

2023 HOUSE FINANCE AND TAXATION

HB 1402

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

HB 1402
1/25/2023

A bill relating to a sales tax exemption for sales of used clothing sold by a thrift store of a nonprofit corporation and relating to gross receipts from delivery charges.

Chairman Headland opened the hearing at 9:00AM.

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

Discussion Topics:

- Thrift store delivery charges
- Sales tax on clothing from a thrift store

Representative Karls introduced the bill in support (#16682).

Bill Wocken, North Dakota League of Cities, testified in opposition (#16684).

Chairman Headland closed the hearing at 9:06AM.

Representative Dockter moved a **Do Not Pass**.

Representative Bosch seconded the motion.

Roll call vote:

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

Motion failed 5-8-1

Additional written testimony:

Kirsten Dvorak, The Arc of North Dakota, testimony in support #16557.

Michelle Erickson, Abused Adult Resource Center, testimony in support #16516.

Meeting adjourned 9:13AM.

Mary Brucker, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

HB 1402
1/25/2023

A bill relating to a sales tax exemption for sales of used clothing sold by a thrift store of a nonprofit corporation and relating to gross receipts from delivery charges.

Chairman Headland opened the meeting at 10:57AM.

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

Chairman Headland asked for reconsideration of the failed **Do Not Pass** from earlier this morning.

Representative Dockter moved to reconsider our previous actions.

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	Y
Representative Jay Fisher	Y
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	Y

Motion carried 14-0-0

House Finance and Taxation Committee
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Chairman Headland closed the meeting at 11:00AM.

Mary Brucker, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

HB 1402
1/25/2023

A bill relating to a sales tax exemption for sales of used clothing sold by a thrift store of a nonprofit corporation and relating to gross receipts from delivery charges.

Chairman Headland opened the meeting at 2:25PM.

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 Finley-DeVillie, and Representative Ista.
Members absent: Representative Toman.

Discussion Topics:

- Tax on delivery

Shannon Fleischer, Associate Director for the Office of the State Tax Commissioner, answered questions from the committee.

Chairman Headland closed the meeting at 2:31PM.

Mary Brucker, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

HB 1402
2/7/2023

A bill relating to a sales tax exemption for sales of used clothing sold by a thrift store of a nonprofit corporation and relating to gross receipts from delivery charges.

Chairman Headland opened the meeting at 10:16AM.

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

Discussion Topics:

- Proposed amendment
- Committee vote

Representative Grueneich moved an amendment to strike sections one and two.

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	AB
Representative Jason Dockter	Y
Representative Lisa Finley-DeVille	Y
Representative Jay Fisher	Y
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	Y

Motion carried 13-0-1

Representative Olson moved a Do Not Pass as Amended.

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	AB
Representative Jason Dockter	Y
Representative Lisa Finley-DeVille	N
Representative Jay Fisher	N
Representative Jim Grueneich	N
Representative Patrick Hatlestad	N
Representative Zachary Ista	N
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	N
Representative Nathan Toman	Y

Motion carried 7-6-1

Representative Toman is the bill carrier.

Chairman Headland adjourned at 10:25AM.

Mary Brucker, Committee Clerk

February 7, 2023

2-7-23

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1402

Page 1, line 3, remove "to amend and reenact subsection 7 of section 57-39.2-01 and"

Page 1, remove line 4

Page 1, line 5, remove "to gross receipts from delivery charges;"

Page 1, remove lines 7 through 24

Page 2, remove lines 1 through 10

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1402: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (7 YEAS, 6 NAYS, 1 ABSENT AND NOT VOTING). HB 1402 was placed on the Sixth order on the calendar.

Page 1, line 3, remove "to amend and reenact subsection 7 of section 57-39.2-01 and"

Page 1, remove line 4

Page 1, line 5, remove "to gross receipts from delivery charges;"

Page 1, remove lines 7 through 24

Page 2, remove lines 1 through 10

Renumber accordingly

2023 SENATE FINANCE AND TAXATION

HB 1402

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1402
3/6/2023

Relating to a sales tax exemption for sales of used clothing sold by a thrift store of a nonprofit corporation.

2:15 PM Chairman Kannianen opened meeting.

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

Discussion Topics:

- Thrift stores
- Profit loss
- Used clothing

2:18 PM Representative Karls introduced bill.

2:24 PM Bill Wocken, ND League of Cities, testified in opposition. #22389

2:28 PM Shannon Fleisher, Tax Department, verbally testified neutrally.

2:33 PM Chairman Kannianen adjourned hearing.

Nathan Liesen, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1402
3/6/2023

Relating to a sales tax exemption for sales of used clothing sold by a thrift store of a nonprofit corporation.

3:45 PM Chairman Kannianen opens meeting.

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

Discussion Topics:

- Committee action

3:46 PM Senator Piepkorn moved a Do Pass

3:46 PM Senator Weber seconded.

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

Motion failed 3-3-0

3:52 PM Chairman Kannianen adjourned hearing.

Nathan Liesen, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1402
3/13/2023

Relating to the county aid distribution fund; to provide for application.

11:36 AM Chairman Kannianen opens hearing.

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

Discussion Topics:

- Amendment discussion
- Committee action

11:36 AM Senator Magrum moved Do Not Pass.

11:37 AM Senator Patten seconded.

Roll call vote.

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

Passed 4-2-0

Senator Magrum will carry the bill.

11:41 AM Chairman Kannianen closed the meeting.

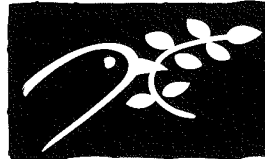
Nathan Liesen, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1402, as engrossed: Finance and Taxation Committee (Sen. Kannianen, Chairman) recommends **DO NOT PASS** (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1402 was placed on the Fourteenth order on the calendar. This bill does not affect workforce development.

TESTIMONY

HB 1402



A B U S E D
 A D U L T
 R E S O U R C E
 C E N T E R

"Restoring hope. Building futures. Changing lives."

House Bill No. 1402

Finance and Taxation Committee

Testimony presented by Michelle Erickson

Email: michellee@aacrcnd.com

January 24, 2022

Chairman Headland and members of the Finance and Taxation Committee

Good Morning. My name is Michelle Erickson and I am the Executive Director of the Abused Adult Resource Center (AARC) in Bismarck. AARC is a nonprofit agency that offers services to domestic violence, sexual assault and human trafficking victims including but not limited to crisis intervention, emergency shelter, transitional housing, education and employment programming, and support groups. AARC serves a seven-county area in South Central North Dakota including Standing Rock Indian Reservation. We believe in a holistic approach of meeting our clients where they are and helping them achieve the goals they want to work towards. I am submitting this testimony in support of HB1402.

One of the programs we operate is Seeds of Hope Thrift and Gift Store located on Main Street and 6th Avenue in Bismarck. Seeds of Hope has been in operation for over 25 years and has grown to contribute to almost 30% of AARC's annual operating budget.

Seeds of Hope benefits the community in several ways. Anyone in the community that is financially burdened and searching for employment or starting a new job can call AARC and be referred to Seeds of Hope to pick out an outfit and shoes at no cost so they feel confident going to an interview or starting a new job. AARC also has an education and employment program for our clients and once they complete the classroom curriculum, they have the option of working at Seeds of Hope to gain retail experience. We also help our clients moving out of our shelters into their own homes furnish their new living spaces at no cost.

Over the last three years, AARC has paid **\$159,184.46** in sales tax. Approximately **\$95,000** of that is from used clothing sold at Seeds of Hope. \$95,000 or approximately \$30,000 yearly would benefit victims of domestic violence, sexual assault, and human trafficking greatly.

Because our store operates by reselling donated items that were previously purchased there is no need for it to be taxed AFTER it has been donated which in effect enables us to continue to assist with providing more services in our community to the people that need them.

Thank you for the opportunity to be heard on this bill.

PO Box 5003 • Bismarck, ND 58502-5003

Office: 701-222-8370 • Fax: 701-323-9399
 24-Hr. Crisis: Toll Free: 1-866-341-7009
www.abusedadultresourcecenter.com



House Finance and Tax
HB 1402
January 25, 2023

Rep Headland and committee members. I am Kirsten Dvorak, Executive Director of the Arc of North Dakota; we have six chapters throughout the state of North Dakota that advocate on behalf of individuals with intellectual and/or developmental disabilities (IDD) for full inclusion in their community of choice.

I am also the Executive Director of The Arc of Bismarck.

We support HB 1402

The six chapters are across the state-run thrift stores. The mission of the Arc Thrift Stores is to enhance the lives of individuals with intellectual and developmental disabilities and their families by providing funding to support the North Dakota Chapters. Each chapter is run independently of The Arc of North Dakota.

The Arc thrift stores help people find affordable clothing and other household items. It also provides opportunities for individuals to gain job skills and find resources to help them succeed.

In 2021 The Arc of Bismarck sold just over \$99,000 in clothing. Our total sales tax was \$6,715. The Arc, Upper Valley reports similar numbers. As you can see, this isn't a large sum of money.

Passing 1402 would make a huge difference for individuals trying to make ends meet. This bill will make it easier for them to stretch their dollars further and help them access necessities like food and housing. The 2021 census shows the wide disparity between the median earnings of people with disabilities and those without disabilities, and passing this bill is a step in the right direction toward bridging that gap. Let's ensure everyone is given the same opportunities to succeed, regardless of disability status.

Kirsten Dvorak

701-222-1854

HB 1402
House Finance & Tax Committee
January 25, 2023
Testimony of Rep. Karen Karls, District 35, Bismarck

For the record, I am Rep. Karen Karls, District 35 here in central Bismarck.

I received a call from a constituent who told me the new refrigerator he purchased locally required a charge for delivery (~\$150). Being a senior citizen he couldn't load it up, take it home and install it...so he agreed to the extra charge. Upon receiving the bill, he was disgusted to see that the store charged him sales tax on the delivery charge, as well as on the appliance. His understanding was that ND does not tax services and that delivery is definitely a service.

I now know, from visiting with another constituent who works for the tax department, that ND does indeed, tax delivery services. However, I agreed to put in this bill.

For good measure we found another sales tax that would definitely help the disadvantaged in our state.

We've all visited thrift stores run by non-profits in our communities. They help people clean out their used clothing, sort it, price it and put it out on racks for sale at very low prices. Since ND (unlike MN) still taxes clothing, these garments have already yielded sales tax revenue for the State in a retail or online store somewhere. Some customers wear a garment for a while, maybe it doesn't fit—or the color is out of style, and donate it back to the thrift store. And, the cycle begins again.

I volunteered at our local ARC thrift store for almost 2 years. It was an amazing experience. I loved stocking the shelves and visiting with customers, many with few worldly goods, some hunting for bargains and a few antique hounds, mostly I saw families buying clothes for their kids.

Everyone pays sales tax, rich or poor. I know the list of sales tax exemptions is long and you have several requests this session; I hope you will give these two proposals your consideration.

Thank you Mr. Chairman and members of the committee.

Testimony in Opposition to House Bill 1402
January 25, 2023
House Human Finance and Taxation Committee
Bill Wocken on behalf of the North Dakota League of Cities

Good morning, Mr. Chairman and members of the House Finance and Taxation Committee. For the record, my name is Bill Wocken, appearing on behalf of the North Dakota League of Cities in opposition to Section 3 of House Bill 1402.

Section three of this bill proposes a new sales tax exemption for gross receipts from the sale of used clothing sold at a thrift shop owned and operated by a 501 c(3) non-profit organization.

This concept has been proposed in several of the previous assemblies. The League of Cities has consistently opposed this bill and others requesting exemptions from the sales tax. Eliminating products from those that pay the sales tax creates a corresponding loss of revenue to the sales tax and a loss of utility to the items funded by sales tax revenue.

This bill would also give thrift shops qualifying for this exemption an advantage over other merchants selling used clothing who are not aligned with a qualifying non-profit organization.

We respectfully request a Do Not Pass recommendation from the committee on House Bill 1402. But if the committee is going to advance the bill we would request that Section Three be removed. I will be happy to answer any questions you may have of me.

Testimony in Opposition to House Bill 1402
March 6, 2023
Senate Finance and Taxation Committee
Bill Wocken on behalf of the North Dakota League of Cities

Good afternoon, Mr. Chairman and members of the Senate Finance and Taxation Committee. For the record, my name is Bill Wocken, appearing on behalf of the North Dakota League of Cities in opposition to House Bill 1402.

This bill proposes a new sales tax exemption for gross receipts from the sale of used clothing sold at a thrift shop owned and operated by a 501 c(3) non-profit organization.

This concept has been proposed in several of the previous assemblies. The League of Cities has consistently opposed this bill and others requesting exemptions from the sales tax. Eliminating products from those that pay the sales tax reduces the tax base and creates a corresponding loss of revenue to the sales tax. This results in a loss of utility to the items funded with sales tax revenue.

This bill would also give thrift shops qualifying for this exemption an advantage over other merchants selling used clothing who are not aligned with a qualifying non-profit organization.

We respectfully request a Do Not Pass recommendation from the committee on House Bill 1402. I will be happy to answer any questions you may have of me.