



TAXATION COMMITTEE

Tuesday, September 21, 2021
Harvest Room, State Capitol
Bismarck, North Dakota

Senator Dale Patten, Chairman, called the meeting to order at 10:00 a.m.

Members present: Senators Dale Patten, Scott Meyer, Merrill Piepkorn, Mark F. Weber; Representatives Dick Anderson, Jason Dockter, Patrick Hatlestad, Craig Headland, Jim Kasper, Ben Koppelman, Vicky Steiner, Wayne A. Trotter

Member absent: Representative Tom Kading

Others present: See [Appendix A](#)

Ms. Emily L. Thompson, Code Revisor, Legislative Council, presented a memorandum entitled [Supplementary Rules of Operation and Procedure of the North Dakota Legislative Management](#).

MOTOR VEHICLE EXCISE TAX CREDIT STUDY

Ms. Thompson presented a memorandum entitled [Motor Vehicle Excise Tax Credit Expansion Study - Background Memorandum](#).

Ms. Jennifer Blumhagen, Director, Motor Vehicle Division, Department of Transportation, provided information ([Appendix B](#)) regarding the fiscal notes associated with Senate Bill Nos. 2255 and 2312 (2021). She noted:

- Data used to prepare the fiscal notes associated with Senate Bill Nos. 2255 and 2312 involved car sales data for calendar years 2019 and 2020;
- The \$1.3 million loss in revenue depicted on the fiscal note associated with Senate Bill No. 2255 is based on the number of vehicles that do not currently qualify for a motor vehicle exemption, but would have if the 67th Legislative Assembly enacted Senate Bill No. 2255; and
- The fiscal note associated with Senate Bill No. 2312 includes an approximately \$39 million loss in motor vehicle excise tax collections due to the proposed expansion of a purchase price tax credit for private motor vehicle sale transactions and the cost associated with two additional full-time employees.

In response to a question from a committee member, Mr. Ryan Rauschenberger, Tax Commissioner, indicated the Tax Department could provide additional information regarding the motor vehicle excise tax.

Mr. Jim Flemming, Director, Child Support Enforcement Division, Department of Human Services, provided information ([Appendix C](#)) regarding the child support lien registry. He noted:

- Child support liens are not effective against a good-faith purchaser of titled personal property unless the lien is recorded on the title;
- The child support lien exception for good-faith purchasers protects those who are not in the business of buying and selling cars and are not aware of the law;
- Over 870 child support payments are made each year based on the online lien registry maintained by the department; and
- An increase in private car sales to good-faith purchasers as compared to retail car sales likely will result in less past-due child support collected.

In response to a question from a committee member, Mr. Flemming noted a child support lien generally is not marked on a car title and generally is inferior to purchase money financed on a new vehicle.

Committee Discussion and Directives

The committee discussed the potential for car dealerships to leverage the motor vehicle excise tax credit if the motor vehicle excise tax credit is allowed only for retail motor vehicle sales.

Chairman Patten noted it is important for the committee to review the fiscal impact of expanding the motor vehicle excise tax credit.

BIOLOGIC MANUFACTURING SALES TAX EXEMPTION STUDY

Ms. Thompson presented a memorandum entitled [Sales Tax Exemption for the Manufacture of Biologic Products Study - Background Memorandum](#).

Mr. Richard A. Glynn, Executive Director, Bioscience Association of North Dakota, provided information ([Appendix D](#)) regarding the bioscience industry in North Dakota. He noted:

- Based on a 2018 study conducted by the Biotechnology Innovation Organization, the bioscience industry adds \$267.3 million per year to the North Dakota economy;
- Biotechnology and bioscience companies review available sales tax exemptions when determining whether to bring their businesses to a state; and
- North Dakota is recognized as an upcoming leader in the biotechnology industry.

In response to questions from committee members, Mr. Glynn noted he would provide additional information regarding the estimated growth of bioscience and biotechnology employees and businesses in North Dakota and information regarding leading states in the bioscience and biotechnology industry.

In response to a question from a committee member, Ms. Shannon Fleischer, Associate Director, Tax Department, noted if a product is sold as a raw material to be used in the production of another product, the company purchasing the raw material to incorporate into the final product can purchase the raw material without paying tax. However, if there are reagents, resins, or chemicals that react with the product but do not become part of the final product, those materials are considered consumables under current law and are subject to sales tax.

The committee received additional written testimony ([Appendix E](#)) from Aldevron pertaining to potential sales and use tax exemptions for the bioscience and biotechnology industry.

Committee Discussion and Directives

The committee discussed expansion of the bioscience and biotechnology industry in North Dakota.

The committee indicated a desire to review other available tax credits and exemptions related to manufacturing.

ECONOMIC DEVELOPMENT TAX INCENTIVES STUDY

Ms. Thompson presented a memorandum entitled [Economic Development Tax Incentives Review - Background Memorandum](#).

Committee Discussion and Selection of Economic Development Tax Incentives for Review During the 2021-22 Interim

The committee reviewed and discussed the list of economic development tax incentives provided in North Dakota Century Code Section 54-35-26.

The committee designated the following eight economic development tax incentives provided under Section 54-35-26 for analysis during the 2021-22 interim:

- Research expense credit;
- Agricultural commodity processing facility investment credit;
- Seed capital investment credit;
- Soybean or canola crushing facility construction or retrofit credit;
- Manufacturing automation equipment credit;

- New or expanding business exemption;
- Manufacturing and recycling equipment sales tax exemption; and
- New jobs credit from income tax withholding.

REPORTS

Ms. Kim Vietmeier, State Supervisor of Assessments, Tax Department, provided information ([Appendix F](#)) regarding the statewide property tax increase report as required by Section 57-20-04. She noted:

- The report contains the top 50 changes in taxes levied, including information related to school district levies, city park levies, citywide levies, and countywide levies; and
- Information for 2021 is not included in the report.

In response to a question from a committee member, Ms. Vietmeier noted potential reasons for certain large increases or decreases in taxes levied from 2019 to 2020.

Ms. Vietmeier demonstrated the department's online Tax Levy Reporting Lookup tool that enables users to view mill levies imposed by political subdivisions and property tax changes for existing property for each political subdivision of the state.

The committee indicated a desire to study the feasibility of potential limitations on individual property tax assessment increases.

The committee received written testimony ([Appendix G](#)) from Ms. Rikki Roehrich, Program Manager, Department of Commerce, relating to the annual report pertaining to renaissance zone progress as required by Section 40-63-03(2), and the summary of reports provided by cities that have renaissance zone property included in a tax increment financing district as required by Section 40-63-03(10). The written testimony indicated:

- The benefits realized by the 77 projects completed in 2020 amounted to \$2,021,308 in income tax exemptions and \$3,090,887 in property tax exemptions;
- Since the inception of the renaissance zone program, 1,926 projects have been approved and 1,498 projects have been completed; and
- A survey of renaissance zone communities conducted in 2020 indicated renaissance zones created 11 new businesses, 8 business expansions, and 38 new jobs.

Ms. Carla Valentine, Program Manager, Office of Innovation and Entrepreneurship, Department of Commerce, provided information ([Appendix H](#)) regarding the 2020 Business Incentive Accountability Report as required by Section 54-60.1-07. She noted:

- 865 business incentive accountability agreements were entered into the database, totaling an incentive value of \$124,835,930;
- Over the last 5 years, 4,114 jobs were created and retained compared to a goal of 1,991 jobs; and
- 81 percent of business incentives met their goals within 2 years from the benefit date.

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

Emily L. Thompson
Code Revisor

ATTACH:8