NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

TAXATION COMMITTEE

Thursday, April 1, 2004
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Dwight Cook, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Dwight Cook, Randy A. Schobinger, John O. Syverson, Ben Tollefson, Thomas L. Trenbeath, Herb Urlacher, Rich Wardner; Representatives Larry Bellew, Wesley R. Belter, David Drovdal, Mike Grosz, C. B. Haas, Craig Headland, Ron Iverson, Frank Klein, Phillip Mueller, Kenton Onstad, Arlo E. Schmidt, Dave Weiler, Ray H. Wikenheiser, Dwight Wrangham

Members absent: Senators Ronald Nichols, Harvey Tallackson; Representatives Elwood Thorpe, Steven L. Zaiser

Others present: See Appendix A

It was moved by Representative Drovdal, seconded by Senator Urlacher, and carried on a voice vote that the minutes of the October 30, 2003, meeting be approved as distributed.

Chairman Cook said committee members who have suggestions for bill drafts should make those suggestions at this meeting or as soon as possible if they wish to allow the committee adequate time for consideration of proposals.

INCOME TAX STUDY

Chairman Cook called on Tax Commissioner Rick Clayburgh for presentation of information on the tax amnesty program conducted by the Tax Commissioner as directed by 2003 Senate Bill No. 2015. A copy of Mr. Clayburgh's prepared testimony is attached as Appendix B.

Mr. Clayburgh said the tax amnesty program was open for four months ending January 31, 2004. He said the program resulted in collection of $6.9 million in overdue or underreported tax liability. He said the majority of taxpayers participating in the amnesty program were individual income tax filers. He said corporate income tax filers represented approximately 8 percent of taxpayers under the program.

In response to a question from Senator Tollefson, Mr. Clayburgh said the interest on delinquent taxes is 12 percent by law and participants in the amnesty program received a waiver of 75 percent of the interest due.

In response to a question from Representative Weiler, Mr. Clayburgh said outstanding accounts receivable for all tax types is approximately $7 million to $8 million. He said this account fluctuates as taxpayers pay delinquent taxes or have obligations that become delinquent.

In response to a question from Representative Drovdal, Mr. Clayburgh said he would recommend that North Dakota not allow another amnesty program for 15 to 20 years. He said some states allow frequent amnesty programs, which alters behavior of taxpayers who come to expect an amnesty program. He said frequent amnesty also impacts tax audit activities.

Chairman Cook called on Ms. Kathryn Strombeck, Tax Department Research Analyst, for presentation of income tax statistics collected in response to questions raised by the committee. A copy of Ms. Strombeck's prepared testimony is attached as Appendix C.

Ms. Strombeck said for tax year 2002, 36.3 percent of individual income tax filers had tax liability of $100 or less. She said this percentage is slightly higher than Montana and Wisconsin comparable percentages, which makes sense because North Dakota income tax rates are among the lowest in the nation. In response to another question asked by the committee, Ms. Strombeck said records indicate that approximately 64 percent of North Dakota income tax returns are prepared by professional tax preparers.

Ms. Strombeck said the committee requested information on the fiscal effect of moving credits and adjustments from Form ND-2 to Form ND-1. She said the estimated effect would be a revenue loss of $84.5 million to $96.2 million per biennium.

Ms. Strombeck said eliminating use of Form ND-2 would create some savings for the Tax Department but would not result in a significant amount of revenue savings. She said there are efficiencies that could be gained for the taxpayer and the state by eliminating Form ND-2.

Ms. Strombeck said the committee requested information on taxation of interest earnings from state and local obligations. She said interest from state and local bonds is exempt from taxation at the federal level but in North Dakota the interest is added back and taxed on Form ND-2 for out-of-state bonds and obligations. There is no add-back for out-of-state bonds and obligations on Form ND-1, which is the primary filing method for most North Dakotans. She said during consideration of 2001 House Bill No. 1399, there was discussion of adding back municipal bond interest from out-of-state sources, which was estimated to have a positive fiscal impact of $2.4 million per biennium. She said interest rates are lower now and the current estimate of fiscal impact would be closer to $1.5 million per biennium from adding back municipal bond interest from out-of-state sources.

In response to a question from Representative Drovdal, Ms. Strombeck said the most used Form ND-2 deductions are for federal income taxes paid and medical deductions not allowed on the federal return.

In response to a question from Representative Klein, Ms. Strombeck said the Tax Department is unable to place a dollar amount on savings to the Tax Department if Form ND-2 is eliminated. She said some savings would be realized but the amount cannot be quantified.

Chairman Cook called on Ms. Mary Loftsgard, Corporate Income Tax Section Supervisor, Tax Department, for an update on the Multistate Tax Commission working group on taxation of passthrough entities. A copy of Ms. Loftsgard's prepared testimony is attached as Appendix D.

Ms. Loftsgard said North Dakota requires all interest owners in passthrough entities to report and pay taxes on income earned in North Dakota. She said North Dakota offers a composite reporting option to nonresident individuals owning an interest in a partnership or small business corporation with income derived from North Dakota. She said this option has been chosen by less than 1 percent of passthrough entities filing in North Dakota.

Ms. Loftsgard said the Multistate Tax Commission's Uniformity Committee has worked on a proposal for composite returns and adopted a proposed reporting option. The proposed reporting option is attached to her testimony. She said the proposed statutory language has not been adopted by any states as yet.

Ms. Loftsgard said the Multistate Tax Commission working group is now focusing on several areas, including allocation and apportionment of passthrough entity income. She said the Tax Department will continue to provide the Taxation Committee additional updates on activity of the Multistate Tax Commission working group.

Representative Drovdal said he would like to have a bill draft prepared to incorporate into North Dakota law the suggested statutory language developed by the Multistate Tax Commission working group. Chairman Cook said there will be further discussion of these issues at this meeting and consideration of bill drafts could be taken up after further discussion.

Chairman Cook called on Mr. Joseph Becker, Tax Department, for presentation of testimony relating to an income tax issue affecting members of the armed forces. A copy of Mr. Becker's prepared testimony is attached as Appendix E.

Mr. Becker said 2003 federal legislation prohibits a state from using active duty military pay of a nonresident servicemember to calculate income taxes on income that is taxable by the state. He said the most likely circumstance that would be impacted by this change is for wages earned in the state by the nonresident civilian spouse of the servicemember.

Mr. Becker said that to comply with the 2003 federal legislation, an adjustment must be made on Form ND-1. He said another question that arises is retroactivity of the federal law change because the federal legislation was signed into law in 2003. The Department of Defense has urged the Tax Commissioner to allow refund claims for years prior to 2003. The Tax Commissioner has concluded that he lacks the authority to authorize retroactive refund claims for tax years prior to 2003. The Tax Commissioner believes state legislation is needed to recognize retroactive refunds for years before 2003 and he said he would provide assistance to the committee in preparing proposed legislation to address this concern.

Senator Schobinger asked when a nonresident military servicemember becomes a resident. Mr. Becker said residency is a question of intent that may be determined by many factors, including voting, driver's licensing, or the declaration of residency by the individual.

Chairman Cook called on Tax Commissioner Rick Clayburgh to introduce Mr. Dan Bucks, Executive Director, Multistate Tax Commission. Mr. Clayburgh said he has worked with Mr. Bucks as a member of the Multistate Tax Commission and has heard Mr. Bucks discuss state corporate income tax issues. He said Mr. Bucks is respected nationally for his expertise in helping states to understand current issues related to state income taxes.

Mr. Bucks described the function of the Multistate Tax Commission. He said with regard to state tax policy, the Multistate Tax Commission is purely advisory in recommending model laws and administrative procedures. He said, for example, the commission was the first national organization to advocate establishing a streamlined sales tax among states. He said the commission represents state interests in courts and before Congress. He said the commission conducts audits of interstate activities as an agent of affected member states. He said the commission was created in 1967 because state officials perceived a threat of federal intervention in state tax policies, especially under income and sales taxes, with regard to interstate commerce issues.

Mr. Bucks described the rationale for the creation and continued existence of state corporate income taxes. He said corporate income taxes were created because of the weakness of other tax types in certain areas, especially property taxes on personal property. He said a tax on income was viewed as more fair because it taxes knowledge, patents, and other intangibles in addition to equipment and other tangible property. He said it would be impractical to tax corporate earnings at the shareholder level because shareholders are not uniformly subject to state taxation and it is much more feasible to tax income at the corporate level. He said services provided by states benefit businesses so it is appropriate to tax the business activity. He said the corporate income tax also serves as a necessary companion to individual income taxes so income transfers to corporations cannot be used to avoid individual income taxes. He said corporate income taxes are better suited than other tax types to fairly tax the new economy.

Mr. Bucks said there are areas in which corporate income taxes are subject to criticism. He said the corporate income tax is a tax on production instead of consumption. He said the corporate income tax favors debt financing over equity and distorts business investment choices. He said too many companies and individuals are able to avoid corporate income taxes. He said the corporate income tax may be viewed as a double layer of taxation because income taxed at the corporate level is again subject to tax at the individual income tax level when distributed to shareholders.

Mr. Bucks said observance of principles to promote equity and make income taxes work in practice is important for states. He said income must be fairly and fully reported in reasonable relation to where that income is earned. He said the means of determining where multistate entity income is earned should be consistent among states.

Mr. Bucks said there are realities of corporate income taxes that states must recognize. He said corporate income taxes have declined as a percentage of state revenues from approximately 9.7 percent in 1980 to 4.9 percent in 2002. He said effective corporate income tax rates have declined from approximately 8.96 percent in the 1980s to 5.92 percent in 2001. He said a variety of factors have contributed to the decline in state income tax revenues as a share of state taxes. He said changes in federal corporate income tax laws affect states due to the piggyback nature of state corporate income taxes on the federal corporate income tax structure. He said there is federal preemption of state authority to tax some activities and companies have restructured to take advantage of federal law protection. He said there has clearly been an increase in aggressive tax planning by corporations aiming to reduce state corporate income taxes. He said state policy choices on business incentives and economic development have reduced corporate income taxes for qualifying corporations. He said there has been a substantial shift to forms other than corporations for doing business, such as limited liability companies and similar business structures or layers of entities to reduce or avoid the impact of corporate income taxes.

Mr. Bucks said the Multistate Tax Commission conducted a tax shelter study as an attempt to measure the degree to which income reporting for corporations does not reflect the place income was earned. He said one of the conclusions of the study was an estimate that states lost $8 billion to $12 billion in 2001 due to two or three categories of tax shelters. He said this represents a loss of approximately one-third of total state corporate income taxes. He said it appears the primary method of sheltering corporate income is shifting income to a nontaxable location or tax haven or other methods to avoid federal corporate income taxes.

Mr. Bucks said the corporate income tax faces several challenges. He said proposals are pending to impose federal law limitations on state corporate income tax authority through congressional proposals like H.R.3220 to extend the *Quill* concept to all tax types. He said this change would create enormous opportunities for tax avoidance. He said there will be continued pressure from aggressive tax sheltering by corporate tax planners. He said there are examples of complex plans involving setting up layers of passthrough entities and filtering income through them to make it very hard to tax corporate income. He said globalization of the economy allows outsourcing of income, especially when jobs and business activities are outsourced.

Senator Schobinger asked whether we are dealing with criminal activity in corporate income tax avoidance. Mr. Bucks said there are two types of tax avoidance that are of primary concern. He said one method of tax avoidance is based on issue arguments, such as interpretation of laws and argument about whether the law applies to a specific situation. He said the other method involves questionable practices that may rise to the level of fraud and abuse, although not necessarily criminal in nature.

Mr. Bucks said there are options that would address some of the problems that exist with corporate income taxes. He said combined reporting, including requiring information on tax haven activities, would improve corporate income tax administration. He said Montana enacted a 2003 law requiring that a water's edge report must include information on tax havens. He said states must develop nexis rules on doing business that are consistent with how corporate income is apportioned. He said greater uniformity among states would reduce incentives to shift income. He said a concerted effort should be made to curb tax sheltering and income shifting at the federal and state level.

Mr. Bucks said the Multistate Tax Commission has a working group investigating the use of passthrough entities, such as S corporations, partnerships, trusts, limited liability companies, and limited liability partnerships, to avoid corporate income taxes. Mr. Bucks said what are considered “regular” corporations subject to corporate income taxes are rapidly declining as a percentage of business organizations and as a percentage of business income. He said it has become clear that states need to take action to address growing use of passthrough entities. He said states need effective and simplified systems of ensuring proper reporting of passthrough entity income, which requires composite return and withholding requirements. He said coping with tax sheltering by use of layers of passthrough entities or single member limited liability companies within corporations is necessary for state tax systems.

Representative Mueller asked whether states have the capacity to succeed in maintaining the corporate income tax as a fair and uniform tax type. Mr. Bucks said states can be successful but it will require cooperation between and among states and the federal government.

In response to a question from Representative Haas relating to combined reporting, Mr. Bucks said the importance of combined reports is that they examine the economic substance of an enterprise rather than merely the corporate and other legal forms used to do business.

Mr. Bucks said he will make copies of the publication *Federalism at Risk* available for the committee.

Chairman Cook called on Mr. Cory Finneman, Vice President, Research, Department of Commerce, to review findings of a study of the tax climate for businesses in North Dakota. Mr. Finneman said the studies were completed by Eide Bailly LLP under contract with the Division of Economic Development and Finance. Mr. Finneman said the original impetus of the division was to confirm the division’s belief that the North Dakota business climate was good and to see if evidence exists to show the positive business climate for use as a marketing tool.

Mr. Finneman said the premise of the studies was to compare a 10-year tax analysis for Bismarck, North Dakota, and comparable cities in other states for a manufacturing facility, an agricultural processing facility, and a technology-based business. He distributed and reviewed the executive summary of the analysis prepared for each type of facility. A copy of these summaries is attached as Appendix F.

Mr. Finneman said the basis for these comparisons was an evaluation of 10-year tax costs, including property taxes, workers’ compensation insurance, state and local sales taxes, unemployment insurance, and corporate income taxes. Tax incentives allowed in each community for businesses were included in the analysis. Of the communities compared in the studies, North Dakota was found to be the most advantageous location for a manufacturing facility and an agricultural processing facility. For technology-based business, Bismarck ranked fifth of the 11 communities compared.

Senator Cook asked whether these comparisons were done before 2003 legislative corporate income tax changes. Mr. Finneman said the comparisons were done before the 2003 changes but the 2003 changes were intended to be approximately revenue neutral so the effect probably would not be substantial on the study results.

Senator Cook asked whether the 2003 legislative corporate income tax rate reductions have significant marketing value. Mr. Finneman said the reduced rates do enhance marketing for economic development because the tax rates reflect more favorably on the business climate in North Dakota.

Senator Schobinger asked questions regarding tax incentives in North Dakota compared to South Dakota and Montana. Mr. Finneman said the absence of a corporate income tax in South Dakota must be compensated for by increased applicability of sales taxes. He said North Dakota benefits in comparisons because of the existence of five-year exemptions available under the property tax and corporate income tax and a 10-year property tax exemption available for agricultural processing facilities.

Senator Schobinger asked why a 10-year comparison was chosen instead of a 20-year comparison. Mr. Finneman said most companies the division works with look at the initial 10-year period of operation as critical to decisions on profitability.

Senator Cook said we tend to forget about businesses that have been doing business in North Dakota when we offer incentives to establish new businesses. He asked whether studies have been done on the tax environment for existing businesses. Mr. Finneman said specific studies have not focused on existing businesses, but even existing companies can qualify for benefits of tax exemption for expanded operations.

Representative Schmidt said he believes labor in the state is a big issue for business development and may be a factor in why North Dakota does not attract new businesses. Mr. Finneman said surveys are being conducted that will look at issues of labor availability.

Senator Cook asked, within the businesses the department speaks with, how important to those businesses is trucking expense of raw materials and finished products. Mr. Finneman said trucking expenses depend on the nature of the business and the size of materials and goods. For example, he said, manufacturers of heavy equipment have greater concern with trucking expenses than manufacturers of other products.

STREAMLINED SALES TAX STUDY

Chairman Cook called on Mr. Gary L. Anderson, Director of Income, Sales, and Special Taxes, Tax Department, for testimony relating to streamlined sales and use tax agreement compliance. A copy of

Mr. Anderson's prepared testimony is attached as Appendix G.

Mr. Anderson said a recent meeting with representatives of other states and businesses involved a review of compliance by participating states under the streamlined sales tax agreement. He said it was determined at that meeting that changes to North Dakota law are necessary to ensure compliance with the agreement. He said the proposed legislative changes attached to his testimony have been reviewed and are deemed sufficient to bring North Dakota into compliance with the streamlined sales tax agreement.

Chairman Cook called on Mr. Jerry Hjelmstad, Legal Counsel, North Dakota League of Cities, for testimony relating to city compliance with the streamlined sales tax agreement. Mr. Hjelmstad distributed three documents, which he reviewed for the committee. The first document is attached as Appendix H and identifies the changes under the streamlined sales tax agreement which may affect cities. The second document is attached as Appendix I and was prepared after a review of city home rule charters and is a compilation of the cities that will require home rule charter changes or changes to ordinances adopted under home rule charters with regard to local sales and use taxes. The third document is attached as Appendix J and contains a suggested amendment to North Dakota Century Code Section 40-05.1-06, which Mr. Hjelmstad said might serve the purpose of bringing cities into compliance with the streamlined sales tax agreement without the necessity of city elections on charter amendments in the substantial number of cities affected.

Senator Trenbeath said changes to local sales tax provisions required by the streamlined sales tax agreement are becoming more of a concern in some areas regarding questions of local choice regarding issues such as caps on sales taxes for large purchases. Mr. Hjelmstad said that is true and streamlined sales tax agreement compliance will eliminate some local choice.

Senator Cook asked whether Mr. Hjelmstad views caps on sales taxes on large purchases as the most delicate issue among cities. Mr. Hjelmstad said it appears that is the most sensitive issue and discussions have focused on the possibility of a tax rebate to replace local sales tax caps on large purchases.

Mr. Anderson said the Tax Department recognizes elimination of local sales tax caps as a big issue. He said perhaps a refund provision could be incorporated which could be administered by the Tax Department.

In response to a question from Representative Wrangham, Mr. Anderson said Arkansas has local sales tax cap provisions similar to North Dakota cities. Representative Wrangham asked how Arkansas is dealing with this issue for streamlined sales tax compliance purposes, and Mr. Anderson said he will look into that issue.

Representative Grosz said if 45 states move into compliance with the streamlined sales tax agreement and one state does not, he thinks the noncomplying state would become an attractive location for businesses.

In response to a question from Representative Klein, Mr. Anderson said if some cities in North Dakota are unable to remove caps on sales taxes for large purchases, North Dakota would not be in compliance with the streamlined sales tax agreement.

PROPERTY TAX INFORMATION

Chairman Cook called on Ms. Marcy Dickerson, State Supervisor of Assessments, Tax Department, for information on application of the sales ratio study and statistics on agricultural property valuation and assessment of federal property and other tax-exempt property. A copy of Ms. Dickerson's prepared testimony is attached as Appendix K.

Ms. Dickerson said the sales ratio study requires a minimum sample size of 30 sales in each of the residential and commercial property classes or 10 percent of the total number of properties in each class. If the number of sales in the most recent year does not meet the minimum sample size, the county may supplement the current sales data with sales information from up to three previous years. Because of the small number of sales that may occur in a township or city, local assessors often need to consider sales from other similar areas.

Ms. Dickerson said the State Board of Equalization reviews the sales ratio study for each county and each major city. She said if the statistics indicate a class or classes of property require adjustment to be within plus or minus five percentage points of market value, the State Board of Equalization may order a decrease or increase in assessments, as appropriate. The order may apply only for certain townships or cities and not the entire county.

Ms. Dickerson reviewed statistical information showing that from 1993 through 2002 the percentage of total property tax paid by agricultural property has decreased by about four percentage points, residential property taxes paid have increased by about five percentage points, and commercial property taxes paid have remained within about one percentage point of the 1993 level. She reviewed computation of property taxes statewide for a hypothetical typical property in each property classification.

Ms. Dickerson reviewed available information on federal property acreage and payments in lieu of taxes for counties. She also reviewed assessment data collected for tax-exempt property subject to assessment.

Ms. Dickerson reviewed a comparison of property tax shift due to changes in agricultural land assessments after 2003 legislative changes to the agricultural property valuation formula. Based on certain assumptions, the 2003 legislation resulted in a shift of

$879,047.45 from agricultural property to residential and commercial property.

Ms. Dickerson reviewed agricultural land taxable valuations for 1980, 1981, and 2004.

Senator Cook said Morton County agricultural property valuation is unchanged from 1981-2004 but commercial and residential property he owns in Morton County has increased substantially in taxable valuation during that time period. He asked whether he is correct in assuming there has been a shift of property tax burden in Morton County from agricultural to commercial and residential property over the time period 1981-2004. Ms. Dickerson said it is correct to assume a tax burden shift has occurred when one classification of property has remained at approximately the same valuation while other types of property have substantially increased.

Chairman Cook said property taxes and assessments seem to cause the greatest concern and complaint from taxpayers. He said the committee will continue to gather information on these topics.

Chairman Cook called on Mr. Gary Emter, North Dakota Association of Assessing Officers and Mercer County Director of Tax Equalization, for comments on assessment of tax-exempt property. Mr. Emter said 1995 Senate Bill No. 2081 required assessment of all exempt property. He said assessment officials pointed out concerns with this requirement, primarily involving limited assessment staff and the questionable importance of assessment information on property that would never be taxable such as property of federal, state, and local governments. He said after these concerns were expressed, the law was amended to require assessment of property exempt from taxation by local discretion or charitable status. He said later legislation would have required assessment of exempt farm buildings. He said concerns were again expressed about the increased demand that would be imposed on available assessment staff and farm buildings remain not subject to assessment unless they are subject to taxation.

Senator Urlacher asked if farm homes often become subject to assessment and taxation because the income limits to qualify for the exemption are exceeded. Mr. Emter said income limitation in the farm buildings property tax exemption make the property subject to assessment and taxation if the income limitations are exceeded. He said there are other disqualifying factors regarding use of the property and occupancy.

Senator Wardner asked whether the dollar amount assessed on exempt property shows up in valuations for determining total property taxable valuation by school district. Mr. Emter said these amounts do show up in those amounts.

Representative Mueller asked whether Mr. Emter is seeing people lose the farm home exemption due to nonfarm income. Mr. Emter said that does occur fairly often. He said in Mercer County there is substantial nonfarm income in the energy industry that does disqualify individuals from the farm home exemption. Representative Mueller asked whether Mr. Emter believes the income limit to disqualify individuals from the farm home exemption should be increased. Mr. Emter said that depends on the point of view and some people believe the income limits to qualify for the exemption should be reduced.

Representative Schmidt asked whether there are statistics available on farmers who lost the farm home exemption and how much tax revenue was collected from these individuals statewide. Mr. Emter said he is not aware that such information has been gathered but it could be determined by reviewing tax abstracts in each county.

SALES TAX FOR TOURISM INFORMATION

Chairman Cook called on Ms. Sara Otte Coleman, Director, Division of Tourism, Department of Commerce, for testimony relating to collections and expenditures under the additional 1 percent lodging tax authorized by 2003 Senate Bill No. 2337 for tourism promotion for the Lewis and Clark Bicentennial. A copy of information distributed by Ms. Coleman on collections under the 1 percent lodging tax is attached as Appendix L. A copy of information distributed by Ms. Coleman regarding proposed expenditures of enhanced sales tax revenues is attached as Appendix M.

Senator Wardner said there was opposition within the hotel industry to 2003 Senate Bill No. 2337. He asked what the position of the hotel industry is now about the additional sales tax for tourism promotion. Ms. Coleman said she believes the hotel industry likes the results of the tourism promotion efforts.

In response to a question from Representative Drovdal, Ms. Coleman said it will be possible to measure the revenue effect on tourism of the additional sales tax legislation if the 2005 Legislative Assembly reconsiders the issue.

COMMITTEE DISCUSSION

Chairman Cook said the committee has reached the point in its studies when bill draft requests should be considered.

Senator Wardner said a bill draft should be prepared based on income tax treatment of pass-through entities as suggested by the Tax Department.

Representative Drovdal said a bill draft should be prepared to impose income taxes on earnings from municipal bonds issued in other states. He said the committee should also consider a bill draft based on the Montana approach for tax haven reporting on water's edge returns.

Senator Schobinger requested preparation of a bill draft to put North Dakota on the same basis as South Dakota with regard to income taxes and sales and use taxes. He said the sales tax rate in the bill draft should be a rate that is revenue neutral.

Senator Urlacher said the committee will need fiscal analysis of such a bill draft to judge its merits.

Senator Cook requested preparation of a bill draft to incorporate the streamlined sales tax agreement amendments suggested by Mr. Anderson.

Senator Cook requested preparation of a bill draft relating to income tax treatment of military pay of nonresidents as suggested by the Tax Department.

Representative Iverson said a bill draft should be prepared to provide for a 10 percent reduction in corporate income tax rates per year until the tax is phased out.

The meeting was adjourned by the chairman at 3:50 p.m.

____

John Walstad
Code Revisor

ATTACH:13