

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

TAXATION COMMITTEE

Thursday, April 19, 2018
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Jessica Unruh, Chairman, called the meeting to order at 9:45 a.m.

Members present: Senators Jessica Unruh, Dwight Cook, Jim Dotzenrod, Scott Meyer; Representatives Thomas Beadle, Jason Dockter, Sebastian Ertelt, Jim Grueneich, Ron Guggisberg, Craig Headland, Jim Kasper, Alisa Mitskog, Emily O'Brien, Randy A. Schobinger, Vicky Steiner, Nathan Toman

Members absent: Senators Brad Bekkedahl, Lonnie J. Laffen; Representatives Patrick Hatlestad, Ben Koppelman

Others present: See [Appendix A](#)

It was moved by Representative Toman, seconded by Representative Schobinger, and carried on a voice vote that the minutes of the February 14, 2018, meeting be approved as distributed.

PROPERTY TAX SYSTEM STUDY

Chairman Unruh called on Mr. Ryan Rauschenberger, Tax Commissioner, for presentation of a statewide report ([Appendix B](#)) of property tax increases pursuant to North Dakota Century Code Section 57-20-04(3). Mr. Rauschenberger said the report provides information on property tax mill levies for tax years 2015, 2016, and 2017. He said the report lists the ad valorem taxes levied by each county and by the 13 largest cities and 14 largest school districts in the state. He said the amounts listed for tax years 2015 and 2016 represent the amount levied before deducting the state-paid 12 percent property tax credit. He said the amounts listed for school districts include additional mill levy authority approved by the voters. He said special assessments are not included in the report.

In response to a question from Representative Kasper, Mr. Rauschenberger said the online database contains information regarding all mill levies and the taxable value against which mill rates were applied to determine the tax generated. He said the data was uploaded in a manner that allows the Tax Department to differentiate between the values associated with new property and the values associated with the growth of existing properties. He said legislators may contact the department with any specific data requests.

In response to a question from Chairman Unruh, Mr. Rauschenberger said all counties have submitted the data required for the report.

Senator Cook said he would like to see data pertaining to the amount taxes have increased on existing properties in counties, cities, and school districts.

Mr. Rauschenberger said the department could provide similar tax increase information by subtracting the valuation attributable to new properties.

Mr. Rauschenberger reviewed trends in the report including the decreases associated with the recent elimination of county social service mill levy authority. He said larger decreases are seen in smaller counties that had a higher percentage of mill levies dedicated to social services. He said the data contained in the online tool shows how much mill levies have increased or decreased from year to year. He said individual taxing entities would need to be contacted if the committee would like more detailed information on the reasons behind specific increases or decreases.

In response to a question from Senator Dotzenrod, Mr. Rauschenberger said the department's annual [Property Tax Statistical Report](#), contains information regarding the amount levied on each class of property and the amount of property tax paid on a per capita basis.

Representative Steiner said she was most interested in the counties and cities in the report which appeared to be outliers. She said she would like additional information from these counties and cities.

Chairman Unruh said the department's online tool will be useful for the North Dakota League of Cities and North Dakota Association of Counties as well as legislators. She said it would be helpful if the League of Cities and Association of Counties could identify outliers and provide additional information to the committee regarding the reasons behind any higher or lower than average increases or decreases.

Senator Cook said Minot appears to be a clear outlier and he would like additional information regarding why Minot's city taxes increased so dramatically. He said he also would like additional information on school district levies. He said schools are required to deduct an amount equal to 60 mills times the taxable value of the school district for purposes of calculating state aid. He said taxable values in Mandan increased so much last year that the mill levy went down. He said taxes had to be raised to reach the 60-mill threshold. He asked for additional information regarding how many other school districts increased mill levies last year and how much of the resulting increase was required to meet the 60-mill threshold.

Chairman Unruh requested the Legislative Council staff to contact one of Minot's city council members to request additional detail regarding the recent mill levy increases.

In response to a question from Representative Beadle, Mr. Rauschenberger said the department would not have data specific to those properties that had permits approved for additions or renovations and those which did not. He said parcel-specific data would be retained at the county level.

Chairman Unruh called on the Legislative Council staff for presentation of a memorandum entitled [Property Tax Exemptions for New Residential Property](#). The Legislative Council staff said information was requested at the committee's previous meeting regarding cities and counties that offered a new residential property tax exemption and builder-owned property tax exemption. She said information regarding the number of properties that had been granted either exemption also was requested. She said of the cities and counties responding to information requests from the League of Cities and Association of Counties, 22 cities and 10 counties had approved an ordinance or resolution allowing exemptions for new, single-family residential property and 14 cities and 5 counties had approved an ordinance or resolution allowing exemptions for builder-owned single-family residential property. She said Fargo granted the highest number of single-family property tax exemptions in the most recent tax year, with 643 properties receiving the exemption, and Grand Forks granted the highest number of builder-owned single-family property tax exemptions in the most recent tax year, with 45 properties receiving the exemption. She said the information in this memorandum is useful in regard to the committee's study directive to assess the impact incentives have on the remainder of the tax base not receiving incentives.

In response to a question from Chairman Unruh, Ms. Linda Leadbetter, State Supervisor of Assessments, Tax Department, said the new residential and builder-owned incentives are not granted automatically. She said taxpayers are required to apply for the exemption.

Senator Cook said the committee needs to come to a consensus regarding whether population growth costs the state money. He said on the one hand, cities are offering incentives to encourage growth, and on the other hand, the state is sending impact money to cities experiencing too much growth. He said the Legislative Assembly needs to determine whether growth costs the state money, and direct its policy accordingly. He said he has always understood growth costs money. He said more people leads to more fire departments and more schools and the existing taxpayers tend to be the ones who pick up the burden for the extra costs. He said this is something the committee needs to keep in mind when evaluating these types of property tax exemptions.

Chairman Unruh said she agreed with Senator Cook's sentiments and the committee will continue to evaluate property tax exemptions throughout the interim.

Chairman Unruh called on the Legislative Council staff for presentation of a memorandum entitled [Special Assessments](#). The Legislative Council staff said information was requested at the previous meeting regarding the procedure behind using special assessments and the prevalence of special assessments. She said the memorandum focuses on provisions related to special assessments in cities because many other districts adopt the city provisions by reference. She said she surveyed the county auditors in counties with the 10 most populous cities to determine the amount levied for special assessments versus the amount levied in property tax. She said Fargo had one of the highest ratios of special assessments to property tax for the 2017 tax year, certifying \$32,081,933 in special assessments and levying \$31,526,029 in property tax.

Representative Beadle said Bismarck seems to be levying more than double the amount of taxes Fargo is levying, despite the population difference between the two cities.

In response to a request from Senator Cook, Chairman Unruh requested the Legislative Council staff to provide information at the next committee meeting regarding the number of states that have special assessment provisions similar to those found in North Dakota.

Chairman Unruh called on Mr. James Gilmour, Director of Strategic Planning and Research, City of Fargo, for a presentation ([Appendix C](#)) of value per square foot maps of Fargo. Mr. Gilmour said the maps show the value of property per square foot for several areas of Fargo. He said the downtown area has the highest property values per square foot, with many properties valued at over \$100 per square foot. He said commercial properties on the western edge of the downtown area ranged in value from \$50 to \$100 per square foot and single family homes and residential apartment buildings ranged in value from \$26 to \$52 per square foot. He said some of the older commercial buildings with large parking areas had slightly lower values per square foot. He said parcels without an assigned color on the map represent tax exempt properties such as federal courthouses and schools. He reviewed the values for select properties and said the public can view 3-D value maps on the City of Fargo's website at fargond.gov. He said the city intends to begin estimating the property tax values that will be attributable to growing neighborhoods once fully built out and the anticipated cost of maintaining services for those neighborhoods. He said apartment buildings valued at over \$50 per square foot keep pace with service costs. He said owners of higher-value commercial buildings generally pay more in property taxes than the buildings require in services. He said the value per square foot of buildings in Fargo is nowhere near the unsustainable values Mr. Charles Marohn cautioned about at the committee's February meeting.

In response to a question from Representative Kasper, Mr. Gilmour said information pertaining to a number of renaissance zone properties in Fargo was presented at the committee's previous meeting and additional information pertaining to the previous 5-year period will be presented this afternoon. He said additional data might be available back to when the city's renaissance zone was created.

In response to a question from Representative Steiner, Mr. Gilmour said developers are required to take various flood protection measures when building by the river.

In response to a question from Senator Cook, Mr. Gilmour said the Fargo City Commission approved the zoning changes required to build Davies High School. He said the commission contemplated making changes to the 2-year residential property tax exemption but, based on comments received from the Home Builder's Association, ultimately decided to leave the exemption in its current form.

Chairman Unruh called on Mr. Daniel Nairn, Planner/Land Use Planning, Planning Division, City of Bismarck, for a presentation ([Appendix D](#)) of a value per square foot map of Bismarck. Mr. Nairn said the data on the map is from 2017 and shows the total value of the land and improvements on each parcel, divided by the square foot of the land on the parcel, to arrive at a value per square foot. He said a 3-D map of valuations also will be temporarily available through the link provided in his materials. He said the online mapping application is valuable to see how various development patterns in Bismarck translate fiscally.

In response to a question from Senator Cook, Mr. Nairn said the property that generates the most tax dollars in Bismarck is Sanford Medical Center. He said the property with the second highest valuation is the Broadway Centre building, but that building is not paying taxes because it is subject to a renaissance zone property tax exemption for the next 2 years. He said he would review additional information to determine the amount of property tax not being collected from properties subject to a renaissance zone exemption.

In response to a question from Representative Dockter, Mr. Nairn said he could provide the committee with the percentage of Bismarck properties exempt from tax, such as churches and government buildings.

In response to a question from Representative Beadle, Mr. Nairn said he would provide followup information regarding any property tax exemptions available to the Sanford Medical Center.

Chairman Unruh invited comments from interested persons in attendance regarding special assessments and the committee's study of the property tax system.

Mr. Blake Crosby, Executive Director, North Dakota League of Cities, said data provided on the 2-year builder-owned and residential property tax exemptions is representative only of those cities that responded to the survey. Because not all cities have a full-time auditor, he said, the League of Cities did not receive responses from all cities. He said it is possible many cities that passed a resolution allowing either exemption have not received any

applications for the exemption. He said the context behind a city's decision to raise or lower property taxes or grant property tax exemptions is important. He said it is important to avoid making any rash judgments solely based on numbers until more is known about the context behind the numbers. He said there are a number of variables involved when determining property tax. He said the committee also should keep in mind the impact new properties have on tax rates. He said part of the reason taxes in Wahpeton appear higher than average is because over 50 percent of the properties in Wahpeton are exempt from property tax.

In response to a question from Representative Kasper, Mr. Crosby said the League of Cities does not take a position on whether property tax exemptions should be allowed. He said decisions regarding whether cities may grant property tax exemptions are within the purview of the Legislative Assembly. He said the 2-year property tax exemptions are a tool the Legislative Assembly provided to encourage growth.

Senator Cook said Mandan reduced its exemption from 2 years to 1 year and Williston may have eliminated its exemption.

In response to a question from Representative Kasper, Chairman Unruh said the committee has received a large amount of data and has focused on exemptions granted at the local level. She said the committee needs to continue reviewing exemptions and how they are used. She said the value per square foot maps provide a helpful visual indicator of the properties contributing the highest amount of property tax. She said she has some bill draft ideas and encouraged the committee to make recommendations for bill drafts. She said she hopes to have all bill drafts that will be considered by the committee presented for discussion by July. She said she also hopes the committee will have received enough information by the end of the interim to present a unified front regarding renaissance zone policy going into the 2019 legislative session.

Representative Kasper said the historical data pertaining to renaissance zones is very important. He said it is difficult for the committee to make policy decisions before all relevant historical data has been received.

ECONOMIC DEVELOPMENT TAX INCENTIVES STUDY

Chairman Unruh reminded the committee that five incentives may be selected for analysis by the Bank of North Dakota (BND) using Regional Economic Models, Inc. (REMI) software. She said the committee previously has received a report on renaissance zones and will receive a report on new and expanding business exemptions today. She said BND has been directed to begin work on the tax increment financing report. She said she would like the committee members to consider which incentives will be selected for BND's final two reports. She said she is leaning toward the research expense tax credit for one of the reports.

Chairman Unruh called on the Legislative Council staff for presentation of updated background memorandums entitled [Economic Development Tax Incentive Study - Renaissance Zone Tax Credits and Exemptions](#), [Economic Development Tax Incentive Study - Research Expense Tax Credit](#), [Economic Development Tax Incentive Study - Internship Program Credit](#), [Economic Development Tax Incentive Study - Workforce Recruitment Credit](#), and [Economic Development Tax Incentive Study - New Jobs Credit from Income Tax Withholding](#). The Legislative Council staff said the memorandums have been updated with additional data and testimony the committee received at previous meetings. She presented a memorandum entitled [Economic Development Tax Incentive Study - Evaluation Chart](#), and said the chart has been updated to assist the committee in tracking its progress in studying economic development tax incentives. She said following today's meeting, the committee likely can check off the remaining boxes in row three on the chart as the committee will have received information from all relevant agencies regarding complimentary or duplicative incentives or programs. She provided a summary of the fiscal impact in the most recent taxable year for each of the remaining incentives to assist the committee in its selection of the final two incentives to recommend to BND for analysis. In the most recent tax year, she said, individuals claimed \$4.5 million and corporations claimed \$500,000 for the research expense tax credit. She said individuals claimed about \$7,000 for the internship program credit in the most recent taxable year and the amount claimed by corporations cannot be disclosed because the credit was claimed by less than five corporate claimants. She said individuals and corporations did not claim any incentives for the workforce recruitment credit. She said the amount claimed for the new jobs credit from income tax withholding was \$1.4 million in the most recent taxable year and neither individuals nor corporations claimed the workforce recruitment credit in the most recent taxable year.

Chairman Unruh called on Mr. Gilmour for a presentation ([Appendix E](#)) of a comparison of the change in property values within and outside Fargo's renaissance zone. Mr. Gilmour said his handout shows the changes in taxable valuation in the downtown and nondowntown areas of Fargo. He said in some years the downtown area grew faster than the nondowntown area and in other years the reverse was true. He said assessors take a close look at downtown valuations every 5 years. He said valuation changes include both valuation increases from new properties and the appreciation of existing properties that did not receive any improvements. He said the downtown area declined in value from 2000 to 2001, increased in value from 2001 to 2005, grew at the same rate as the

nondowntown area from 2005 to 2009, grew at a greater rate than the nondowntown area from 2009 to 2012, and grew at a slower rate than the nondowntown area from 2012 to 2016. He said property values in the downtown area increased by 4 percent over the increases seen in property values in the nondowntown area in 2017. He said \$322 million of the total \$594 million increase in property values in Fargo in 2018 was attributable to new buildings and \$272 million was attributable to existing properties. He said of the \$272 million attributable to existing properties, \$64 million was derived from the remodeling or expansion of existing properties. He said renaissance zones and other programs have helped boost property values in the downtown area. He said there is a great deal of potential for new projects in Fargo.

In response to a question from Senator Dotzenrod, Mr. Gilmour said he is not sure if new growth areas are entirely covering service costs through taxes and special assessments or if taxpayers outside new growth areas are paying some of those service costs. He said new growth areas likely are losing money on items such as street maintenance in the first few years of development. He said new growth areas likely are self sustaining once fully built out and tax exemptions have expired. He said the city is in the process of reviewing hard data to provide a better answer to this question. He said one of the largest costs in new developments is the cost of plowing snow. He said the cost to add a new fire station also is substantial. He said about 300 new, single-family homes are built in Fargo each year. Because 300 vacant lots are not available in the older part of the city, he said, some of these homes must be built outside the city center. He said subdivisions consisting of smaller lots likely will be able to pay for services in the long term. He said lower-density subdivisions consisting of \$300,000 homes on 2-acre lots likely will need to rely on the broader community to help subsidize the costs of services.

In response to a question from Representative Steiner, Mr. Gilmour said moving North Dakota State University to the downtown area increased the demand for apartments. He said the four main factors that contributed to the growth of the downtown area were moving North Dakota State University downtown, the reconstruction of Broadway, better parking management, and the use of the renaissance zone program.

In response to a question from Representative Kasper, Mr. Gilmour said the downtown area is around 100 blocks whereas the renaissance zone is about 30 blocks.

In response to a question from Representative Steiner, Mr. Gilmour said Fargo's renaissance zone was in place for 15 years before receiving two 5-year extensions. He said the zone is in its third year of the second 5-year extension. He said the city can request 5-year extensions for as long as it feels is appropriate for the development of the zone. He said a single property may receive a renaissance zone exemption for only 5 years.

Chairman Unruh invited comments from interested persons in attendance regarding renaissance zone credits and exemptions and development or renewal area incentives. No comments were received.

Chairman Unruh called on Mr. Kelvin Hullet, Economic Development and Government Programs Market Manager, Bank of North Dakota, for a presentation (Appendices [F](#), [G](#), and [H](#)) pertaining to partnership for assisting community expansion (PACE) programs. Mr. Hullet said PACE programs are administered by BND in cooperation with communities across the state to buy down the interest rate on loans used for new or expanding business needs. He said interest buydown funding is appropriated by the Legislative Assembly from BND profits. He said in 2016, BND contracted with Praxis Strategy Group to evaluate PACE programs ([Appendix H](#)) to ensure the programs were generating a return on the state's investment. He said the study led to the formulation of an economic development financing roadmap that allowed BND to understand how businesses enter the financing continuum and identify any gaps that need to be addressed. He reviewed the three gaps identified and the revisions and additional financing programs implemented to address those gaps. He said the study indicated PACE programs are a good investment for the state. He said the return on investment analysis indicated each dollar invested by BND leveraged \$2.03 from other sources. He said PACE loans returned \$2.60 for each dollar invested and flex PACE loans returned \$1.67 for each dollar invested. He said the median wages for PACE jobs in 2015 was \$21.65, compared to a statewide median wage of \$18.35. He said an average of 775 jobs were created each year due to the use of PACE programs. He said the interest buydown received by an applicant is tied to job creation, investment, and local priorities. He said the PACE program is best used to help retain or expand existing businesses, allow entrepreneurs to purchase companies, and diversify the state's economy. He reviewed recent changes to the PACE program and said the program is meeting its goals.

Chairman Unruh called on Mr. Hullet for a presentation ([Appendix I](#)) of a report ([Appendix J](#)) on the estimated economic and fiscal impacts of the new or expanding business exemption. Mr. Hullet said the new or expanding business income tax exemption allows a business to receive an exemption on the income generated by the new or expanded portion of the business for up to 5 years. He said a business is required to apply to the State Board of Equalization to receive the exemption. He said 48 new or expanding business projects received the exemption between 2006 and 2017. He said the Department of Commerce provided the data used in creating the report. He reviewed project origins by year and said the use of the incentive closely correlated with the state's economy--

increasing or decreasing as the state's economy expanded or contracted. He said the incentive was used heavily by the manufacturing sector. He said the number of jobs created as a result of the incentive peaked in 2014 with the creation of 1,400 jobs. He said the incentive generated \$2.80 for every dollar invested when subtracting the cost of providing the income tax incentive from the revenues generated by the incentive. He said the incentive generated \$1.03 for every dollar invested when subtracting the cost of providing the income tax incentive, and the cost of other state expenditures related to the incentive, from the revenues generated by the incentive. He said the incentive is working as intended.

In response to a question from Senator Cook, Mr. Hullet said the exemption could be analyzed going forward but assumptions would need to be made regarding the number of claimants.

Senator Cook said it would be interesting to see if the years in which the use of the incentive declined correlate with the phase-in of the single sales factor apportionment election.

Chairman Unruh invited comments from interested persons in attendance regarding new or expanding business exemptions.

Mr. Wayne Papke, Mandan, provided comments regarding the property tax study and the PACE program. He said the PACE program and other loan programs offered by BND are very taxpayer friendly and do not represent the typical "giveaways" criticized by taxpayers. He said in regard to the property tax study, the committee should focus on inequities, subjectivity, and discrepancies when evaluating ways to improve the property tax system. He said a key element of the property tax system is the assessment process. He said the state should avoid giving individual assessors too much power in determining property values. He said no one individual has control over a person's income or sales tax but an individual assessor can have a large impact on a person's property taxes.

Chairman Unruh called on Ms. Jean Schafer, Senior Legislative Representative, Basin Electric Power Cooperative, for a presentation ([Appendix K](#)) regarding the research expense tax credit. Ms. Schafer said North Dakota offers an income tax credit to individuals and companies for conducting research and development in this state. She said the state tax credit mirrors the federal tax credit. She said unused state credits may be carried back 3 years and carried forward 15 years. She said an eligible research and development expense must meet a four-part test. She said examples of eligible expenses include expenditures for W-2 wages, supplies, contract research, and direct support and supervision related to research and development activities. She said research and development activities undertaken by the cooperative include the development of new methods and processes to comply with environmental regulations, new products, and safer ways to produce existing products. She said examples include the development of a sulfur removal scrubber at the Leland Olds Station and the addition of a new urea fertilizer product at Dakota Gasification Company. She said the cooperative has accumulated \$10.3 million in credits, has carried forward \$8.7 million in unused credits, and has had \$1.6 million in credits expire. She said the cooperative has not been able to use all of the earned credits because the cooperative is a capital-intensive company with large depreciation deductions resulting in net operating losses. She said Georgia's credit may be used as a withholding tax offset, Nebraska's credit may be refunded or used to offset sales tax, and Minnesota had a period in which the credits were refundable. She said the cooperative's recommendations for possible enhancements to the credit would be to allow the credit to be applied against withholding or other taxes, increase the carryforward period for unused credits, allow a portion of the credits to be refunded, and improve the disclosure of information related to the credit. She said she also would be interested in knowing which industry sectors are using the credit. She said the cooperative's ability to use the state credit is somewhat limited but other sectors, such as medical- or technology-based industries, might have a higher use of the credit.

In response to a question from Representative Kasper, Ms. Schafer said she is not aware of the number of jobs created or other positive economic indicators that might have resulted from the use of the research expense tax credit.

Chairman Unruh said the committee might be able to obtain this type of information by having BND provide a report on the credit using its REMI software.

In response to a question from Senator Cook, Ms. Schafer said the cooperative has about \$9 million in federal credits it has yet to use and has not had any federal credits expire. She said the cooperative's inability to use all of its state credits does not impact the cooperative's decision to conduct additional research.

In response to a question from Representative Ertelt, Ms. Schafer said different business models impact the research and development activities conducted by the cooperative, in regard to generation, and those conducted by Dakota Gasification Company. She said at Dakota Gasification Company, which is a for-profit company, research activities generally relate to enhancing a product or process. She said on the generation side, research activities

conducted by the cooperative generally relate to compliance with environmental regulations or the desire to improve plant efficiency. She said she would follow up with additional information ([Appendix L](#)) regarding the number of credits earned for research related to environmental activities and the number of credits earned for research related to process improvements.

Chairman Unruh invited comments from interested persons in attendance regarding the research expense tax credit. No comments were received.

Chairman Unruh invited comments from interested persons in attendance regarding the internship program credit, workforce recruitment credit, and new jobs credit from income tax withholding.

Written testimony ([Appendix M](#)) prepared by Ms. Connie Ova, Chief Executive Officer, Economic Development, Jamestown/Stutsman Development Corporation, on behalf of the Economic Development Association of North Dakota, was presented by Mr. Mark Vaux, Executive Vice President, Business Development, Greater Fargo Moorhead Economic Development Corporation. Mr. Vaux said the incentives the committee is reviewing are important tools for supporting workforce recruitment and economic diversification in the state. He said it is important to be mindful of the incentives other states are offering because North Dakota competes with other states for jobs and businesses. He described the incentives offered to Digi-Key Electronics in Minnesota as an example of the types of incentives available in other states. He said Midco located its new data center in Fargo, following a multistate selection process, in part due to the incentive package offered. He said Roman Meal Company closed its plant in Tacoma, Washington and relocated to Fargo. He said a company from the East Coast also will be moving its headquarters to Fargo. He said incentives play a critical role in helping diversify and expand the state's economy. He said, in regard to the new jobs tax credit, the Jamestown/Stutsman Development Corporation has provided repayable grants and assistance to numerous primary sector companies in Stutsman County. He said the Greater Fargo Moorhead Economic Development Corporation has entered 207 agreements, creating 11,176 jobs. He said if each of those jobs paid an average salary of \$50,000, it would total \$500 million in direct wages. He said the credits and programs offered by the state are important tools the state should retain.

In response to a question from Senator Cook, Mr. Vaux said the company relocating from the East Coast will be receiving the new and expanding business exemptions, a new jobs training grant, and property tax relief. He said the company will employ around 75 employees. He said the engineering jobs created by the company offer six-figure salaries. He said one of the states North Dakota was competing with for this company was Florida.

In response to a question from Representative Kasper, Mr. Vaux said he would like the committee to continue reviewing incentives, eliminate those incentives that no longer make sense, keep those incentives that do, and consider bringing back the automation tax credit. He said the automation tax credit was an important tool that allowed North Dakota to retain a competitive advantage. He said he would be happy to provide recommendations in writing regarding the useful incentives that should be retained and the incentives no longer working.

Representative Kasper said specific recommendations would be useful, especially from those with insight into what companies are looking for when they consider locating to North Dakota.

In response to a question from Representative Headland, Mr. Vaux said he can contact various companies to research whether there have been missed opportunities related to the expiration of the automation tax credit.

In response to a question from Representative Steiner, Mr. Vaux said it is his understanding there were more credits requested than funds available prior to the expiration of the automation tax credit.

Senator Cook said legislation allowing for a phased-in single sales factor income tax apportionment election is the main reason Bobcat remained in Fargo. He said of the 41 states that impose an income tax, North Dakota has the lowest rate. He said he struggles with whether it is better to have a higher tax rate and large incentive packages or a lower tax rate and no incentives when trying to attract and retain businesses.

In response to a question from Senator Cook, Mr. Vaux said it is important to take into consideration all the surrounding states, including those with a lower tax burden.

Senator Cook said the committee needs to determine which incentives the state is losing money on or which are not benefiting the people of North Dakota and which incentives are beneficial to the state and the people of North Dakota. He said he knows North Dakota is competing with its neighboring states for business and job opportunities and it is important to be aware of the incentives being offered in those states.

Chairman Unruh called for committee directives for the committee's next meeting and suggested the committee recommend the research expense tax credit as the next report BND will provide. She said the committee seems to be in agreement and requested BND provide a report on the research expense tax credit and tax increment financing at the committee's next meeting. She said the committee will be receiving a presentation from a representative of the Tax Foundation regarding various states' reliance on income, sales, and property tax at the next meeting.

Representative Steiner suggested a bill draft to require political subdivisions that have a Facebook page to post any assessment or budget notices required to be published in the newspaper on the Facebook page. She said this requirement would be in addition to the requirement to publish notices in the newspaper.

Chairman Unruh said she also has received requests from constituents to have notices posted on an easy-to-access platform such as social media. She said it might be best to hear from the League of Cities and the Association of Counties regarding the use of social media, and the use of social media by their members, before proceeding with a bill draft. She requested the Legislative Council staff contact the League of Cities and the Association of Counties to request a presentation on this topic at the committee's next meeting.

In response to a question from Representative Ertelt, Chairman Unruh said the committee has received a report from BND on renaissance zones and new or expanding business exemptions. She said the committee will be receiving a report from BND on the research expense tax credit and tax increment financing at its next meeting.

Representative Ertelt suggested the committee exclude the internship program credit and workforce recruitment credit from consideration when requesting the last two reports from BND due to the minimal use of these credits.

Chairman Unruh agreed and said the committee would seek robust public comment on these credits in lieu of receiving a report from BND.

Senator Cook suggested preparing bill drafts to eliminate the internship program credit and workforce recruitment credit in order to solicit public comment on the reasons these incentives should be retained.

Chairman Unruh requested the Legislative Council staff to prepare bill drafts to repeal the internship program credit and workforce recruitment credit for the committee's consideration at the next meeting.

Representative Beadle said he would like to receive information regarding any action taken to promote the incentives. He said he is curious to learn whether the incentives were not being used because no one was aware of them or if they were not being used because they were ineffective.

Chairman Unruh said the committee will seek public comments responsive to this question at the next meeting.

Representative Steiner said internships are a valuable tool for students and it would be detrimental to the state's workforce development goals if the committee were to do away with credits that simply had not been effectively marketed.

Chairman Unruh requested the Legislative Council staff to contact the agencies responsible for administering the credits to see if any action has been taken to promote the credits and whether information is available regarding the reasons certain businesses might have declined to use the credits.

Representative Beadle said the interim Higher Education Committee recently received a presentation by a representative of the National Conference of State Legislatures regarding internship programs and apprenticeships. He said it might be beneficial for the committee to receive information related to that presentation.

Chairman Unruh said it always is helpful when interim committees can work together and share information. She requested the Legislative Council staff contact the appropriate parties to seek additional information on the presentation delivered to the interim Higher Education Committee.

Representative Mitskog said she would be interested in receiving more information from those in higher education to find out if they are struggling to find businesses or locations that will accept interns. She said if that is the case, it might demonstrate a need for the continued availability of internship focused credits. She said the committee also needs to evaluate whether the use of the internship program credit is being driven by need or if the credit is simply rewarding activity that would have occurred regardless of whether the credit was available.

Chairman Unruh requested the Legislative Council staff to contact those in the field of higher education to seek additional information on this topic.

Senator Cook said he attended a recent interim Judiciary Committee meeting at which representatives from OpenGov provided a demonstration of the company's software. He said the software provides transparency relating to a city's budget information and is being used by Morton and Cass Counties. He said it might be beneficial for the committee to receive a similar presentation.

Chairman Unruh said she has not requested a presentation from OpenGov representatives in the past due to time constraints but would try to fit in a demonstration of the software at the committee's next meeting. She said the committee's next meeting will be Thursday, May 31, 2018. She said the committee likely will meet three or four more times before concluding its work.

No further business appearing, Chairman Unruh adjourned the meeting at 2:00 p.m.

Emily L. Thompson
Counsel

ATTACH:13