently reduces the amount of max credit dollars that can get awarded to each qualified recipient. In 2021, Cloverdale had \$988k of qualified purchases, the max award is 20% of that value or \$198k; however, due to demand and the current limit, we only received 40% of the \$198k, or \$79k.

As you are aware, there are many companies throughout this great state investing in their businesses. If the tax credit and limit increase would be approved, it would be an important part of the financial planning process for all of us. We will continue to be active participates in the Automation Tax Credit and we would be very grateful for the funding to get passed.

Sincerely,



Scott Staudinger - SHRM-SCP

Vice President of Government Affairs & Human Resources

Cloverdale Foods Company

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CloverdaleFoods.com



A Division of Cloverdale Foods Company

23.0487.03002

SECOND ENGROSSMENT

Sixty-eighth
Legislative Assembly
of North Dakota

REENGROSSED HOUSE BILL NO. 1168

Introduced by

Representatives Steiner, Dockter, Hatlestad, Lefor, Porter, Rohr, Satrom, Swiontek, Wagner
Senators Rummel, Sickler

1 A BILL for an Act to create and enact a new section to chapter 57-38 and a new subdivision to
2 subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to the provision
3 of an income tax credit for purchases of manufacturing and animal agricultural machinery and
4 equipment to automate a manufacturing or animal agricultural process; and to provide an
5 effective date.

6 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

7 **SECTION 1.** A new section to chapter 57-38 of the North Dakota Century Code is created
8 and enacted as follows:

9 **Twenty-first century manufacturing and animal agricultural workforce incentive.**

10 1. A taxpayer that is a primary sector business is allowed a nonrefundable credit against
11 the tax imposed under section 57-38-30 or 57-38-30.3 for purchases of qualifying
12 machinery and equipment in this state to improve job quality or increase productivity.
13 The amount of the credit under this section is ~~twenty~~ten percent of the cost of the
14 qualifying machinery and equipment purchased in the taxable year. Qualified
15 expenditures under this section may not be used in the calculation of any other income
16 tax deduction or credit allowed under this chapter.

17 2. For purposes of this section:

18 a. "Animal agricultural machinery and equipment" means new or used automation
19 and robotic equipment used to upgrade or advance an animal agricultural
20 process. The term does not include replacement automation and robotic
21 equipment that does not upgrade or advance an animal agricultural process.

22 b. "Animal agricultural process" means the breeding, raising, harvesting, or
23 processing of animals for producing meat, dairy, or eggs, or meat, dairy, or egg

- 1 products. For purposes of this subdivision, "animal" means beef or dairy cattle,
2 swine, sheep, goats, bison, farmed elk, or poultry.
- 3 c. "First-time claimant" means a taxpayer that has not previously claimed a credit
4 against the tax imposed under section 57-38-30 or 57-38-30.3 for purchases of
5 animal agricultural machinery and equipment or manufacturing machinery and
6 equipment for the purpose of automating manufacturing or animal agricultural
7 processes.
- 8 d. "Improved job quality" means a five percent increase in average wages or a five
9 percent improvement in workplace safety as documented through participation in
10 workforce safety and insurance safety incentive programs.
- 11 d.e. "Increased productivity" means no less than a five percent increase in output or a
12 five percent increase in the number of units produced per automated line per time
13 period.
- 14 e.f. "Manufacturing machinery and equipment" means new or used automation and
15 robotic equipment used to upgrade or advance a manufacturing process. The
16 term does not include replacement automation and robotic equipment that does
17 not upgrade or advance a manufacturing process.
- 18 f.g. "Primary sector business" has the meaning provided in section 1-01-49.
- 19 g.h. "Purchase" includes qualifying machinery and equipment acquired under a
20 capital lease only for the taxable year in which the lease is executed. A capital
21 lease is a lease which meets generally accepted accounting principles. The
22 qualifying costs of the equipment acquired under a capital lease is the fair market
23 value of the equipment at the inception of the lease.
- 24 h.i. "Qualifying machinery and equipment" means animal agricultural machinery and
25 equipment and manufacturing machinery and equipment for the purpose of
26 automating manufacturing or animal agricultural processes.
- 27 3. The taxpayer shall claim the total credit amount for the taxable year in which the
28 qualifying machinery and equipment are purchased. The credit under this section may
29 not exceed the taxpayer's liability as determined under this chapter for any taxable
30 year.

- 1 4. If the amount of the credit determined under this section exceeds the liability for tax
2 under this chapter, the excess may be carried forward to each of the next five
3 succeeding taxable years.
- 4 5. a. The aggregate amount of credits allowed each calendar year under this section
5 may not exceed ~~onefour million five hundred thousand~~ dollars. ~~However, if~~
6 (1) From the aggregate credit limit in this subdivision, the tax commissioner
7 shall designate:
- 8 (a) One million dollars for credits claimed by first-time claimants for
9 animal agricultural machinery and equipment for the purpose of
10 automating animal agricultural processes; and
- 11 (b) One million dollars for credits claimed by first-time claimants for
12 manufacturing machinery and equipment for the purpose of
13 automating manufacturing processes.
- 14 (2) If the amount designated for first-time claimants in paragraph 1 is less than
15 the amount of credits claimed by the corresponding first-time claimants, the
16 tax commissioner shall prorate the credits among the corresponding first-
17 time claimants.
- 18 (3) If the amount designated for first-time claimants in paragraph 1 is greater
19 than the amount of credits claimed by the corresponding first-time
20 claimants, the remaining amount must be included in the amount available
21 to claimants that are not first-time claimants.
- 22 b. If the maximum amount of allowed credits are not claimed in any calendar year,
23 any remaining unclaimed credits may be carried forward and made available in
24 the next succeeding calendar year. ~~if~~
- 25 c. After determining the credits claimed by the first-time claimants as provided in
26 subdivision a, if the aggregate amount of credits claimed under this section by
27 claimants that are not first-time claimants exceeds the amount available to
28 claimants that are not first-time claimants in a calendar year, the tax
29 commissioner shall prorate the credits among the claimants that are not first-time
30 claimants.

- 1 6. If a taxpayer entitled to the credit provided by this section is a member of a group of
2 corporations filing a North Dakota consolidated tax return using the combined
3 reporting method, the credit may be claimed against the aggregate North Dakota tax
4 liability of all the corporations included in the North Dakota consolidated return.
- 5 7. A passthrough entity entitled to the credit under this section must be considered to be
6 the taxpayer for purposes of calculating the credit. The amount of the allowable credit
7 must be determined at the passthrough entity level. The total credit determined at the
8 entity level must be passed through to the partners, shareholders, or members in
9 proportion to their respective interests in the passthrough entity. An individual taxpayer
10 may take the credit passed through under this subsection against the individual's state
11 income tax liability under section 57-38-30.3.
- 12 8. The department of commerce shall provide the tax commissioner the name, address,
13 and federal identification number or social security number of the taxpayer approved
14 as qualifying for the credit under this section, and a list of those items approved as a
15 qualified expenditure by the department. The taxpayer claiming the credit shall file with
16 the taxpayer's return, on forms prescribed by the tax commissioner, the following
17 information:
- 18 a. The name, address, and federal identification number or social security number
19 of the taxpayer that made the purchase; and
- 20 b. An itemization of:
- 21 (1) Each item of machinery or equipment purchased for automation, including a
22 description of the equipment or system being upgraded or advanced, and
23 an explanation of how the upgrade or advancement will improve job quality
24 or increase productivity;
- 25 (2) The amount paid for each item of machinery or equipment if the amount
26 paid for the machinery or equipment is being used as a basis for calculating
27 the credit; and
- 28 (3) The date on which payment for the purchase was made.
- 29 9. Within one year after claiming a tax credit under this section, a taxpayer shall file with
30 the tax commissioner a report that documents the improved job quality or increased
31 productivity required under this section and any other information the tax

1 commissioner determines is necessary for administration of this section. Failure to
2 document the improved job quality or increased productivity requirements is cause to
3 disallow the credit attributable to the noncompliance. The tax commissioner shall
4 provide notice of the disallowed credit to the taxpayer. Within ninety days after the
5 date of the notice, the taxpayer shall file an amended return for each taxable year in
6 which the disallowed credit reduced the taxpayer's tax liability and pay the amount
7 due. If an amended return is not filed timely, the tax commissioner shall disallow the
8 credit and assess any tax due. An assessment of tax made under this subsection is
9 final and irrevocably fixed.

10 10. Notwithstanding the time limitations contained in section 57-38-38, this section does
11 not prohibit the tax commissioner from conducting an examination of the credit
12 claimed and assessing additional tax due under section 57-38-38.

13 **SECTION 2.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota
14 Century Code is created and enacted as follows:

15 Twenty-first century manufacturing and animal agricultural workforce incentive
16 under section 1 of this Act.

17 **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
18 December 31, 2022.

23.0487.03003

SECOND ENGROSSMENT

Sixty-eighth
Legislative Assembly
of North Dakota

REENGROSSED HOUSE BILL NO. 1168

Introduced by

Representatives Steiner, Dockter, Hatlestad, Lefor, Porter, Rohr, Satrom, Swiontek, Wagner
Senators Rummel, Sickler

1 A BILL for an Act to create and enact a new section to chapter 57-38 and a new subdivision to
2 subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to the provision
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4 equipment to automate a manufacturing or animal agricultural process; and to provide an
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12 machinery and equipment in this state to improve job quality or increase productivity.
13 The amount of the credit under this section is ~~twenty~~ten percent of the cost of the
14 qualifying machinery and equipment purchased in the taxable year. Qualified
15 expenditures under this section may not be used in the calculation of any other income
16 tax deduction or credit allowed under this chapter.

17 2. For purposes of this section:

18 a. "Animal agricultural machinery and equipment" means new or used automation
19 and robotic equipment used to upgrade or advance an animal agricultural
20 process. The term does not include replacement automation and robotic
21 equipment that does not upgrade or advance an animal agricultural process.

22 b. "Animal agricultural process" means the breeding, raising, harvesting, or
23 processing of animals for producing meat, dairy, or eggs, or meat, dairy, or egg.

- 1 products. For purposes of this subdivision, "animal" means beef or dairy cattle,
2 swine, sheep, goats, bison, farmed elk, or poultry.
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23 value of the equipment at the inception of the lease.
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25 equipment and manufacturing machinery and equipment for the purpose of
26 automating manufacturing or animal agricultural processes.
- 27 3. The taxpayer shall claim the total credit amount for the taxable year in which the
28 qualifying machinery and equipment are purchased. The credit under this section may
29 not exceed the taxpayer's liability as determined under this chapter for any taxable
30 year.

- 1 4. If the amount of the credit determined under this section exceeds the liability for tax
2 under this chapter, the excess may be carried forward to each of the next five
3 succeeding taxable years.
- 4 5. a. The aggregate amount of credits allowed each calendar year under this section
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- 11 (b) One million dollars for credits claimed by first-time claimants for
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13 automating manufacturing processes.
- 14 (2) If the portion of the aggregate limit which is designated for first-time
15 claimants in paragraph 1 is greater than the amount of credits claimed by
16 the corresponding first-time claimants, the remaining portion of the
17 aggregate limit which is designated for the first-time claimants in
18 paragraph 1 must be included in the amount available to claimants that are
19 not first-time claimants.
- 20 (3) If the portion of the aggregate limit which is not designated for first-time
21 claimants in paragraph 1 is greater than the amount of credits claimed by
22 claimants that are not first-time claimants, the remaining portion of the
23 aggregate limit which is not designated for first-time claimants in
24 paragraph 1 must be included in the amount available to first-time claimants
25 to the extent necessary to satisfy all first-time claims.
- 26 (4) If the sum of the portion of the aggregate limit which is designated for the
27 corresponding first-time claimants in paragraph 1 and any amount available
28 to the first-time claimants under paragraph 3 is less than the amount of
29 credits claimed by the first-time claimants, the tax commissioner shall
30 prorate the credits among the first-time claimants.

- 1 b. If the maximum amount of allowed credits are not claimed in any calendar year,
2 any remaining unclaimed credits may be carried forward and made available in
3 the next succeeding calendar year.~~f~~
- 4 c. After determining the credits claimed by the first-time claimants as provided in
5 subdivision a, if the aggregate amount of credits claimed under this section by
6 claimants that are not first-time claimants exceeds the amount available to
7 claimants that are not first-time claimants in a calendar year, the tax
8 commissioner shall prorate the credits among the claimants that are not first-time
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19 may take the credit passed through under this subsection against the individual's state
20 income tax liability under section 57-38-30.3.
- 21 8. The department of commerce shall provide the tax commissioner the name, address,
22 and federal identification number or social security number of the taxpayer approved
23 as qualifying for the credit under this section, and a list of those items approved as a
24 qualified expenditure by the department. The taxpayer claiming the credit shall file with
25 the taxpayer's return, on forms prescribed by the tax commissioner, the following
26 information:
- 27 a. The name, address, and federal identification number or social security number
28 of the taxpayer that made the purchase; and
- 29 b. An itemization of:
- 30 (1) Each item of machinery or equipment purchased for automation, including a
31 description of the equipment or system being upgraded or advanced, and

1 an explanation of how the upgrade or advancement will improve job quality
2 or increase productivity;

3 (2) The amount paid for each item of machinery or equipment if the amount
4 paid for the machinery or equipment is being used as a basis for calculating
5 the credit; and

6 (3) The date on which payment for the purchase was made.

7 9. Within one year after claiming a tax credit under this section, a taxpayer shall file with
8 the tax commissioner a report that documents the improved job quality or increased
9 productivity required under this section and any other information the tax
10 commissioner determines is necessary for administration of this section. Failure to
11 document the improved job quality or increased productivity requirements is cause to
12 disallow the credit attributable to the noncompliance. The tax commissioner shall
13 provide notice of the disallowed credit to the taxpayer. Within ninety days after the
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16 due. If an amended return is not filed timely, the tax commissioner shall disallow the
17 credit and assess any tax due. An assessment of tax made under this subsection is
18 final and irrevocably fixed.

19 10. Notwithstanding the time limitations contained in section 57-38-38, this section does
20 not prohibit the tax commissioner from conducting an examination of the credit
21 claimed and assessing additional tax due under section 57-38-38.

22 **SECTION 2.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota
23 Century Code is created and enacted as follows:

24 Twenty-first century manufacturing and animal agricultural workforce incentive
25 under section 1 of this Act.

26 **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
27 December 31, 2022.

Automation Bills Summary

HB 1168 (Automation Tax Credit)

- As amended by the Senate, it provides a Primary Sector business with a 10% of the cost of the qualifying machinery and equipment purchased.
- The program is capped at \$4 million per calendar year, with \$1 million reserved for first time users purchasing manufacturing equipment and \$1 million reserved for first time users purchasing animal agriculture equipment.
- In the 2019-2021 biennium, the Automation Tax Credit was limited to manufacturers. It allowed them to receive a credit of up to 20% and was capped at \$1 million per calendar year.
- The program was consistently oversubscribed. With the addition of animal agriculture, increasing the amount makes sense.
- The Automation Tax Credit is one of the only incentives available for the manufacturing industry in the state.

HB 1018 (Commerce Appropriations)

- This includes \$5 million for an Automation Workforce Training program and \$5 million for Automation Workforce Equipment Grants.
- These programs are very different from HB 1168, because they are open to everyone.
- Automation is an important part of the workforce solution, and the funding in both bills are critical.

Why manufacturing matters:

- Manufacturing occurs at some level in 50 of the 53 counties.
- Total output from manufacturing in ND has grown from \$4.16 billion in 2019 to \$4.63 billion in 2021. This is a huge return on investment for the state.
- The Automation Tax Credit has had high demand with over \$34 million of approved equipment purchases since 2019.
- While companies may receive up to a 20% credit, they've only been receiving an average of 8% due to oversubscription of the program.
- This tax credit is an important tool for manufacturing, which provides economic diversification to the state.
- Automation is a workforce solution that increases employee safety while helping ND businesses remain globally competitive.
- Many manufacturers have facilities in multiple states. As companies look at where to invest and grow, this tax credit is an important tool in the financial planning process.
- Oftentimes, manufacturers in North Dakota face transportation challenges by being located away from their feedstocks, their customer base, or both.
- The manufacturing industry employs approximately 27,000 North Dakotans with an average annual salary of about \$63,000.



JOHN DEERE

27 March 2023

North Dakota Legislature
Bismarck, ND 58505

Re: HB 1168 - Support of Twenty-First Century Manufacturing and Animal Agricultural Workforce Incentive

Chairman and members of the Senate Appropriations – Government Operations Division:

On behalf of John Deere, we would like to voice our support for the expansion of the Twenty-First Century Manufacturing and Animal Agricultural Workforce Incentive, currently being considered in House Bill 1068. John Deere has facilities across the world where we manufacture high quality agricultural, turf, construction, forestry mining and road building equipment. Specifically, in North Dakota, John Deere Intelligent Solutions Group is in Fargo and John Deere Seeding Group is located in Valley City. Our business supports over 1265 employees and their families, all of whom make considerable contributions to the economic vitality of the state.

The products we manufacture are becoming more technologically advanced every day. Our Intelligent Solutions Group is one of the primary locations for the manufacturing of electrification, guidance and controls technologies used in our products around the world. These specialized devices enable precision agriculture practices that have positive impact both to the environment and our customers' bottom line. On our construction, forestry, and mining equipment, these products enable extreme precision for grading, leveling and other key activities in the industry.

In Valley City, we manufacture large air seeding equipment, allowing customers to make fewer passes with greater precision during North Dakota's very narrow seeding windows. This greatly improves efficiency and soil health and drives down costs for our producers.

The current Twenty-First Century Manufacturing Workforce Incentive has been in place since 2013. Since its inception, this credit has been a proven economic development tool, encouraging continued capital improvements and facility modernization across the state.

As you are no doubt aware, the workforce continues to be a challenge for all employers. Producing more technologically advanced machines means our tools for manufacturing follow suit. This adoption of automated production capabilities ultimately translates into additional highly skilled and highly compensated job opportunities for North Dakota residents, allowing us to remain viable in today's competitive marketplace.

On behalf of John Deere, thank you for considering the expansion of the Twenty-First Century Manufacturing and Animal Agricultural Workforce Incentive and for your support in promoting a strong and vibrant business environment in the state of North Dakota.

Sincerely,

Steve Speich
Factory Manager
John Deere Intelligent Solutions Group - Fargo

Cory Reynolds
Factory Manager
John Deere Seeding Group -Valley City