MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M

ROLL NUMBER

DESCRIPTION

1449

2007 HOUSE FINANCE AND TAXATION

HB 1449

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1449 A

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 23, 2007

Recorder Job Number: 1652

Committee Clerk Signature Mickie Schmidt

Minutes:

Chairman Belter opened the hearing on HB 1449. The clerk read the roll and all members were present.

Rep. Jim Kasper: (See attachments #1, #2, & #3) the first handout comes from the little red book, the taxation book that we received. The second set is a news release from New Jersey and the third set is from the Tax Commissioners office. We are aware of the other property tax Bills that are up. The property taxes have gone in North Dakota in 2002 from 532 million to 659 million in 2006. That's up 24%. During the past decade, ND has dramatically increased its support to the Cities, Counties and School Districts. Total School aid including transportation went from 431 million in the 95-97 biennium to 517 million in the 05-07 biennium from the State. Total State assistance, Political Subdivisions has increased from 756 million in 95-97. Some have said that they believe property tax is a local issue and ought to be settled at the local level. I believe partially that that's correct, however we are elected as Legislatures to establish the policy in the State of North Dakota in all area's that we have in front of us, one of which is the formula for property taxes. It was this legislative body that implemented the formula that we are currently operating under for property taxes and I believe it's our responsibility to change that policy if we so think it's proper to do. We have a huge surplus and part of that surplus should be given back to the tax payers of ND who generated that surplus in the first place. On the Bill, **section 1 on page 1, Line 13;** we are amending the home rule charter so that once this Bill would be passed the home rule charters of the counties and cities cannot supersede what we put into this Bill. **Section 3, page 2,** we look at true and full value and stating that it cannot be increased by special assessments. **Page 3 section 4, line 15;** we're dealing with the homestead tax credit and increasing it. We have 4 levels of increase. Last year the State of ND paid out more than 2 million dollar in the homestead tax credit. We put a cap on for 15 million dollars per year or 30 million dollar per biennium. One of the things that we did not want to do with this Bill is have it dead by fiscal note. When you look at the appropriation that we have in the Bill of 110 million, we're right on line with the Governor Hoven. **On page 6 line 14-16;** regardless of the value of your home, the most your homestead can be increased for homestead tax credit purposes is 300,000 dollars. We do not wish to allow someone who has a very low income and a very high net worth to double up a lot of these homestead tax credits. On page 7, we have our cap for the homestead tax credit of 15 million dollars per year. **Page 7 line 8;** what this does it limits the increase in that taxable valuation to no more than 2% over the previous year's taxable valuation. On **page 8 section 6;** this is the formula. **On page 9, line 28-29;** this is just stating that the Board may not make any adjustments on taxable valuation on property which would exceed the limitation on the section prior. That just says that we have to abide by the 2% that we put into the Bill for taxable valuation, capped. **On page 10 lines 8 –on;** this just states that the property owner must be given a notice no later than the 30 days advance notice of the meeting of the Board of Equalization so that they have some time to react and get to the meeting if they wish to contest their property tax assessment. **On page 9, on the bottom of the page;** we talked about a minor amendment in this area that will be coming; what we're stating is regardless of the dollar amount that a taxing authority collects in property taxes in one year, we are limiting the amount of property taxes that that entity can collect, the following year is no more than 4% for the previous year, regardless. We have a limiter on the gross amount and a limiter on the assessed valuation amount. On the area of assessed valuations, there would be the possibility that new house construction would be at a disadvantage. So new home construction will not be penalized to have higher property taxes than comparable value property, and that's a fairness issue. We do not intend in any shape or form to discourage new construction in ND. So we put that in there to make it fair. **Page 11 line 27;** this is a local issue as far as property taxes are concerned. So if a local taxing authority feels that they cannot live with the limitations in this Bill, that we need more property tax and this Bill is not allowing us to collect this, they have an alternative in the Bill and that would be to take it to the vote of the people. If the people vote to increase their property taxes by 60% or greater margin, then the property taxes can be increased. We give the people the power in the end. Also they have another alternative; they can come to the Legislature to make their case for more money. **Page 12 line17;** what we're requiring here for the citizens of ND who pay property taxes to be given the history of the property taxes on their property. They have to be given a 5 year history. **Section 11;** what we've done in this section is we say that the local property tax for residential will be paid at 10% by the State, for Ag. and Commercial it will be paid at 5% by the State. It must show up in the property owners' tax statement that this payment was made on behalf of the State. The money goes directly to the Political Subdivision and we capped that area at 40 million per year. **Page 14 line17- on;** we have the limiter here. Page 15 lines 10-14; here the taxpayer must be notified that part of their payments for real estate property taxes that are paid by the State. That is the essence of the Bill.

Chairman Belter:

Rep. Mark Dosch: (See attachment #4)

Rep. Blair Thoreson: (See attachment #5 & #6) I come before you in support of this Bill. This Bill does make a major change to what we are already doing in the State and I think that's important.

Representative Wrangham: I stand here in support of some reform in property tax in this Bill.

Lynn Bergman: (See attachment #7) I'm here representing the tax payers. I am in support of this Bill. Sections 11, 12, & 13 should be eliminated from this Bill but not without replacing it with something I'm going to suggest to you. These are a one time fix and in 2-4 years we're going to be back here saying where's the money going to come from? The bottom line is, we can't just throw money at Cities, Counties, and Park Districts and expect them to be responsible to the citizens. They have shown in the recent past a willingness to raise sales taxes, to continue to match the budgets that they've prepared to whatever incomes' coming in that is to stop. I applaud the writers of this Bill.

Sandy Clark, ND Farm Bureau: (See attachment #8) here in support of the Bill.

Rep. Dan Ruby: I'm here in support of this Bill. We need to do something about these increases in property taxes. This Bill gives credit back to the people and proves the increase in the homestead tax credit that goes to the Political Subdivisions, but then there are some of the limits, and I think it's the limits that the people like the most. The other part of the Bill that I like is that is turns the ability of the people to decide whether something is important enough to raise the taxes.

Chairman Belter: Is there any other testimony in support? Are there any technical questions for John Walstad?

Representative Pinkerton: On page 12 line 29 & 30, the constitutionality of that.

John Walstad, Legislative Counsel: That's an unresolved issue. We don't have a court decision telling us yes or no on this question. Anything the Legislature passes is entitled to a heavy presumption of constitutionality; it'll take four out of five judges on the Supreme Court to declare something unconstitutional.

Chairman Belter: Is there any testimony in opposition?

Linda Coates, City Commissioner of Fargo: (See attachment #9) in opposition of the Bill.

Greg Sund, City Administrator of Dickenson: (See attachment #10) in opposition of the Bill.

Jim Brown, City Administrator of West Fargo: in opposition of the Bill. I don't believe that holding down assessed valuations is a proper thing to do because it does not affect the taxes. The assessed valuation we levy in dollars. When we levy in dollars the County takes those dollars and they divide it by the total valuation, so people don't assess valuations. The second point I wanted to bring out was the cap on the hard dollars that we can levy. Under this Bill we're capped at 4% growth, we would have no choice but to pass through the system of our citizens. The growth rate in dollars is devastating growing Cities in ND.

Kevin Ternes, City Assessor of Minot: (See attachment #11) in opposition of the Bill

Representative Owens: Based on the market value, shouldn't the taxes be the same if it's based on the market value?

Kevin Ternes: It should be but the way I read this Bill, that's what it says. We can't use market value on a new home. The builders all have different economies and scales, materials and etc...

Connie Sprynczynatyk, ND Leagues of Cities: (See attachment #12, #13, & #14)

Chairman Belter: Is there any testimony in neutral? We'll close the hearing on HB1449.

(Attachment #15 & #16 was submitted by Mark Johnson after the hearing)

(Attachment #17 was submitted by Rep. Kasper on 1-14-07)

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1449 B

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 31, 2007

Recorder Job Number: 2382

Committee Clerk Signature Mickie Schmidt

Minutes:

Chairman Belter opened the hearing on HB 1449.

Representative Weiler: This Rep. Kasper's property tax elite Bill. He has drafted these amendments. **(See attachment #1)** I will take a minute to explain what they do to the Bill. This Bill had a fiscal note of $110,000,000. Of that $30,000,000 of that was in the homestead property tax. Currently it's about $2,000,000 a year that actually gets used on a homestead tax credit, and his Bill moved it up to $30,000,000 and that was going to affect a lot of people, a lot of the wealthy people. So these amendments basically knock the homestead credit down to $10,000,000 which is still $8,000,000 more than what currently gets used. So that's a substantial increase in the homestead tax credit. Also the State paid the property tax portion of it, of his original Bill was $80,000,000 and this knocks it down to $70,000,000. So what it does is the percentages in his original Bill were residential 10%, Agricultural 5%, and Commercial 5%. What this does is knock those percentages down to residential 8%, Agricultural 4% and Commercial 4%. The only other minor change is the value of a home, on page 6 of the Bill, and this has to do more with the homestead tax credit. If the value of the home was $300,000, this knocks it down to $150,000, the maximum of the value of the home that you can take a credit on. Rep. Kasper felt that he really wanted to help the lower income people, and you don't see a lot of lower income people having houses valued at $300,000.

Chairman Belter: Any questions?

Representative Weiler: I would move the amendments.

Representative Brandenburg: Second it.

Chairman Belter: Any discussion?

Representative Froseth: If you look at a portion of the property tax credit that goes to out of state owners in this amendment. Has that been addressed?

Representative Weiler: No it was not. In fact in his original Bill and if we amend, we will not be sending money out of State. That is my understanding.

Chairman Belter: I don't believe that would apply to corporate.

Representative Weiler: I believe you are correct based on the information that we have.

Chairman Belter: Any discussion? All in favor of the amendments signify by saying aye. The motion carries. We will close the hearing on HB 1449.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1449 C

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: February 1, 2007

Recorder Job Number: 2667

Committee Clerk Signature Mickie Schmidt

Minutes:

Chairman Belter opened the hearing on HB 1449. This is Rep. Kasper's Bill, the one we already amended.

Representative Weiler: I just wanted to remind the committee of the amendments that were adopted on the 1-31. These amendments brought the fiscal note from 110,000,000 down to 80,000,000 on this Bill.

Representative Pinkerton: Just too kind of keep the numbers in mind that the last Bill was passed how much?

Vice Chairman Drovdal: It was 116 is my guess.

Representative Pinkerton: 116? But this Bill has how much on the fiscal note?

Vice Chairman Drovdal: 80 million; 10 million; homestead, 70 million; property tax.

Representative Weiler: It's got 2 million dollars more in the homestead tax credit than in the previous Bill that we just passed out.

Representative Pinkerton: So the two Bills together would be ¼ of a million dollars?

Vice Chairman Drovdal: If we pass them both.

Chairman Belter: Committee members, we have the amended Bill before us, what are your wishes?

Representative Brandenburg: I move a Do Not Pass as Amended.

Representative Froseth: Second it.

Chairman Belter: Any discussion? Will the clerk read the roll; 9-y; 4-n; 1-absent; Rep.

Pinkerton will carry HB 1449.

FISCAL NOTE
Requested by Legislative Council
02/12/2007

Amendment to: HB 1449

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations			$80,000,000			

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			($10,472,000)	($5,777,000)	($24,549,000)			

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engr. HB 1449 expands the homestead credit program, and provides state-paid property tax relief. It also addresses home rule authority, property tax increase limitations, the determination of true and full value, and the contents of property tax statements.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 4 of Engr. HB 1449 modifies the homestead credit program. The bill offers two calculation methods, and it is not possible to determine which will be utilized in each case. Our "best guess" indicates the changes could be expected to increase qualified homestead credits by an estimated $30.792 million in the 2007-09 biennium. Section 14 provides an appropriation of $10 million for homestead credit changes.

Section 11 of Engr. HB 1449 provides property tax relief estimated to total $93.377 million for the 2007-09 biennium. Section 14 provides an appropriation of $70 million for property tax relief. A portion of this difference may be mitigated in part due to the expanded homestead credit provisions of the bill (Sections 4 and 11 have inter-related fiscal impacts.)

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The appropriations contained in Section 14 total $80 million for the 2007-09 biennium. We expect this amount to be approximately $44.169 million less than the provisions in the bill would allow, forcing the counties and political subdivisions to prorate the impacts among taxpayers. This may prove difficult or impossible because the prorating information would be available too late to change property tax statements.

The share of the estimated $44.169 million shortfall is shown above for each of the major political subdivisions.

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner
Phone Number:	328-3402	**Date Prepared:**	02/13/2007

FISCAL NOTE
Requested by Legislative Council
01/16/2007

Bill/Resolution No.: HB 1449

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations			$110,000,000			

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			($9,497,000)	($5,239,000)	($22,263,000)			

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1449 expands the homestead credit program, and provides state-paid property tax relief. It also addresses home rule authority, property tax increase limitations, the determination of true and full value, and the contents of property tax statements.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 4 of HB 1449 modifies the homestead credit program. The bill offers two calculation methods, and it is not possible to determine which will be utilized in each case. Our "best guess" indicates the changes could be expected to increase qualified homestead credits by an estimated $41.789 million in the 2007-09 biennium. Section 14 provides an appropriation of $30 million for homestead credit changes.

Section 11 of HB 1449 provides property tax relief estimated to total $108.257 million for the 2007-09 biennium. Section 14 provides an appropriation of $80 million for property tax relief. A portion of this difference may be mitigated in part due to the expanded homestead credit provisions of the bill (Sections 4 and 11 have inter-related fiscal impacts.)

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

   B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

   C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The appropriations contained in Section 14 total $110 million for the 2007-09 biennium. We expect this amount to be approximately $40.055 million less than the provisions in the bill would allow, forcing the counties and political subdivisions to prorate the impacts among taxpayers. This may prove difficult or impossible because the prorating information would be available too late to change property tax statements.

The share of the estimated $40.055 million shortfall is shown above for each of the major political subdivisions.

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner
Phone Number:	328-3402	**Date Prepared:**	01/22/2007

Prepared by the Legislative Council staff for Representative Weiler
January 31, 2007

House Amendments to HB 1449 (70007.0704) - Finance and Taxation Committee 02/02/2007

Page 3, line 22, replace "twenty-two" with "seventeen"

Page 3, line 28, replace "twenty-two" with "seventeen"

Page 3, line 29, replace "thirty" with "twenty-two"

House Amendments to HB 1449 (70007.0704) - Finance and Taxation Committee 02/02/2007

Page 4, line 4, replace "thirty" with "twenty-two"

Page 4, line 5, replace "thirty-seven" with "twenty-five" and remove "five"

Page 4, line 6, remove "hundred"

Page 4, line 25, remove the overstrike over "~~A person is ineligible for the exemption under this subsection if the value of~~"

Page 4, remove the overstrike over lines 26 and 27

Page 4, line 28, remove the overstrike over "~~claims as a homestead, exceeds~~", after "~~fifty~~" insert "five hundred", and remove the overstrike over "~~thousand dollars, including the value of~~"

Page 4, line 29, remove the overstrike over "~~any assets divested within the last three years.~~"

House Amendments to HB 1449 (70007.0704) - Finance and Taxation Committee 02/02/2007

Page 5, line 1, remove the overstrike over "~~h.~~"

Page 5, line 3, remove the overstrike over "~~i.~~" and remove "h."

House Amendments to HB 1449 (70007.0704) - Finance and Taxation Committee 02/02/2007

Page 6, line 16, replace "three" with "one" and after "hundred" insert "fifty"

House Amendments to HB 1449 (70007.0704) - Finance and Taxation Committee 02/02/2007

Page 7, line 3, replace "fifteen" with "five"

House Amendments to HB 1449 (70007.0704) - Finance and Taxation Committee 02/02/2007

Page 13, line 3, replace "Ten" with "Eight"

Page 13, line 5, replace "Five" with "Four"

Page 13, line 16, replace "five" with "four"

Page 13, line 19, replace "five" with "four"

House Amendments to HB 1449 (70007.0704) - Finance and Taxation Committee 02/02/2007

Page 14, line 21, replace "forty" with "thirty-five"

House Amendments to HB 1449 (70007.0704) - Finance and Taxation Committee 02/02/2007

Page 15, line 26, replace "$80,000,000" with "$70,000,000"

Page 15, line 29, replace "$30,000,000" with "$10,000,000"

Renumber accordingly

Date: 2-1-07 4pm
Roll Call Vote #: 1449

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House Finance & Tax Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Not Pass As Amended

Motion Made By Rep. Brandenburg Seconded By Rep. Froseth

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich	✓	
Vice Chairman Drovdal	✓		Rep. Kelsh	✓	
Rep. Brandenburg	✓		Rep. Pinkerton	✓	
Rep. Froseth	✓		Rep. Schmidt	✓	
Rep. Grande			Rep. Vig	✓	
Rep. Headland		✓			
Rep. Owens		✓			
Rep. Weiler		✓			
Rep. Wrangham		✓			

Total (Yes) 9 No 4

Absent 1

Floor Assignment Rep. Pinkerton

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1449: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (9 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). HB 1449 was placed on the Sixth order on the calendar.

Page 3, line 22, replace "twenty-two" with "seventeen"

Page 3, line 28, replace "twenty-two" with "seventeen"

Page 3, line 29, replace "thirty" with "twenty-two"

Page 4, line 4, replace "thirty" with "twenty-two"

Page 4, line 5, replace "thirty-seven" with "twenty-five" and remove "five"

Page 4, line 6, remove "hundred"

Page 4, line 25, remove the overstrike over "~~A person is ineligible for the exemption under this subsection if the value of~~"

Page 4, remove the overstrike over lines 26 and 27

Page 4, line 28, remove the overstrike over "~~claims as a homestead, exceeds~~", after "~~fifty~~" insert "five hundred", and remove the overstrike over "~~thousand dollars, including the value of~~"

Page 4, line 29, remove the overstrike over "~~any assets divested within the last three years.~~"

Page 5, line 1, remove the overstrike over "~~h.~~"

Page 5, line 3, remove the overstrike over "~~i.~~" and remove "h."

Page 6, line 16, replace "three" with "one" and after "hundred" insert "fifty"

Page 7, line 3, replace "fifteen" with "five"

Page 13, line 3, replace "Ten" with "Eight"

Page 13, line 5, replace "Five" with "Four"

Page 13, line 16, replace "five" with "four"

Page 13, line 19, replace "five" with "four"

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Page 15, line 26, replace "$80,000,000" with "$70,000,000"

Page 15, line 29, replace "$30,000,000" with "$10,000,000"

Renumber accordingly

2007 TESTIMONY

HB 1449

#1 1-23-07
HB 1449 A

Fong, Cory G.

From:	Fong, Cory G.
ent:	Monday, January 22, 2007 1:51 PM
:	Kasper, Jim M.
:	Strombeck, Kathy L.
Subject:	State Allocations to Local Govt - 1995-2007

Rep. Kasper,

I am about to deliver to you a couple of sources (Tables 1 and 2) that document state allocations to local government. I am sorry that this has taken longer than I expected to pull together. The best source ended up being....Legislative Council. Pam Sharp pointed me in this direction.

- Table 1 is a historic look at allocations to local governments going back to 1995-97.
- Table 2 is a snapshot of the current biennium, 2005-07, and the upcoming 2007-09 biennium.

I have highlighted in blue, as you will see, the large allocations. They include State School Aid, Tuition Payments to Schools, and State Aid Distribution, also known as Revenue Sharing.

Once you see Tables 1 and 2, my note will make sense.

I hope it will be helpful to you. County by county, city by city, school district by school district breakdowns are not feasible and would cause reams of paper. I tried to spare you and give you the BIG picture.

Thanks.

Cory...

y Fong
x Commissioner
Office of State Tax Commissioner
State of North Dakota
600 E Boulevard Ave Dept 127
Bismarck ND 58505-0127
Phone - 701.328.2770

E-mail - coryfong@nd.gov

www.nd.gov/tax/

MAJOR STATE APPROPRIATIONS AND REVENUE ALLOCATIONS FOR DIRECT ASSISTANCE TO POLITICAL SUBDIVISIONS FROM THE 1995-97 THROUGH 2005-07 BIENNIUMS

	1995-97	1997-99	1999-2001	2001-03	2003-05	2005-07
General fund appropriations						
State school aid (including transportation aid)	$431,626,833	$466,356,259	$479,006,259	$473,971,648	$489,379,990	$517,553,759
Teacher compensation payments to school districts				35,036,000	51,854,000	50,912,120
School district reorganization				1,665,000	500,000	759,000
Educational Technology Council grants	993,750	1,000,000	6,000,000	922,822	512,822	585,000
Special education	36,850,000	40,550,000	46,600,000	49,898,695	49,898,695	52,500,000
Revenue supplement payments to school districts	2,225,000	3,100,000	3,100,000	2,200,000	5,000,000	5,000,000
Average daily membership and declining enrollment payments			3,500,000			
Joint powers agreement incentives						1,000,000
Technology reimbursement payment to schools		5,000,000				
Vocational education	8,453,197	8,922,014	9,520,929	9,573,929	10,386,541	12,052,219
School food services	1,037,000	1,100,000	1,080,000	1,080,000	1,080,000	1,080,000
Adult education	900,000	900,000	900,000	900,000	920,000	1,055,000
Grants to public libraries	880,000	935,521	888,745	888,745	844,307	1,000,000
Homestead tax credit	4,681,250	4,540,813	4,540,813	4,540,813	4,000,000	4,500,000
Aid to health districts	950,000	990,000	1,100,000	1,100,000	1,100,000	1,100,000
Matching funds to counties and cities for senior citizen programs	1,620,000	1,770,000	1,982,945 \1	2,132,945 \1	2,382,945 \1	720,000 \11
Indian welfare assistance to counties	440,222	1,059,000 \2	121,766 \2	456,993 \2	649,559	1,147,174
Boys and girls clubwork			53,000	53,000	53,000	53,000
Gaming enforcement grants	1,045,216	1,014,152	419,591			
Soil conservation district grants	500,000	580,000	580,000	580,000	580,000	630,000
Noxious weed control	396,950	364,950	288,341	184,141	97,215	90,922
Payments in lieu of taxes on carbon dioxide pipeline property			783,413	1,932,419	1,910,000	1,545,000
Clerk of court			1,000,000	10,154,353	10,723,223	12,174,105
Grants to airports	503,425	503,425	550,000	550,000	522,500	550,000
Statewide information technology network costs				4,920,824 \3	3,382,023 \10	3,396,755 \12
Total general fund	$493,102,843	$538,686,134	$562,015,802	$602,742,327	$635,776,820	$669,404,054
Percentage of total general fund appropriations	36.6%	36.2%	34.8%	34.5% \9	35.2%	33.6%
Special funds appropriations and revenue allocations						
State tuition fund distributions	$46,017,000	$49,273,144	$53,528,217	$67,239,025	$69,495,371	$71,600,000
Grants for adult education programs (displaced homemaker fund)			237,500	240,000	240,000	240,000
School transportation aid (abandoned motor vehicle fund)	250,000					
School transportation aid (public transportation fund)	630,000					
Homestead tax credit (Housing Finance Agency reserves)	500,000	250,000				
Noxious weed control			910,555	1,162,695	1,402,639	1,345,053
State aid distribution funds to cities and counties \4	51,500,000	53,978,600	63,203,392	66,383,566	74,180,584	78,336,470
Public transportation services (public transportation fund)	1,500,000	1,500,000	2,848,000	3,000,000	3,000,000	4,650,000
Insurance tax to fire departments						
Insurance tax distribution fund	5,200,000	5,200,000	5,200,000	5,200,000	5,200,000	6,200,000
Gaming enforcement grants				629,000	617,000	617,000
Community health grant program (community health trust fund)				4,700,000	4,700,000	4,700,000
Tobacco education and cessation program grants (community health trust fund)				250,000	500,000	395,000
Matching funds to counties and cities for senior citizen programs						
Senior citizen services and programs fund						2,012,000 \11
Health care trust fund				250,000 \1		

	1995-97	1997-[illegible]	1999-2001	2001-03	2003-05	20[illegible]
Energy [illegible]ent impact grants (oil and gas impact grant fund)	4,995,467	4,[illegible]	4,888,100	4,888,100	4,888,100	[illegible],100
Grants to [illegible]rts (Aeronautics Commission special funds collections)	1,368,476	1,370,000	1,570,000	1,820,000	1,962,500	2,447,500
Indian welfare assistance to counties (Department of Human Services "retained" funds)			1,654,654 \2	2,068,007 \2	1,964,607	1,964,607
Motor vehicle fuel tax and registration fee allocations \5	102,561,812	109,158,411	112,600,000	116,500,000	118,400,000	129,600,000
Telecommunications tax allocations			8,400,000	16,800,000	16,800,000	16,800,000
Coal severance tax allocations \6	15,602,794	15,816,453	15,235,854	14,685,000	15,800,000	15,648,000
Coal conversion tax allocations \6	5,714,519	5,598,165	5,491,282	6,620,022	7,283,433	7,578,000
Oil and gas gross production tax allocations \7	24,378,026	20,544,237	36,028,096	31,843,672	42,836,649	51,477,054
Cigarette tax allocations \8	3,047,659	3,003,298	2,813,712	2,623,000	2,608,771	2,366,000
Total special fund appropriations and revenue allocations	$263,265,753	$270,588,844	$314,609,362	$346,902,087	$371,879,654	$402,864,784
Total major direct assistance to political subdivisions	$756,368,596	$809,274,978	$876,625,164	$949,644,414	$1,007,656,474	$1,072,268,838

\1 Consists of $720,000 of state funding to providers for matching federal Title III funds and $1,262,945 for senior mill levy match for the 1999-2001 biennium and $720,000 of state funding to providers for matching Title III funds and $1,662,945 for senior mill levy match for the 2001-03 biennium. Of the 2001-03 biennium total, $1,412,945 is from the general fund and $250,000 is from the health care trust fund. The 2003-05 appropriation consists of $720,000 of state funding to providers for matching federal Title III funds and $1,662,945 for senior citizen mill levy match. The 2005-07 appropriation consists of $720,000 of state funding to providers for matching federal Title III funds in the Department of Human Services.

\2 The 1997 Legislative Assembly appropriated an additional $619,000, for a total of $1,059,000 from the general fund, to reduce the impact on Indian counties of House Bill No. 1041, which provided for a "swap" of state and county human services financial responsibilities. For the 1999-2001 biennium the Legislative Assembly appropriated $121,766 from the general fund and $1,654,654 of "retained" funds for a total of $1,776,420. For the 2001-03 biennium the Legislative Assembly appropriated a total of $2,525,000, of which $456,993 is from the general fund and $2,068,007 is from "retained" funds.

\3 The 2001 Legislative Assembly provided funding of $4,920,824 for implementation of the statewide information technology network to kindergarten through grade 12 and public libraries, net of an e-rate credit of $3,700,000.

\4 The 1987 Legislative Assembly in House Bill No. 1590 provided that .6 of an equivalent of 1 percent of the sales, use, and motor vehicle excise tax shall be deposited into the state aid distribution fund to be used beginning July 1, 1989.

The 1997 Legislative Assembly in House Bill No. 1019 reduced the .6 to .4 of an equivalent of 1 percent of the sales, use, and motor vehicle excise tax to be deposited into the state aid distribution fund beginning January 1, 1999. The Legislative Assembly also added a continuing appropriation so all revenues deposited into the state aid distribution fund are appropriated for payments to political subdivisions. The change also eliminated the 50 percent for personal property tax replacement and 50 percent for revenue sharing and instead provided that 53.7 percent of the revenues in the fund be distributed to counties and 46.3 percent of the revenues be distributed to cities.

\5 The gas tax allocation is based on the provisions that collection equivalent to one cent per gallon is allocated to townships and 37 percent of the money in the highway tax distribution fund is allocated to counties and cities.

\6 Beginning in the 2001-03 biennium the coal severance tax allocation is based on the provision that 70 percent of the tax revenue is allocated among coal-producing counties. Previously, 35 percent had been allocated to coal-producing counties.

Beginning in the 2001-03 biennium the coal conversion tax allocation is based on the provision that 15 percent of the tax revenue is allocated to the county in which the plant is located. Previously, 35 percent had been allocated to the county in which the plant is located.

\7 The oil and gas gross production tax allocation is based on a formula which provides for a varying percentage of revenue to go to the producing county, based on the total amount of production tax revenue generated by the county. The total a county may receive is capped based on the population of the county.

\8 The cigarette tax allocation is based on the provision that 3 cents per regular package and 3.75 cents per larger package are distributed to cities based on population.

\9 Based on the 2001-03 general fund appropriation, excluding state agency allotments.

\10 The 2003 Legislative Assembly provided funding of $3,382,023 for continued funding of the statewide information technology network to kindergarten through grade 12 and public libraries, net of an e-rate credit of $4,054,200.

\11 The 2005 Legislative Assembly removed the senior citizen mill levy matching grant program from the Department of Human Services and provided, in Senate Bill No. 2267, that the State Treasurer distribute senior citizen mill levy matching grants pursuant to a continuing appropriation from the senior citizen services and programs fund. The fund consists of sales and use and motor vehicle excise tax collections equivalent to two-thirds of one mill levied statewide each year.

\12 The 2005 Legislative Assembly provided funding of $3,396,755 for continued funding of the statewide information technology network to kindergarten through grade 12 and public libraries, net of an e-rate credit of $4,147,400.

SUBDIVISIONS COMPARISON OF 2005-07 BIENNIUM APPROPRIATIONS AND ALLOCATIONS AND 2007-09 BIENNIUM EXECUTIVE RECOMMENDATIONS

2

	2005-07 Appropriations/ Revenue Allocations	2007-09 Executive Recommendation	2007-09 Recommended Increase (Decrease) Compared to 2005-07 Appropriation	2007-09 Recommended Percentage Increase (Decrease) Compared to 2005-07 Appropriation
General fund appropriations				
State school aid per student formula payments	$484,053,759	$647,965,879	$163,912,120	33.9%
Teacher compensation payments to school districts	50,912,120	0	(50,912,120)	(100.0%)
Special education - Gifted and talented and per student payments	37,000,000	0	(37,000,000)	(100.0%)
Educational Technology Council grants	578,590	349,000	(229,590)	(39.7%)
Revenue supplemental payments to school districts	5,000,000	0	(5,000,000)	(100.0%)
Transportation aid payments to school districts	33,500,000	33,500,000	0	0.0%
Special education contracts	15,500,000	17,500,000	2,000,000	12.9%
Joint powers agreement incentives	1,000,000	2,000,000	1,000,000	100.0%
School district reorganization bonuses	759,000	0	(759,000)	(100.0%)
Vocational education	13,846,810	15,846,810	2,000,000	14.4%
School food services	1,080,000	1,080,000	0	0.0%
Adult education	1,055,000	1,055,000	0	0.0%
Grants to public libraries	1,000,000	1,200,000	200,000	20.0%
Homestead tax credit	4,500,000	4,500,000	0	0.0%
Aid to health districts	1,100,000	1,100,000	0	0.0%
Children's special health services local health unit grants	52,632	52,632	0	0.0%
Matching funds to counties and cities for senior citizen programs	720,000	1,000,000	280,000	38.9%
Indian welfare assistance to counties	1,147,174	1,572,200	425,026	37.0%
Boys and girls clubwork	53,000	53,000	0	0.0%
Soil conservation district grants	630,000	630,000	0	0.0%
Noxious weed control	67,817	67,817	0	0.0%
Payments in lieu of taxes on carbon dioxide pipeline property	1,545,000	1,410,000	(135,000)	(8.7%)
Clerk of court	11,868,816	13,587,187	1,718,371	14.5%
Grants to airports	550,187	550,000	(187)	(0.0%)
School district antivirus licenses	210,900	280,900	70,000	33.2%
	3,395,550	3,414,228	18,678	0.6%
School district information technology network costs				
Total general fund	$671,126,355	$748,714,653	$77,588,298	11.6%
Percentage of total general fund appropriations	33.7%	30.3%		
Special funds appropriations and revenue allocations				
State school aid per student formula payments (state tuition fund)	$71,600,000	$76,200,000	$4,600,000	6.4%
Grants for adult education programs (displaced homemaker fund)	240,000	240,000	0	0.0%
Noxious weed control	1,646,408	1,646,408	0	0.0%

D. Major Program

	2005-07 Appropriations/ Revenue Allocations	2007-09 Executive Recommendation	2007-09 Recommended Increase (Decrease) Compared to 2005-07 Appropriation	2007-09 Recommended Percentage Increase (Decrease) Compared to 2005-07 Appropriation
State aid distribution funds to cities and counties	83,736,994 [1]	91,744,000	8,007,006	9.6%
Public transportation services (public transportation fund)	4,650,000	4,700,000	50,000	1.1%
Insurance tax to fire departments (insurance tax distribution fund)	6,200,000	6,200,000	0	0.0%
Gaming enforcement grants	617,000	617,000	0	0.0%
Community health grant program (community health trust fund)	4,700,000	4,700,000	0	0.0%
Children's special health services local health unit grants	69,768	69,768	0	0.0%
Children's special health services grants to counties	248,056	248,056	0	0.0%
Tobacco education and cessation program grants (community health trust fund)	395,000	260,000	(135,000)	(34.2%)
Matching funds to counties and cities for senior citizen programs	2,056,984 [2]	2,297,942 [2]	240,958	11.7%
Energy development impact grants (oil and gas impact fund)	4,888,100	5,888,100	1,000,000	20.5%
Grants to airports (Aeronautics Commission special fund collections)	2,447,126	2,950,000	502,874	20.5%
Indian welfare assistance to counties (Department of Human Services "retained" funds)	1,964,607	1,964,607	0	0.0%
Motor vehicle fuel tax and registration fee allocations	129,600,000 [3]	129,400,000 [3]	(200,000)	(0.2%)
Telecommunications tax allocations	16,800,000 [4]	16,800,000 [4]	0	0.0%
Coal severance tax allocations	15,400,000 [5]	16,000,000 [5]	600,000	3.9%
Coal conversion tax allocations	7,588,677 [6]	7,494,000 [7]	(94,677)	(1.2%)
Oil and gas gross production tax allocations	75,547,843 [6]*	94,819,416 [7]*	19,271,573 *	25.5%
Cigarette tax allocations	2,784,507 [6]	2,955,000 [7]	170,493	6.1%
Total special funds appropriations and revenue allocations	$433,181,070	$467,194,297	$34,013,227	7.9%
Total major direct assistance to political subdivisions	$1,104,307,425	$1,215,908,950	$111,601,525	10.1%

* **NOTE: Based on preliminary review, it appears the executive forecast may be overstating the counties' share of oil and gas production tax collections and understating the state's share. We have asked the Office of Management and Budget and the Tax Department to review the projection.**

[1] Revised 2005-07 estimate, the original estimate was $78,336,470.

[2] The 2005 Legislative Assembly removed the senior citizen mill levy matching program from the Department of Human Services and provided, in Senate Bill No. 2267, that the State Treasurer distribute senior citizen mill levy matching grants pursuant to a continuing appropriation from the senior citizen services and programs fund (North Dakota Century Code Section 57-15-56(5)). The fund consists of sales and use and motor vehicle excise tax collections equivalent to two-thirds of one mill levied statewide each year (Section 57-39.2-26.2).

[3] The gas tax allocation is based on the provisions that collection equivalent to one cent per gallon is allocated to townships and 37 percent of the money in the highway tax distribution fund is allocated to counties and cities.

[4] The Tax Department is projecting that approximately $18.9 million of telecommunications taxes will be collected during the 2005-07 biennium. Of this amount, $16.8 million will be allocated to counties and $2.1 million will be deposited in the general fund. Due to a significant increase in Voice over Internet Protocol services, which are not subject to telecommunications taxes, the Tax Department estimates collections for the 2007-09 biennium to be $15.3 million. Pursuant to North Dakota Century Code Section 57-34-05, this would require a payment of $1.5 million from the general fund to the counties.

[5] Based on actual transfers through September 2006 and the assumption transfers will not significantly change through the 2007-09 biennium.

[6] Amounts are based on actual transfers for fiscal yearend 2006 and the revised forecast for the remainder of the biennium.

[7] Per 2007-09 executive forecast.

1-23-07

#2 HB 1449-A

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The Hot New Fashion in Trenton: Caps

Lawmakers support property tax levy caps

Washington, D.C. – In what could be a victory for New Jersey taxpayers, legislative leadership has embraced local levy caps in their efforts to slow property tax growth in the state. In place since the early 1980s in Massachusetts, this type of limit restrains local spending growth and thus limits property tax growth, unless voters approve an override. While New Jersey has previously resorted to increasing sales and income taxes to fund property tax "relief," a study by Americans for Tax Reform points to Massachusetts' Proposition 2 ½ as an effective and flexible model of reform.

In the late 1970s, Massachusetts had the highest property tax burden. New Jersey took second place. Massachusetts voters, through the initiative process, instituted local spending limits in the form of Proposition 2 ½. Around the same time, New Jersey amended its Constitution to create an income tax with all the revenues used specifically for property tax relief. Since then, the income tax has been raised three times and there has not been one year in which local property taxes have been reduced.

"It's great to see that local levy caps are in style in New Jersey. After raising taxes more than any other state in the country, taxpayers are ready for real relief," said taxpayer advocate Grover Norquist, president of Americans for Tax Reform. **"Massachusetts has shown that property tax levy caps are not a passing fad."**

The ATR analysis shows that from 1981 through 2000, property taxes in Massachusetts increased 36 percent slower than the national average and 64 percent slower than New Jersey. Had New Jersey followed the same route as Massachusetts in 1993, the average homeowner would have received a bill nearly 24 percent lower than they did in 2004 and a total cumulative savings of $5,427 over this period.

"It's a pleasant surprise to see New Jersey's leadership say something that doesn't invoke a head slap," continued Norquist. **"I strongly urge lawmakers and Gov. Corzine to seize this opportunity to restrain property taxes in the Garden State by enacting local levy caps in addition reforming the state's broken pension system."**

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1-23-07
#3 HB 1449 A

CURRENT LAW

LOCALLY ASSESSED PROPERTY

Imposition, Administration and Distribution of Revenue

All real property, unless specifically exempted, is subject to a property tax. A mobile home used as a residence or business is subject to the tax if it is 27 or more feet long or is attached to utility services.

The property tax is determined by multiplying the mill rate times the taxable value of real property.

The county determines and collects the tax and distributes the revenue to the county, cities, townships, school districts, and other taxing districts. The tax is due January 1 of each year following the year of assessment and is payable without penalty until March 1. A 5% discount is allowed for taxes paid in full before February 15.

Mill Rates

Local mill rates are established to meet the revenue needs of the taxing district. Each taxing district prepares a proposed budget to determine the money needed to provide services. After public hearings, the elected governing bodies adopt final budgets and certify tax levies (total property taxes) to the county auditor. The tax levy may not exceed the legal maximum. The only increases allowed without voter or legislative approval are for property added to the tax rolls. To determine the mill rate, the county auditor divides the total property taxes to be collected for each taxing district by the district's total taxable value.

Taxable Value

Residential. The determination of taxable value begins with the true and full value or market value of the property. The true and full value of residential property is usually established by the local assessor. The assessed value is 50% of the true and full value and the taxable value is 9% of the assessed value.

Commercial. The true and full value of most commercial property is established by the local assessor. The true and full value of railroad, public utility, and airline property is centrally determined by the State Board of Equalization (see Centrally Assessed Property on page 71). The assessed value is 50% of the true and full value and the taxable value is 10% of the assessed value.

Agricultural. The true and full value of agricultural property is based on productivity as established through computations made by North Dakota State University of the capitalized average annual gross return of the land. This information is forwarded to the State Tax Commissioner who certifies to the county directors of tax equalization the estimated average true and full agricultural value of farm and grazing land in each county.

The county tax directors use the certified estimates of the county average agricultural values to determine the average value of agricultural lands within each assessment district in the county. This estimate is based on the relative value of lands for each assessment district compared to the county average. In determining the relative value, the county tax directors are to use soil type and soil classification data, wherever possible. In turn, the average agricultural value of agricultural lands within each assessment district is used by each local assessor to determine the agricultural value of each assessment parcel within the local district's jurisdiction.

The assessed value of agricultural land is 50% of the true and full value and the taxable value is 10% of the assessed value.

Equalization Process. Equalization is a method required by law to adjust assessments so that they are consistent with market value or, in the case of agricultural land, the value of agricultural productivity. Local assessments are reviewed and equalized by either the Township Board of Equalization on the second Monday in April or the City Board of Equalization on the second Tuesday in April. The Board of County Commissioners meets within the first ten days of June to equalize among assessment districts within the county. The State Board of Equalization has the responsibility to equalize among counties and assessment districts in a county and meets the second Tuesday in August.

Exemptions and Credits

Property tax exemptions and credits are listed below according to type of property.

Residential Property:

- Personal property is exempt.
- A property tax exemption of up to five years is available for the value added by rehabilitation or remodeling to property which is 25 years old or older if the city or county approves the exemption.
- Homes owned and occupied by persons who are blind or disabled may be eligible for exemption or partial exemption from property taxes, subject to annual review.
- A geothermal, solar or wind energy system may qualify for a five-year exemption.
- Qualifying new single-family residences and condominiums may be exempt for two years, provided the exemption is approved by the city or county. The exemption is limited to a maximum of $75,000 of the structure's value.
- A single-family residence located in a Renaissance Zone may be exempt for five years provided the city approves the exemption.
- Homeowners who are 65 years of age or older or who are certified as permanently and totally disabled regardless of age may be entitled to certain property tax credits under the homestead property tax credit program. Qualifications include an annual income of $14,500 or less (including Social Security and pensions) and assets of $50,000 or less (excluding the first $100,000 value of the homestead). A qualifying homeowner may receive a credit to reduce the property's taxable value by up to $3,038. Applications are filed with the local assessor.
  - * In addition, these homeowners may qualify for a special assessment credit which becomes a lien on the real property and must be repaid when the property is transferred.
- Renters who are 65 years of age or older or who are certified as permanently and totally disabled regardless of age and who have an annual income from all sources of $14,500 or less may be entitled to rent refunds under the homestead property tax credit program. Those who qualify may receive rent refunds of up to $240 if 20% of the rent they pay exceeds 4% of their income. Renters apply to the Office of State Tax Commissioner for this refund.

Commercial Property:

- A property tax exemption of up to five years and in certain cases up to ten years is available to a qualifying new or expanding business (see page 70, New Business Exemption).
- Personal property is exempt.
- An exemption of up to five years is available for the value added to property by rehabilitation or remodeling if the city or county approves the exemption.
- The portion of a building used primarily for licensed day care is exempt if the city or county approves the exemption.
- Fixtures, buildings, and improvements used primarily as an adult care center are exempt upon approval by the city or county.
- A geothermal, solar or wind energy system may qualify for a five-year exemption.
- A cooperative or nonprofit organization that provides water to its members and customers may be eligible for an exemption for its buildings and structures.
- A public parking structure is eligible for an exemption.
- A pollution control improvement is exempt if the city or county approves the exemption.
- A commercial building located in a Renaissance Zone may be exempt for five years provided the city approves the exemption.

Agricultural Property:

- Personal property is exempt.
- Farm structures are exempt if located on agricultural land and used in operations normally associated with farming and ranching. Farm residences are exempt if located on 10 acres or more of agricultural land, if occupied or used by a farmer who normally devotes the major portion of time to farming operations, and if the farmer receives not less than 50% of annual net income from these operations in any one of the preceding three years. The residence is not eligible if the farmer has received more than $40,000 of non-farm income in each of the three preceding years. The income requirements apply to the combined income of the farmer and spouse.
- A qualifying wetland is exempt if the owner signs an agreement to keep the property as wetland. If the land is removed from wetland status, the landowner must repay up to ten years of the taxes forgiven. This exemption is available if funds are available for the state to reimburse the political subdivisions for all revenue losses.
- State-owned land leased for grazing or pasture purposes is exempt. State-owned land leased for growing crops is exempt if payments in lieu of property taxes are made by the state.

Other Property:

- Property owned by a governmental unit is exempt.
- Property owned and used exclusively for religious or charitable purposes is exempt. Property owned by a religious organization may retain its exemption if the property is rented to a tax-exempt organization and no profit is realized from the rent.
- Property owned by a lodge, club, association or like organization is exempt if the organization is nonprofit, if the property is used for meeting and for conducting business or ceremony, and if food or alcoholic beverages are not sold for profit on the premises. This property, however, is subject to taxation by cities for the cost of fire protection services.
- All property belonging to an educational institution and not used for profit is exempt.
- Property owned by a nonprofit corporation and used for promoting athletic and educational needs at a state educational institution is exempt.
- All land used exclusively for burying grounds or cemeteries is exempt.
- Land belonging to a military organization and used as a public park or monument ground and not for gain is exempt.
- Minerals in place in the earth are exempt if, at the time of extraction, they are subject to either the oil and gas gross production tax or the coal severance tax.
- Property of Native Americans, where the title cannot be transferred without the consent of the U.S. Secretary of the Interior, is exempt.
- Forested land may be eligible for a reduced property tax rate of 50 cents per acre.
- All property, including any possessory interest therein, relating to waterworks, mains, water distribution systems, sewage systems, and facilities for the collection, treatment, purification and disposal in a sanitary manner of sewage, leased to the state or any agency or institution of the state, or to a private entity, which property is operated by, or providing services to, a municipality or other political subdivision is exempt.
- All property, including any possessory interest therein, belonging to the state or an agency or institution of the state leased to a private entity pursuant to N.D.C.C. § 54-01-02, which property is operated by, or providing services to, the state or its citizens is exempt.
- Property owned by the state and held under a lease and any structure, fixture, or improvement located on that property is not taxable to the leaseholder if the structure, fixture, or improvement is used primarily for athletic and educational purposes at any state institution of higher education.

New Business Exemption

Parameters. Any new or expanding business project may be granted a property tax exemption for up to five years. Two extensions are available:

- Agricultural processors may be granted a partial or full exemption for up to five additional years.
- A project which is located in property leased from a governmental entity qualifies for an exemption for up to five additional years upon annual application by the project operator.

In addition to or instead of an exemption, local governments and any project operator may negotiate payments in lieu of property tax for a period of up to 20 years from the date project operations begin.

Qualifications. A qualifying "project" is any new or expanded revenue-producing enterprise. All buildings, structures or improvements used in or necessary to the operation of the project qualify. The structure may be the project's building or the project's quarters within a larger building. An exemption may not be granted for land. A project is not eligible for an exemption if the project received a tax exemption under tax increment financing or if the governing body determines the exemption fosters unfair competition or endangers existing business.

Application Procedures. The project operator applies to the city governing body if the project is located within city boundaries. If the project is located outside city boundaries, application is made to the county commission.

- The application must be made and approved before construction of a new structure begins. If the project will occupy an existing structure, application must be made and approved before the structure is occupied.
- If the city or county governing body determines there are local competitors, the project operator must publish two notices in the official newspaper of the city or county at least one week apart, and the last notice must be published at least 15 days, but not more than 30 days, before the city or county considers the application. For example, notices published one week apart on May 1 and May 8 are appropriate for a hearing scheduled anytime between May 23 and June 7.
- The city or county governing body holds a public hearing on the application.
- After the public hearing, the city or county governing body acts on the application.

CENTRALLY ASSESSED PROPERTY

Assessment Procedures

Assessments for property tax purposes of railroads, investor-owned public utilities, and airlines are determined by the State Board of Equalization. The assessed value of centrally assessed property is 50% of the true and full value and the taxable value is 10% of the assessed value for all centrally assessed property except wind turbine electric generation units with a nameplate generation capacity of 100 kilowatts or more. Taxable value is 1.5 percent for units for which a purchased power agreement was executed between April 30, 2005 and January 1, 2006, and construction was begun between April 30, 2005, and July 1, 2006. Taxable value is 3 percent for all other units on which construction is completed before January 1, 2011. The taxable value of centrally assessed property is subject to property taxes as discussed below for each type of property.

Steps in the assessment process are as follows:

1. The company must file an annual report with the State Tax Commissioner by May 1.
2. The State Tax Commissioner prepares a tentative assessment by July 15.
3. Notice of tentative assessment is sent to the company ten days prior to the State Board of Equalization meeting.
4. The State Board of Equalization meets the first Tuesday in August at the Office of State Tax Commissioner to receive testimony on the value of centrally assessed property and to make the assessments.
5. Following the action of the State Board of Equalization, the State Tax Commissioner certifies the assessments to the counties.

Airlines

A regularly scheduled airline serving North Dakota cities pays a property tax computed by applying the average of all mill levies in the municipalities served by regularly scheduled airlines against the taxable valuation of an airline's operating real property located in North Dakota.

The Tax Commissioner collects the tax and the State Treasurer distributes the revenue to the municipalities in which the airline operates. The revenue is used exclusively for airport purposes.

Public Utilities

Centrally assessed public utilities are investor-owned power, gas and pipeline companies. The tax for telecommunications carriers is discussed below. The taxable value of a utility's North Dakota real and personal operating property is subject to the mill levies of the taxing districts in which the property is located.

The tax is collected by the county and distributed to the taxing districts within the county.

A 10-year exemption is allowed for pipelines carrying CO_2 for use in enhanced recovery of oil or natural gas. The state reimburses political subdivisions for the lost tax revenue.

A transmission line of 230 kilovolts or larger, and its associated transmission substations, initially placed in service or substantially expanded on or after October 1, 2002, is exempt from property taxes for the first taxable year. Subsequent years' taxes must be reduced by 75 percent for the second year, 50 percent for the third year, and 25 percent for the fourth year. After the fourth year, the transmission line and substations are exempt from property taxes and are subject to a tax of $300 per mile.

Railroads

Railroad operating real property is taxed at the mill rates of the taxing districts in which the property of the railroad is located. The tax is collected by the county and distributed to the various taxing districts within the county.

TAXES PAID IN LIEU OF PROPERTY TAXES

Telecommunications Carriers

Telecommunications carriers are assessed a tax of 2½% of their adjusted gross receipts by the State Board of Equalization. The gross receipts tax is paid annually to the Tax Commissioner. The state allocates $8.4 million annually to the counties for distribution to political subdivisions. Revenue in excess of $8.4 million is deposited in the state general fund.

Rural Electric Cooperatives

Rural electric generation, transmission and distribution cooperatives pay a gross receipts tax instead of a property tax on all property except land, which is assessed locally. The gross receipts tax is 1% during the first five years of business and 2% thereafter. The tax is paid annually to the county. The revenue is apportioned to each county according to the miles of lines the cooperative has in the county compared to its total miles of line and is distributed to the taxing districts within the county.

Rural electric cooperatives which have at least one unit with a generating capacity of 100,000 kilowatts or more pay a transmission line tax of $225 per mile on transmission lines of 230 kilovolts or more. This tax is collected annually and the revenue is apportioned among the counties in which the lines are located according to the number of miles in each county. The revenue goes to the county general fund. The tax on a transmission line of 230 kilovolts or larger initially placed in service or substantially expanded on or after October 1, 2002, is $300 per mile. The tax does not apply for the first taxable year. The second year's taxes must be reduced by 75 percent, the third year's taxes by 50 percent, and the fourth year's taxes by 25 percent.

Coal Conversion Facilities

The coal conversion tax is in lieu of property taxes on investor-owned or cooperative electrical generating plants which have at least one unit with a generating capacity of 10,000 kilowatts or more of electricity, other coal conversion facilities consuming 500,000 tons or more of coal per year, or coal beneficiation plants. (See page 65.)

Tourism or Concession License Fee

A license fee in lieu of property taxes is payable for state-owned property leased from the Superintendent of the State Historical Board or the Director of State Parks and Recreation and used for tourism or concession purposes. The fee is set by the superintendent or by the director and is at least $1, but not more than 1% of the tenant's gross receipts. The tenant pays the license fee to the county treasurer, who deposits the payment into the county general fund.

HISTORICAL OVERVIEW

Significant Changes in Law

Before 1981. Prior to the 1981 Legislative Session, the standard of value was market value, but property was assessed at a fraction of its market value. By law, all real property was in one class, but a de facto classification system existed. Limitations were imposed on the number of mills which could be levied.

1981 Session. The legislature changed the procedures for determining the value of property for tax purposes to include methods of establishing the true and full value, assessed value, and taxable value of property, according to a new classification system. Limits were placed on the dollar amount of change in the levy rather than on the number of mills which could be levied. The new law allowed up to a 7% increase in the amount of dollars levied. Also, the maximum income to qualify for the homestead credit was increased from $9,000 to $10,000.

1983 Session. The legislature allowed for a 4% increase in the amount of dollars levied. Cities and counties were authorized to give two-year exemptions for new single family or town house property. The new business exemption's cost and sales limitations were increased from $100 million to $150 million.

1985 Session. The legislature allowed for a 3% increase in the amount of dollars levied. An exemption for qualifying wetlands was enacted, effective for tax years beginning after December 31, 1986. The maximum income to qualify for the homestead credit was increased from $10,000 to $12,000.

1987 Session. The legislature allowed for a 5% increase in the amount of dollars levied. The legislature removed limitations on the type of business qualifying for the new business exemption. Previously, the exemption was limited to assembling, fabricating, manufacturing, mixing, processing, storing, warehousing, or distributing any agricultural, mineral or manufactured product. In effect, qualifications were expanded to include service and retail industries.

1989 Session. The legislature allowed for a 5% increase in the amount of dollars levied. An exemption was added for day care in commercial property and the exemption for religious organizations was extended to include property rented to a tax-exempt organization. The income limitation to qualify for the homestead property tax credit program was increased from $12,000 to $13,000 per year. Changes to the new business exemption law included the following: removing the requirement that the State Board of Equalization approve the property tax exemption; excepting property in cities of 3,000 population or less from the vacancy requirement; excluding projects exempt under tax increment financing; and allowing the property tax exemption to be extended up to ten years for projects in property leased from a governmental entity.

1991 Session. The legislature allowed for a 4% increase in the amount of dollars levied. The property tax exemption was broadened to include expanding businesses and was decoupled from the income tax exemption; the vacancy requirement to use existing buildings was removed; and a partial exemption for the sixth through tenth years was allowed for projects which produce or manufacture a product from agricultural commodities grown in North Dakota. A 10-year exemption was created for pipelines carrying CO_2 to an enhanced recovery project in a North Dakota oil field. A license fee in lieu of property taxes was adopted for certain state-owned property leased for tourism or concession purposes. Changes to the property tax on forested land included a 50-cent per acre rate and several administrative changes.

1993 Session. The legislature set the maximum levy increase at 3% for taxes payable in 1994 and 2% for 1995. Cities and counties were permitted to exempt pollution control improvements. An exemption was granted to state-owned land leased for grazing or pasture purposes. State-owned land leased for growing crops was exempted if payments in lieu of property taxes are made by the state. The income limitation to qualify for the homestead property tax credit program was increased from $13,000 to $13,500 per year beginning with the 1995 tax year.

1994 Special Session. The legislature removed project size limitations as qualifications for the new or expanding business tax exemption. The change allowed large projects to qualify. The extended exemption for agricultural processors was changed from a partial exemption to either a partial or complete exemption. Legislators enabled a local government and any project operator to negotiate in lieu of property tax payments for a period of up to 20 years.

1995 Session. The legislature allowed for a levy increase of 2% for taxes payable in 1996 and 1997. The only increase allowed after 1998 without voter or legislative approval is property added to the tax rolls. Railroad personal property was exempted from property taxes. Before a city or county grants a new business exemption or payments in lieu of taxes, the affected school districts and townships must be consulted.

1997 Session. The legislature allowed for a 2% increase in the amount levied to match federal funds. The state water commission was to make payments in lieu of taxes for land acquired for the Devils Lake project. For agricultural land formula used by NDSU, the legislature extended the agricultural production data to a 10-year period for the 2000 assessment. A 50 percent expense allowance for agricultural revenue from irrigated cropland was made permanent. The temporary requirement that school districts and townships must be consulted before granting a new business property tax incentive expired. The income requirement for the farm residence exemption was defined as more than 50 percent from farming activities in any one of the preceding three years. Allowable nonfarm income increased to $40,000 during each of the preceding three years. Park model trailer owners were required to pay the motor vehicle department a fee of $20 per year to qualify for exemption from taxation as a mobile home for tax years 1997 and 1998. The maximum general tax levy for fire protection districts was increased from ten to thirteen mills. The state engineer was given authority to take remedies when man-made objects situated in, on the bed of, or adjacent to a navigable lake are, or are imminently likely to be, a menace to life or property or public health or safety. The state engineer may assess costs of action against any property of the person responsible. The agricultural property definition for property platted after March 30, 1981, was changed. A pipeline and associated equipment, not including land, constructed after 1996 for the transportation or storage of CO_2 for use in enhanced recovery of oil or natural gas is tax exempt during construction and the first ten full taxable years.

1999 Session.

- Made confidential income and expense statements provided by commercial property owners to assessors.
- Allowed an abatement of property tax for damage to a building, mobile home, structure, or other improvement caused by natural disaster.
- Increased the income limitation for the homeowners' homestead credit and renters' refund from $13,500 to $14,000.

- Made permanent the $20 permit fee for a park model trailer in lieu of the mobile home tax.
- Expanded the farm building exemption to include feedlots and buildings used primarily, rather than exclusively, for farming purposes.
- Allowed depreciation expense as an addition to net farm income for the farm residence exemption.
- Granted the farm residence exemption to beginning farmers.
- Established a class of inundated agricultural property that is assessed at ten percent of the noncropland value.
- Changed the agricultural land valuation formula to require inclusion of a production cost factor.
- Made permanent the requirement that school districts and townships must be included in the negotiations for the new business exemption.
- Changed the payments in lieu of taxes for new businesses to include existing buildings as well as new buildings.
- Extended the time of exemption for remodeling from three to five years and allowed an addition to an existing building to be exempted as an eligible improvement.
- Changed the tax deed proceedings from a sale of tax delinquent property to foreclosure of tax lien.
- Changed the county levy for social security to allow up to five mills to be used for county automation and telecommunications.
- Increased the levy of a tax for programs and activities for senior citizens by a county or city from one to two mills.
- Provided that a school district may levy up to 15 mills for removal or abatement of asbestos in school buildings and for providing an alternative education program.

2001 Session.

- Required that when the board of county commissioners rejects an application for abatement, a written explanation of the rationale for the decision must be attached to the application and mailed to the applicant.
- Provided that the taxable value of a centrally assessed wind turbine electric generation unit with a capacity of 100 kwh or more is 3 percent of assessed value.
- Provided that a county officer or employee will not refund a fee or tax of less than $5.00.
- Provided that a municipality may provide partial or complete exemption on residential property, exclusive of land, if the property was rehabilitated by an individual for the primary place of residence as a renaissance zone project. Provided for exemptions on buildings, structures, fixtures and improvements rehabilitated as a zone project for any business or investment purpose. A taxpayer may not be delinquent in payment of any state or local tax to benefit from those provisions.
- Defined inundated agricultural land as agricultural property containing a minimum of 10 contiguous acres if the value exceeds 10 percent of the average agricultural value of noncropland for the county. Provided the land must have been unsuitable for growing crops or grazing farm animals for at least two consecutive growing seasons, and produced revenue less than the county average revenue per acre for noncropland.
- Required a nonprofit organization to make payments in lieu of taxes on property acquired for conservation.
- Changed the rates of the coal severance and coal conversion taxes to make North Dakota coal more competitive with out-of-state coal and at the same time, maintain the level of payments to counties and the state general fund.
- Provided that a township may defray expenses of improvements by special assessment.

2003 Session.

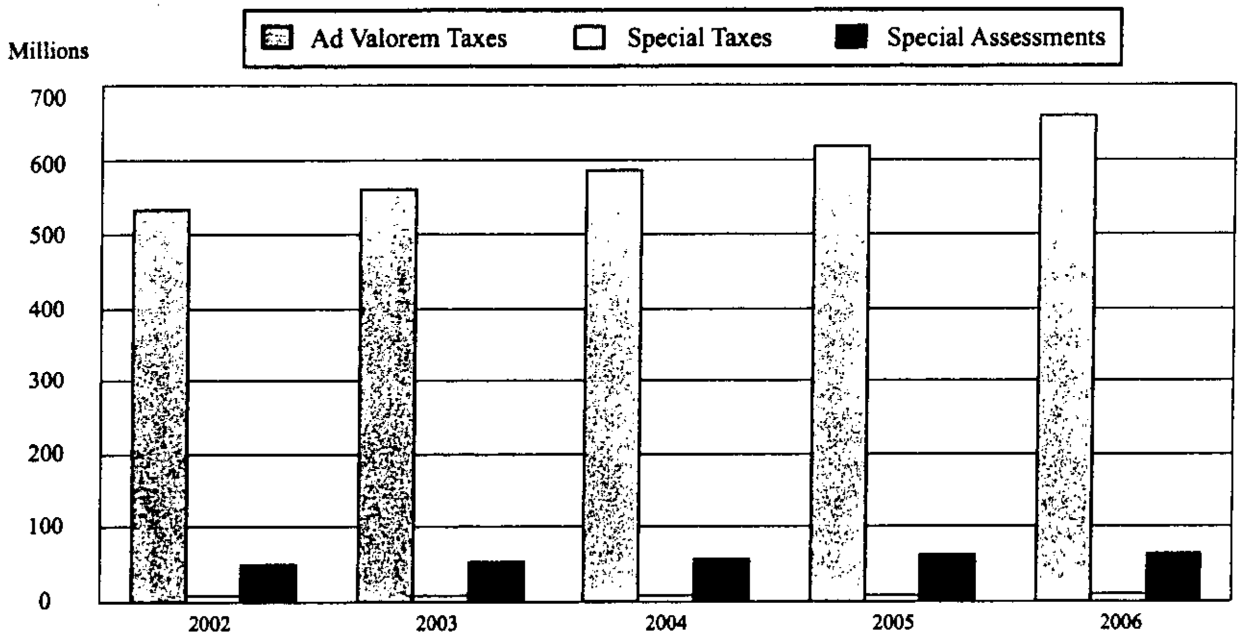
- Provided that land acquired by tax deed must be sold to the highest qualified bidder. Provided that a person is unqualified to be the highest bidder for property if the person owes delinquent taxes to any county.
- Provided that any privately owned structure, fixture, or improvement located on state-owned land is not exempt from special assessments levied for flood control purposes if it is used for commercial purposes, unless it is primarily used for athletic or educational purposes at a state institution of higher learning.
- Exempted from property taxation all property including any possessory interest therein, relating to any waterworks, mains, and water distribution system, or sewage systems and facilities for the collection, treatment, purification, and disposal in a sanitary manner of sewage, leased to the state or any agency or institution of the state, or to a private entity, which property is operated by, or providing services to, a municipality or other political subdivision.
- Exempted from property taxation any property, including any possessory interest therein, belonging to the state or an agency or institution of the state, leased to a private entity pursuant to N.D.C.C.§ 54-01-27, which property is operated by, or providing services to, the state or its citizens.
- Provided that property owned by the state and held under a lease and any structure, fixture, or improvement located on that property is not taxable to the leaseholder if the structure, fixture, or improvement is used primarily for athletic and educational purposes at any state institution of higher education.

- Provided for one year's exemption and three years of graduated tax rates for new or substantially expanded investor-owned and cooperative-owned transmission lines of 230 kilovolts or larger, and associated transmission substations, initially placed in service on or after October 1, 2002. After the fourth year, those lines are taxed at $300 per mile.
- Provided that the rate used for capitalization of the average annual gross return of agricultural land may not be less than 9.5 percent.

2005 Session.

- Created the North Dakota transmission authority. Provided that transmission facilities built under the authority are exempt from property taxes for a period not to exceed five years. After the initial period, transmission lines of 230 kilovolts or larger and associated transmission substations are subject to a per-mile tax at the full rate and subject to the same manner of imposition and allocation as imposed on cooperative-owned transmission lines.
- Required the county auditor to certify if there is an unsatisfied lien for homestead credit for special assessments against land in a document presented for transfer. Provided that the county recorder may not record any deed for property on which the county auditor has determined that there is an unsatisfied lien for homestead credit for special assessments, except for a transfer between spouses because of the death of one of them.
- Required a recipient to enter into a business incentive agreement with each grantor of a business incentive granted by the state or a political subdivision. Provided a penalty for a recipient that fails to meet goals.
- Provided that agricultural property includes land on which a greenhouse is located if the land is used for a nursery or other purpose associated with the operation of the greenhouse. Provided that a greenhouse located on agricultural land and used primarily for growing of horticultural or nursery products is a farm building or improvement.
- Provided that a centrally assessed wind turbine electric generation unit with a nameplate generation capacity of 100 kilowatts or more, for which a purchased power agreement was executed after April 30, 2005, and before July 1, 2006, and construction was begun after April 30, 2005, and before July 1, 2006, must be valued at 1½ percent of assessed value to determine taxable value.
- Provided that a person who is either 65 years of age or older, or permanently and totally disabled, whose income does not exceed $14,500 may qualify for the homestead credit or renter's refund. Increased the maximum amount of taxable value credit to $3,038. Increased the unencumbered amount of homestead valuation that may be excluded from the asset test for homeowners to $100,000.
- Provided that the rate used for capitalization of the average annual gross return of agricultural land may not be less than 8.9 percent for 2005 and 8.3 percent for subsequent years.
- Authorized housing authorities to provide housing for persons of moderate income. Provided that property of an authority used for moderate income housing is exempt from all taxes except special assessments unless specifically exempted from a special assessment by the political subdivision.
- Provided that in lieu of exemption of a park model trailer located in a trailer park or campground, the department of transportation shall register the trailer as a travel trailer for a registration fee of $20 per year.

Ad Valorem and Special Property Taxes Levied
Payable in 2002-2006



Year Payable	Total Taxes and Special Assessments	Ad Valorem Property Taxes: Real Estate [1]	Ad Valorem Property Taxes: Utilities [2]	Special Property Taxes: Special Taxes [3]	Special Property Taxes: Special Assessments
2002	591,580,893	504,170,558	28,459,117	8,999,429	49,951,786
2003	623,370,222	532,221,864	28,530,045	9,215,033	53,403,280
2004	652,667,321	555,928,867	30,483,151	9,253,881	57,001,422
2005	688,732,379	586,126,742	31,938,951	9,638,152	61,028,534
2006	733,392,572	627,445,014	32,344,362	10,269,176	63,334,020

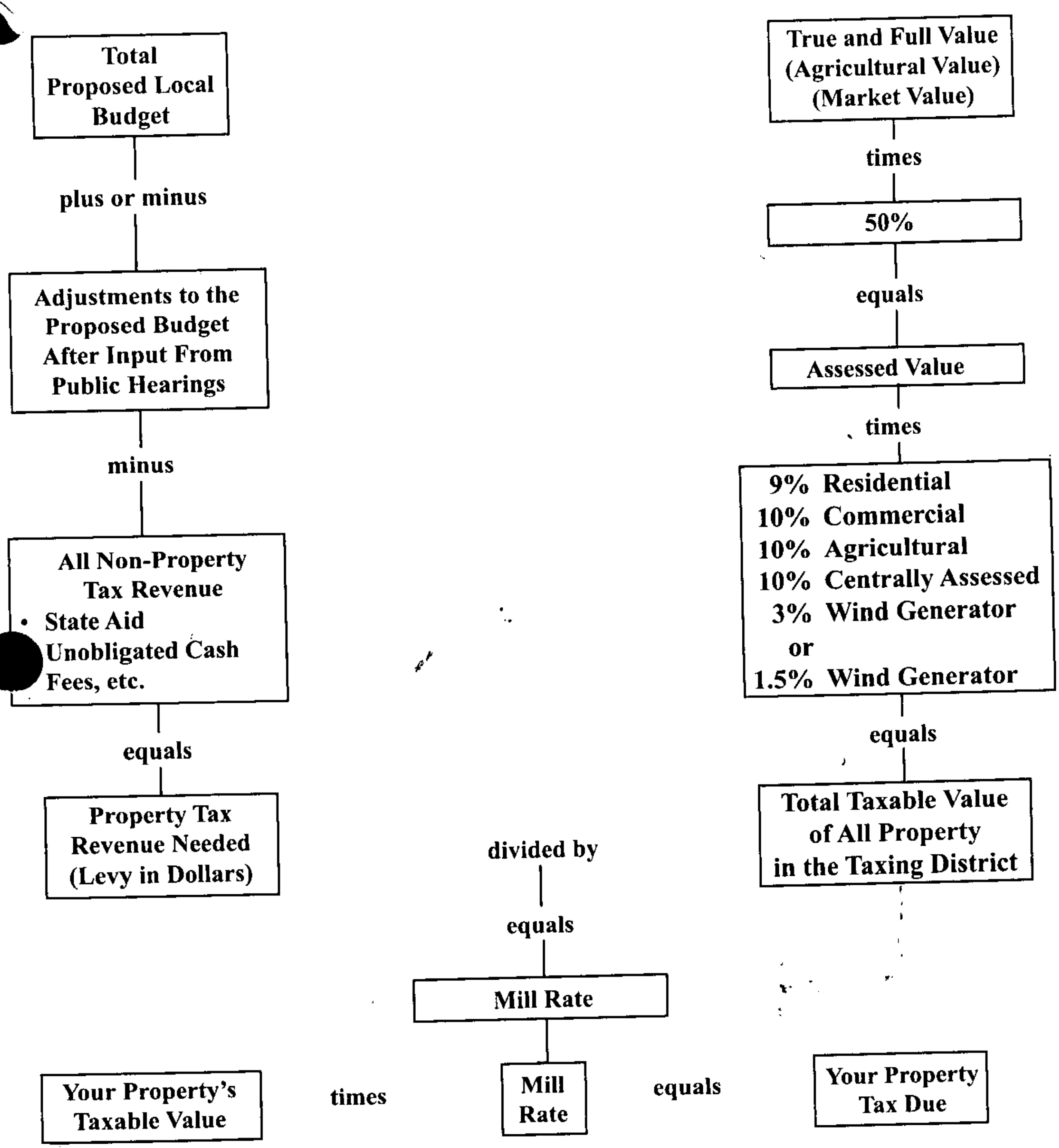
(1) Includes tax increments.

(2) Includes taxes on railroad property; electric, gas and heating property (except cooperative and coal conversion); and pipeline property.

(3) Includes taxes from mobile homes, rural electric cooperatives, banks and building and loan associations, woodlands, and game management areas.

SOURCE: North Dakota Office of State Tax Commissioner, Property Tax Division, "Property Tax Statistical Report." Transmission line taxes are collected by the State Tax Commissioner and are not included above.

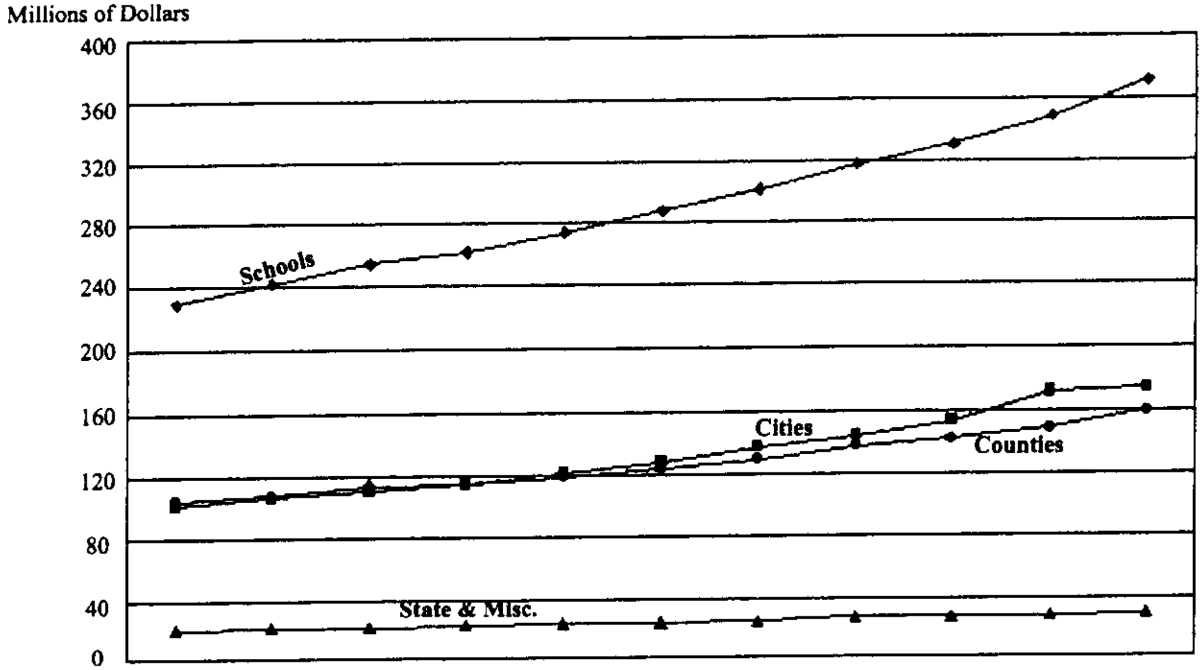
North Dakota Property Tax System



All property in North Dakota is subject to property tax unless it is specifically exempted. Except for a one-mill levy for the State Medical Center, property taxes are administered, levied, collected and expended at the local level for the support of schools, counties, cities, townships and other local units of government. The State does not levy a property tax for general government operations.

The property tax is an "ad valorem" tax, that is, it is based on the value of the property subject to tax. The other element of the property tax is the amount of revenue that needs to be raised.

General and Special Property Taxes by Taxing Districts
Payable in 1996 - 2006

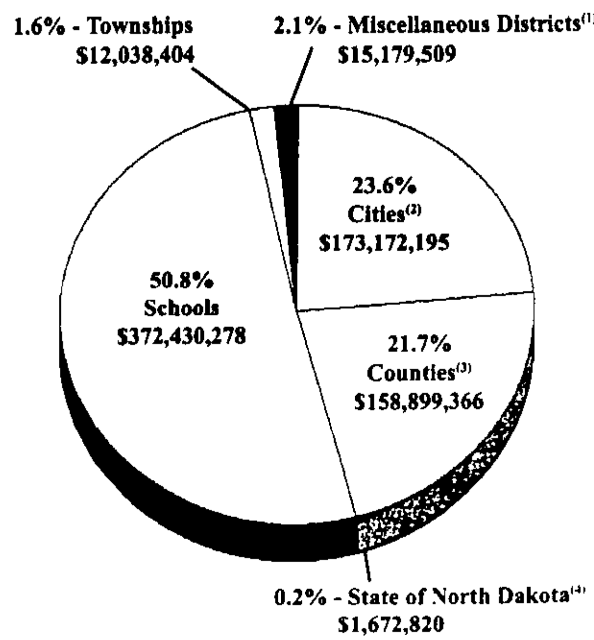


Year Payable	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Schools	230	242	255	262	274	288	301	317	331	349	372
Cities	101	106	110	114	121	128	137	144	153	171	172
Counties	104	108	113	115	119	123	129	137	142	149	159
State & Misc.	20	21	22	23	24	24	25	27	27	28	29

SOURCE: North Dakota Office of State Tax Commissioner, Property Tax Division, "Property Tax Statistical Report."

Percent of Property Taxes by Taxing District
Levied in 2005 - Payable in 2006

GRAND TOTAL - $733,392,572



(1) Garrison Diversion Conservancy District, rural fire protection districts, hospital district, soil conservation districts, rural ambulance districts, recreation service districts, Southwest Water Authority and all special assessments for rural districts.

(2) Including city park districts, special assessments, and tax increments.

(3) Including county park districts, county library, county airport, water management districts, vector control, unorganized townships and board of county parks.

(4) Constitutional one mill levy for medical center at the University of North Dakota.

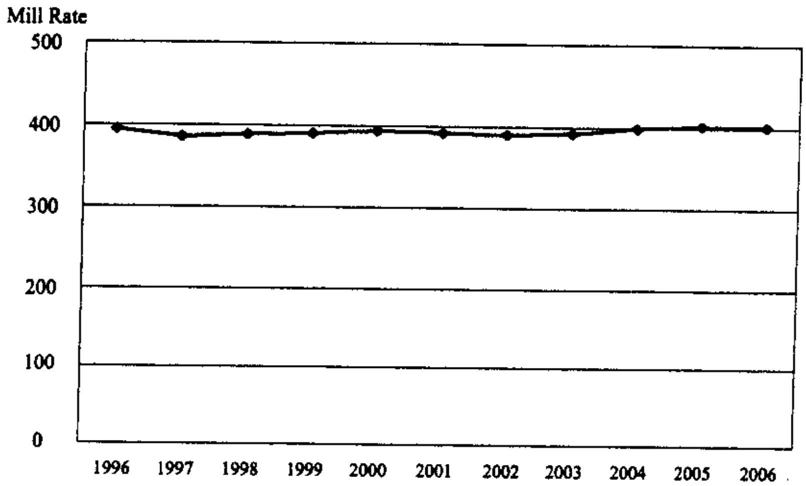
SOURCE: North Dakota Office of State Tax Commissioner, Property Tax Division, "Property Tax Statistical Report."

General Property Taxes by County - Payable in 2002-2006

County	2002 Total Ad Valorem Property Taxes	Percent Change	2003 Total Ad Valorem Property Taxes	Percent Change	2004 Total Ad Valorem Property Taxes	Percent Change	2005 Total Ad Valorem Property Taxes	Percent Change	2006 Total Ad Valorem Property Taxes	Percent Change
Adams	2,453,990	5.2	2,563,241	4.5	2,593,335	1.2	2,734,585	5.4	2,849,899	4.2
Barnes	10,400,945	5.4	10,889,865	4.7	11,804,754	8.4	12,136,002	2.8	13,006,449	7.2
Benson	3,860,334	2.9	3,958,608	2.5	3,998,165	1.0	4,037,188	1.0	4,207,168	4.2
Billings	608,510	1.5	619,371	1.8	672,161	8.5	695,602	3.5	708,361	1.8
Bottineau	6,569,116	7.0	6,651,789	1.3	6,998,204	5.2	7,314,910	4.5	7,733,987	5.7
Bowman	2,221,035	-3.4	2,354,669	6.0	2,055,826	-12.7	2,262,577	10.0	2,410,615	5.6
Burke	2,162,284	-4.5	2,225,234	2.9	2,437,398	9.5	2,469,023	1.3	2,543,429	3.0
Burleigh	60,121,827	5.2	63,347,116	5.4	66,114,984	4.4	70,397,362	6.5	75,189,184	6.8
Cass	117,148,172	7.3	125,720,940	7.3	134,352,710	6.9	146,680,991	9.2	160,111,503	9.2
Cavalier	5,810,054	0.2	5,968,462	2.7	6,134,509	2.8	6,267,022	2.2	6,295,726	4.6
Dickey	5,306,110	7.5	5,541,540	4.4	5,672,799	2.4	5,562,646	-1.9	6,035,845	8.5
Divide	2,696,072	1.0	2,675,771	-0.8	2,798,728	4.6	2,821,071	0.8	2,869,787	1.7
Dunn	3,575,264	5.32	3,782,078	5.8	3,887,738	2.8	4,059,219	4.4	4,163,603	2.6
Eddy	2,275,507	4.7	2,337,157	2.7	2,493,299	6.7	2,568,714	3.0	2,675,769	4.2
Emmons	3,734,118	0.6	3,779,594	1.2	3,964,980	4.9	4,060,378	2.4	4,278,121	5.4
Foster	3,820,256	8.2	3,947,577	3.3	3,936,415	-0.3	4,057,362	3.1	4,023,851	-0.8
Golden Valley	1,684,130	-3.0	1,733,145	2.9	1,666,695	-3.8	1,705,977	2.4	1,740,429	2.0
Grand Forks	54,152,356	4.4	56,806,768	4.9	59,810,282	5.3	63,722,135	6.5	67,910,543	6.2
Grant	2,688,003	3.9	2,721,576	1.2	2,684,087	-1.4	2,757,056	2.7	2,839,060	3.0
Griggs	3,152,252	4.1	3,399,455	7.8	3,349,623	-1.5	3,368,117	0.6	3,481,082	3.4
Hettinger	2,561,517	0.5	2,690,864	5.0	2,755,938	2.4	2,944,898	6.9	3,045,246	3.4
Kidder	2,557,716	-1.9	2,715,575	6.2	2,946,209	8.5	3,133,865	6.4	3,246,844	3.6
LaMoure	4,306,714	3.1	4,406,069	2.3	4,687,088	6.4	5,178,623	10.5	5,459,978	5.4
Logan	2,013,618	1.6	2,021,229	0.4	2,062,281	2.0	2,039,302	-1.1	2,087,612	2.4
McHenry	4,790,731	5.9	4,911,928	2.5	5,204,674	6.0	5,504,780	5.8	5,875,339	6.7
McIntosh	2,854,796	3.2	2,911,283	2.0	3,016,185	3.6	3,094,297	2.6	3,225,455	4.2
McKenzie	3,386,094	5.2	3,434,259	1.4	3,555,472	3.5	3,663,983	3.1	3,750,757	2.4
McLean	5,606,337	3.9	5,918,002	5.6	6,464,448	9.2	6,733,947	4.2	7,012,645	4.1
Mercer	5,791,283	8.2	5,882,102	1.6	6,088,203	3.5	6,179,492	1.5	6,556,798	6.1
Morton	20,618,197	2.2	21,162,122	2.6	22,778,415	7.6	24,265,120	6.5	27,069,645	11.6
Mountrail	4,977,119	0.8	5,156,009	3.6	5,133,848	-0.4	5,169,726	0.7	5,477,741	6.0
Nelson	4,120,380	2.7	4,178,608	1.4	4,235,371	1.4	4,264,052	0.7	4,364,556	2.4
Oliver	1,389,447	4.6	1,468,364	5.7	1,490,833	1.5	1,533,527	2.9	1,670,890	9.0
Pembina	9,533,512	4.4	9,909,310	3.9	9,824,330	-0.9	9,903,240	0.8	10,212,016	3.1
Pierce	4,514,481	8.0	4,579,146	1.4	4,758,652	3.9	4,824,718	1.4	4,902,987	1.6
Ramsey	9,080,513	1.0	9,359,497	3.1	9,637,229	3.0	10,338,870	7.3	10,893,268	5.4
Ransom	5,262,086	2.6	5,994,226	13.9	6,206,508	3.5	6,341,653	2.2	6,607,588	4.2
Renville	2,537,717	0.6	2,789,326	9.9	2,903,250	4.1	3,052,269	5.1	2,970,044	-2.7
Richland	17,268,938	5.3	18,322,931	6.1	18,802,477	2.6	19,368,866	3.0	19,969,815	3.1
Rolette	3,287,336	1.5	3,516,572	7.0	3,491,704	-0.7	3,577,888	2.5	3,728,001	4.2
Sargent	4,823,344	1.4	5,207,653	8.0	5,455,585	4.8	5,620,577	3.0	6,040,508	7.5
Sheridan	1,742,163	1.3	1,801,927	3.4	1,882,775	4.5	1,968,628	4.6	2,056,936	4.5
Sioux	712,418	-1.9	662,661	-7.0	734,520	10.8	765,886	4.3	678,900	-11.4
Slope	961,171	2.6	1,012,795	5.4	1,067,638	5.4	1,095,729	2.6	1,123,248	2.5
Stark	13,714,552	2.7	14,313,263	4.4	15,085,650	5.4	16,242,993	7.7	17,207,491	5.9
Steele	3,452,107	3.9	3,559,676	3.1	3,588,789	0.8	3,595,623	0.2	3,814,357	6.1
Stutsman	17,031,436	5.1	18,669,264	9.6	19,396,865	3.9	20,090,708	3.6	21,283,299	5.9
Towner	3,509,885	4.3	3,608,000	2.8	3,812,907	5.7	3,728,715	-2.2	3,719,070	-0.3
Traill	8,100,655	4.8	8,536,646	5.4	8,804,445	3.1	9,125,117	3.6	9,977,250	9.3
Walsh	11,631,393	3.8	12,091,520	4.0	12,189,558	0.8	12,099,288	-0.7	12,382,781	2.3
Ward	36,428,105	4.8	38,714,503	6.3	39,888,318	3.0	41,693,206	4.5	46,080,122	10.5
Wells	5,003,443	4.3	5,372,409	7.4	5,767,738	7.4	5,629,904	-2.4	5,762,976	2.4
Williams	14,620,140	0.8	14,850,214	1.6	15,267,423	2.8	15,618,268	2.3	16,460,801	5.4
Total	532,629,677	4.6	560,751,909	5.3	586,412,017	4.6	618,065,693	5.4	659,789,374	6.8

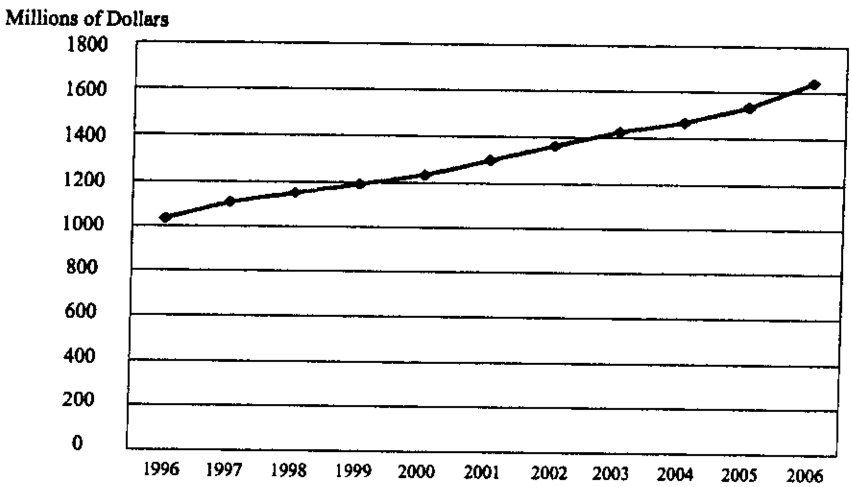
SOURCE: North Dakota Office of State Tax Commissioner. Property Tax Division, "Property Tax Statistical Report."

Statewide Average Mill Rates - For Taxes Payable in 1996-2006



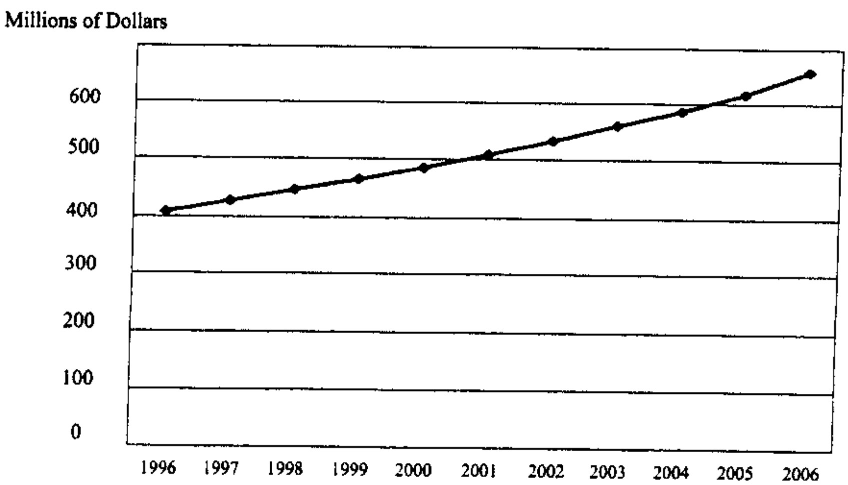
Year Payable	Average Mill Rate
1996	394.73
1997	386.04
1998	389.32
1999	390.74
2000	394.10
2001	392.07
2002	390.33
2003	392.78
2004	399.24
2005	402.70
2006	401.66

Statewide Property Taxable Valuations - For Taxes Payable in 1996-2006



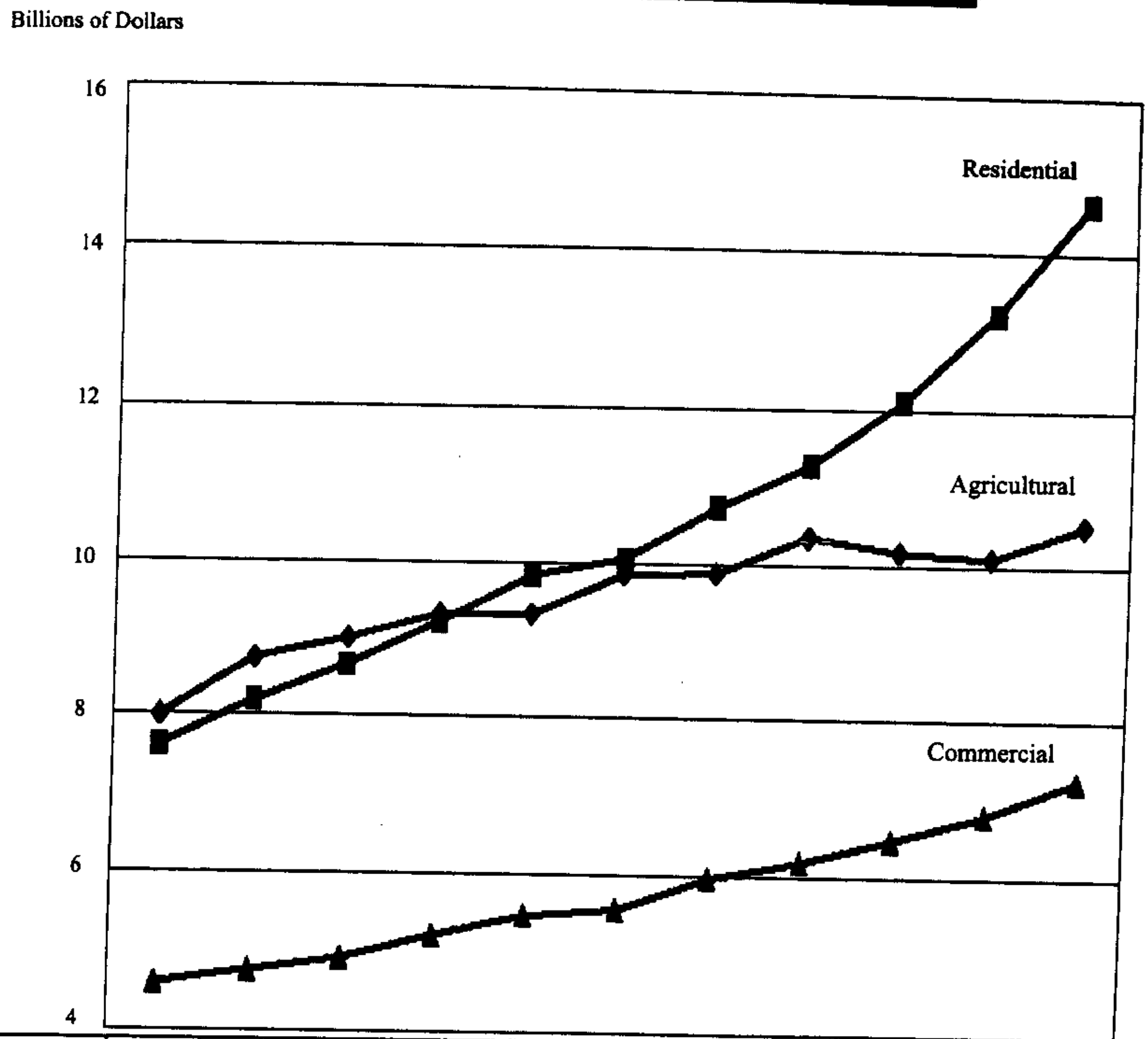
Year Payable	Taxable Value
1996	1,034,523,718
1997	1,107,855,644
1998	1,149,656,119
1999	1,190,563,319
2000	1,233,682,014
2001	1,298,333,166
2002	1,364,577,713
2003	1,427,642,584
2004	1,468,874,722
2005	1,534,816,263
2006	1,642,672,714

Ad Valorem Property Taxes Levied - For Taxes Payable in 1996-2006



Year Payable	Taxes
1996	408,353,215
1997	427,677,147
1998	447,582,274
1999	465,203,396
2000	486,194,264
2001	509,032,721
2002	532,629,675
2003	560,751,909
2004	586,412,017
2005	618,065,693
2006	659,789,374

True and Full Value by Classification
For Taxes Payable in 1996 - 2006



Year Payable	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Agricultural	7.983	8.729	8.998	9.324	9.329	9.860	9.890	10.364	10.178	10.103	10.523
Residential	7.610	8.175	8.645	9.223	9.840	10.069	10.728	11.273	12.099	13.221	14.631
Commercial	4.602	4,768	4.928	5.225	5.483	5.569	5.973	6.1850	6.470	6.784	7.235

Explanation of Terms and Trends

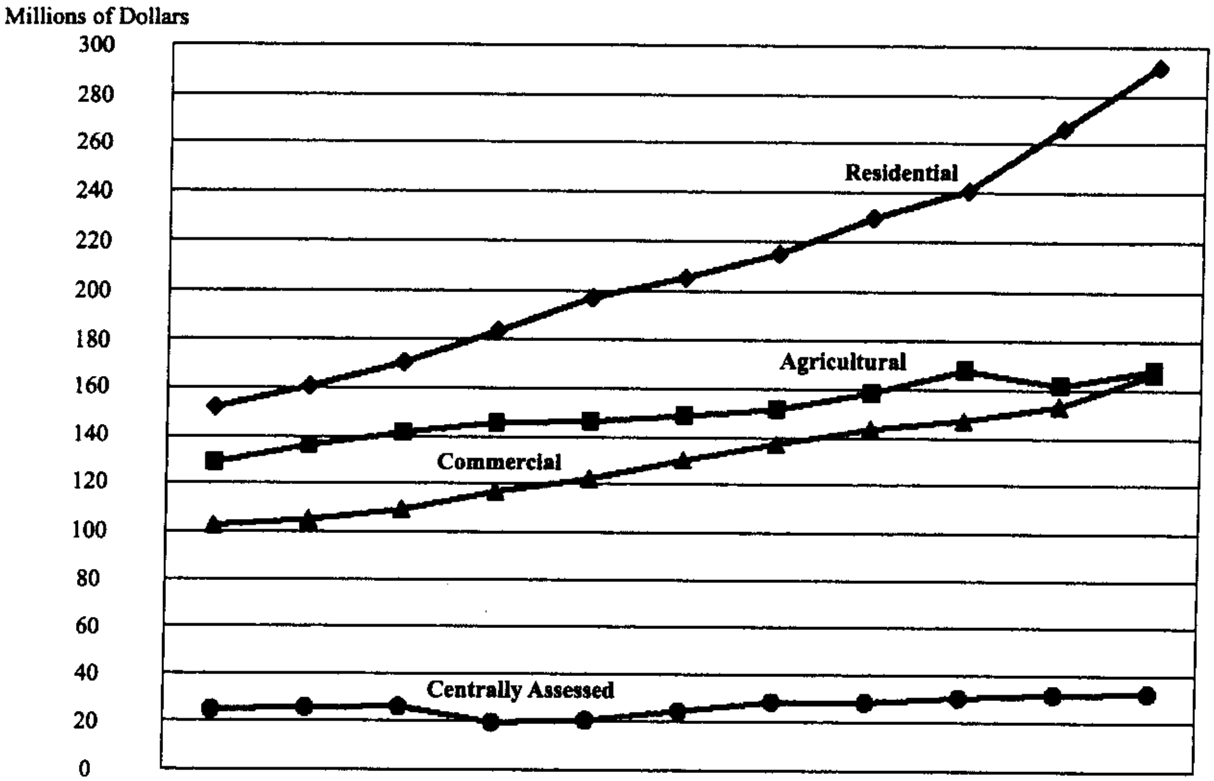
True and full value. For residential and commercial property "true and full value" is the local assessor's estimate of the market value of the property. For agricultural property, true and full value is based on agricultural production and is typically less than its market value or selling price.

Effective Rates. An annual sales ratio study measures how close "true and full values" are to actual selling prices for property. The results may be used to calculate an effective tax rate for each classification. The effective rate is the total tax divided by the total indicated selling price (see table on page 82).

Trends. During the first eight years of the past 11 years, mill rates were fluctuating and total taxable valuations were increasing (see preceding page). More recently, the statewide average mill rate is increasing while values are increasing. The table above shows how the total true and full value for each classification has been increasing at an accelerating pace. Agriculture values tend to go up when production and commodity prices are increasing. Other property values tend to go up when employment is high. Another factor is that total values of residential and commercial property include a rising number of properties. The number of acres classified as agricultural land is down slightly, but for taxes payable in 2006 the minimum statutory capitalization rate decreased, resulting in higher values for agricultural land.

Charts in this section show statewide data. Please note that values and taxes for individual properties will depend on local economic conditions and other factors. The table above includes values for taxes payable in 2006.

Ad Valorem Property Taxes by Classification
Payable in 1996- 2006



Year Payable	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Residential	152.2	160.9	170.7	183.1	196.9	205.3	215.1	229.6	240.4	266.5	292.0
Agricultural	128.7	136.2	141.7	145.9	146.6	149.0	151.9	158.9	168.1	162.0	168.5
Commercial	102.5	104.8	109.1	116.6	122.1	130.1	137.2	143.7	147.5	153.5	167.0
Central	24.9	25.8	26.1	19.6	20.6	24.6	28.5	28.5	30.4	31.9	32.3
Total	408.4	427.7	447.6	465.2	486.2	509.0	532.6	560.7	586.4	613.9	659.8

SOURCE: North Dakota Office of State Tax Commissioner, Property Tax Division, "Property Tax Statistical Report."

Ad Valorem Property Taxes Percent of Total by Classification
Payable in 2004, 2005 and 2006

	2004	2005	2006
Residential	41.0%	43.1%	44.3%
Agricultural	28.7%	26.2%	25.5%
Commercial	25.2%	25.5%	25.3%
Centrally Assessed	5.1%	5.2%	4.9%

Effective Rates by Classification
Payable in 2004, 2005 and 2006

Property Classification	Effective Rate		
	2004	2005	2006
Residential	1.83%	1.83%	1.81%
Agricultural	1.08%	0.92%	0.94%
Commercial	2.21%	2.18%	2.17%
Centrally Assessed	1.66%	1.64%	1.64%
Total	**1.57%**	**1.50%**	**1.51%**

STATE COMPARISONS

North Dakota's property taxes are relatively moderate compared to those in other states, whether measured per capita or per $1,000 of personal income. In recent years, property values have increased significantly resulting in a corresponding increase in property tax assessments. In response, many states have implemented various property tax relief initiatives in an effort to reduce the property tax burden. The tables compare the property taxes on equally valued homes in similar size North Dakota cities as well as from neighboring states. Neighboring states' property taxes on similarly valued residences appear less than North Dakota's because those states provide a homestead credit for all owner-occupied residential property. North Dakota's homestead credit is available only to elderly and disabled persons with limited income.

Rankings (as shown on the following page) based on collections offer insight into overall tax levels. However, further analysis is needed to see the details of how state tax systems differ. Property taxes may vary by property classification and different types of property may be taxed or excluded. Some states, such as Wyoming, use the property tax to tax mineral wealth while states like North Dakota levy separate severance taxes. In Alaska, because of its oil reserves fund, residents receive annual payments of about $1,000 per person.

Property Taxes on an Owner Occupied Home in North Dakota
Payable in 2006

$70,000 Home

City	Tax Amount*
Bowman	$1,010
Carrington	$1,269
Grafton	$1,534
Kenmare	$1,254
Lisbon	$1,487
Rugby	$1,395
Washburn	$944

$100,000 Home

City	Tax Amount*
Bismarck	$1,956
Devils Lake	$2,260
Dickinson	$2,001
Fargo	$2,055
Grand Forks	$2,103
Jamestown	$2,237
Mandan	$2,286
Minot	$1,918
Valley City	$2,100
Wahpeton	$2,146
West Fargo	$1,946
Williston	$2,200

* Calculations assume taxes are paid by February 15, allowing the taxpayer a 5% discount.

SOURCE: Survey by North Dakota Office of State Tax Commissioner, Property Tax Division, July 2006.

Property Taxes on a $100,000 Owner Occupied Home in Neighboring States
Payable in 2006

SOUTH DAKOTA(1)		MONTANA(2)		MINNESOTA(3)	
City	Tax Amount	City	Tax Amount	City	Tax Amount
Aberdeen	$ 1,732	Miles City	$ 1,883	Bemidji	$ 1,131
Rapid City	1,379	Great Falls	1,190	St. Cloud	758
Sioux Falls	1,438	Billings	1,332	Minneapolis	987

(1) Owner-occupied residences receive a 30% tax reduction.
(2) 32% homestead credit for all residential property
(3) After $282 homestead credit.

SOURCE: Survey by North Dakota Office of State Tax Commissioner, Property Tax Division

Per Capita State & Local Property Taxes 2004

Rank	State	Amount
1	New Jersey	$2,099
2	Connecticut	1,944
3	New Hampshire	1,940
4	District of Columbia	1,856
5	New York	1,677
6	Rhode Island	1,629
7	Maine	1,596
8	Massachusetts	1,532
9	Vermont	1,531
10	Illinois	1,407
11	Wyoming	1,352
12	Wisconsin	1,350
13	Alaska	1,306
14	Texas	1,254
15	Kansas	1,187
16	Michigan	1,186
17	Nebraska	1,148
18	Maryland	1,082
19	Iowa	1,080
20	Florida	1,064
21	Montana	1,034
22	Virginia	1,031
23	Washington	1,029
24	Colorado	1,026
25	Pennsylvania	1,010
26	Ohio	981
27	Indiana	975
28	Minnesota	965
29	Oregon	963
30	California	963
31	Nevada	920
32	**NORTH DAKOTA**	**919**
33	South Dakota	915
34	South Carolina	882
35	Georgia	880
36	Arizona	848
37	Idaho	777
38	Missouri	747
39	North Carolina	713
40	Utah	689
41	Mississippi	641
42	Tennessee	608
43	Hawaii	571
44	Delaware	546
45	West Virginia	540
46	Kentucky	516
47	Louisiana	502
48	Oklahoma	465
49	New Mexico	441
50	Arkansas	400
51	Alabama	367
	US	$1,084

SOURCE: US Census Bureau - State & Local Government Finances by Level of Government and by State 2003-2004, as of July 19, 2006, www.census.gov/govs/www/estimate04.html

Department of Commerce, Bureau of Economic Analysis, Annual State Personal Income, March 2006, www.bea.gov/bea/regional/spi/default.cfm?satable=summary

Per $1,000 of Personal Income State & Local Property Taxes 2004

Rank	State	Amount
1	Maine	$53.00
2	New Hampshire	53.00
3	New Jersey	50.00
4	Vermont	48.00
5	Rhode Island	48.00
6	New York	44.00
7	Connecticut	43.00
8	Wisconsin	42.00
9	Texas	41.00
10	Illinois	41.00
11	Wyoming	39.00
12	Alaska	38.00
13	Kansas	38.00
14	Montana	37.00
15	Michigan	37.00
16	Massachusetts	36.00
17	District of Columbia	36.00
18	Nebraska	36.00
19	Iowa	35.00
20	Florida	34.00
21	South Carolina	32.00
22	Indiana	32.00
23	Oregon	32.00
24	Ohio	31.00
25	**NORTH DAKOTA**	**31.00**
26	Pennsylvania	30.00
27	South Dakota	30.00
28	Arizona	30.00
29	Georgia	30.00
30	Washington	29.00
31	Idaho	29.00
32	Virginia	29.00
33	Colorado	28.00
34	California	27.00
35	Maryland	27.00
36	Nevada	27.00
37	Minnesota	27.00
38	Mississippi	26.00
39	Utah	26.00
40	Missouri	25.00
41	North Carolina	24.00
42	West Virginia	21.00
43	Tennessee	20.00
44	Kentucky	19.00
45	Louisiana	18.00
46	Hawaii	18.00
47	New Mexico	17.00
48	Oklahoma	17.00
49	Arkansas	16.00
50	Delaware	15.00
51	Alabama	13.00
	US	$33.00

SOURCE: US Census Bureau - State & Local Government Finances by level of Government & by State 2003-04, July 19, 2006, www.census.gov/govs/www/estimate04.html

Department of Commerce, Bureau of Economic Analysis, Annual State Personal Income, March 2006,www.bea.gov/bea/regional/spi/default.cfm?satable=summary

1-23-07
#4 HB 1449 A
Am

HB 1449
Finance and Taxation Committee
Chairman W. Belter

For the record my name is Mark Dosch District 32 – South Bismarck

Mr. Chairman and members of the Finance and Taxation Committee. I come before you in support of HB 1449.

The citizens of ND are demanding something be done about high property taxes. This bill represents a comprehensive approach to the problem of real estate taxes in our state.

The bill does 3 very important things:

First, it addresses the homestead tax credit. This section of the code has not been substantially changed for decades. This bill will expand the eligibility of the homestead tax credit for our senior citizens.

Secondly, it calls for tax rebates back to property owners.

Thirdly it places spending limits for cities and counties.

I realize you will hear much opposition to the spending limits of this bill, however any meaningful property tax relief bill must not only lower taxes, it must also limit spending. One without the other will lead to miserable failure.

I do not envy the work ahead for this committee, but I encourage you not to waver. We the legislators have been blamed for high property taxes even though we know it is not a legislative issue, rather a local issue. However failure on our local governments to control their spending has brought the issue to us, and the citizens of ND are asking us to fix it, and fix it we will.

Mr. Chairman and members of the committee I urge a do pass on HB 1449

Thank you.

#5 1-23-07
HB 1449 A

Thoreson, Blair

From: ROGER FINCH [finchro@msn.com]
Sent: Sunday, January 21, 2007 8:14 PM
To: Thoreson, Blair
Subject: High Fargo taxes

Represenitive Thoreson,

I am writing to express my concern about how high Fargo's property taxes are getting. When my wife and I moved into our house in 1972, I saved $50 a month in order to pay our property taxes. Soon, I had to increase saving to $100 a month. Our taxes for 2006 is $2,932.22. I now have to save $233.09 a month just to pay property taxes. Our home was built in 1958 and is valued at $128,000 today. Taxes amount to 2.2% of the value of our house.

I just turned 60 this year. Our fear is that, if taxes continue to increase at such a high rate, we will not be able to afford to stay in our home once we retire. Is there anything you can do to help us?

Sincerely,

Roger and Patricia Finch
2602 N. 3rd. Street
Fargo, ND 58102

#6 1-23-07
HB 1449-A

Senator Flakoll
Representative Clark
Representative Thoreson
Representative Kasper

I'm pleased that the North Dakota legislature will be addressing the high property tax situation in our state.

The media has reported on HB1051 and HB1449 which both have a lot of merit. It is without question that additional state aid to reduce property tax is necessary, but it appears to me that features that would restrain the local taxing entities; city, school, county from the "carte blanche" attitude that increases are the fault of increasing property values is also important.

We have become known as a high property tax state and I believe there are a number of problems associated with the matter, especially in Fargo. Following this correspondence is a letter that I have recently sent to local elected officials on the matter.

I urge you to insist that the legislature approve a meaningful and direct response to the problem of high property taxes in North Dakota.

Thank you.

John Postovit
3001 2nd Street North
Fargo
232-6401

December 26, 2006

Mayor Dennis Walaker

You are well aware that the December 24th Fargo Forum reported that the tax bill that really got your attention was your own and the article went on to state the increase amounts. However, that attention getter resulted from the increase in property value and I believe that to be a "the devil made me do it" reason. The real problem is our tax rate-the mill levy.

You may be interested in enclosed correspondence as it relates to property values and property taxes on Mercer Island, Washington. I also referred to our Minnesota lake property and following is a further comparison: The property tax bill on both of our properties went up in 2006: Fargo increased $159 with an increase of $8500 in true and full value. Minnesota increased $210 with an increase of $51300 in taxable market value.

If we didn't have such a high property tax rate, increases because of property value would be a non-issue and again I wonder when the City, the State and the School Districts are going to do something about it.

Thank you for your concern about the high property taxes in Fargo.

John Postovit
3001 2nd Street North
Fargo
232-6401

#7 HB 1449-A 1-23-07 Lynn Bergman

Definition of "Midwest CPI"
Consumer Price Index for All Urban Consumers (CPI-U)
Semiannual average indexes, all items
Midwest Urban Size B/C - 50,000 to 1,500,000

Midwest Region:
North Dakota
South Dakota
Nebraska
Kansas
Minnesota
Iowa
Missouri
Wisconsin
Illinois
Michigan
Indiana
Ohio

Period Jan-June	***Midwest CPI Average ****	***% change***	***% Change + 0.5%***
1st half 2006	122.8	3.37%	3.87%
1st half 2005	118.8	2.86%	3.36%
1st half 2004	115.5	2.21%	2.71%
1st half 2003	113	2.45%	2.95%
1st half 2002	110.3	0.00%	0.50%
1st half 2001	110.4	3.37%	3.87%
1st half 2000	106.8		
Average % change over 6 years		**2.37%**	**2.87%**

* December 1996 = 100

Suggest limiting to "Annual Change in Midwest CPI" or "Annual Change in Midwest CPI + 0.5%"

Table 30. Consumer Price Index for All Urban Consumers (CPI-U): Selected areas, semiannual averages, all items index

(1982-84=100, unless otherwise noted)

Area	All items						
	Semiannual average indexes				Percent change from preceding semiannual average		
	2nd half 2004	1st half 2005	2nd half 2005	1st half 2006	1st half 2005	2nd half 2005	1st half 2006
U.S. city average	190.2	193.2	197.4	200.6	1.6	2.2	1.6
Region and area size [1]							
Northeast urban	201.7	205.3	209.7	213.8	1.8	2.1	2.0
Size A - More than 1,500,000	203.8	207.7	212.0	216.0	1.9	2.1	1.9
Size B/C - 50,000 to 1,500,000 [2]	119.5	121.0	123.9	126.4	1.3	2.4	2.0
Midwest urban	183.9	186.4	190.5	192.4	1.4	2.2	1.0
Size A - More than 1,500,000	186.1	188.4	192.1	194.0	1.2	2.0	1.0
Size B/C - 50,000 to 1,500,000 [2]	117.0	118.8	121.5	122.8	1.5	2.3	1.1
Size D - Nonmetropolitan (less than 50,000)	177.0	180.5	185.2	187.1	2.0	2.6	1.0
South urban	183.1	186.1	190.5	193.8	1.6	2.4	1.7
Size A - More than 1,500,000	184.4	188.0	192.4	195.7	2.0	2.3	1.7
Size B/C - 50,000 to 1,500,000 [2]	117.1	118.6	121.4	123.5	1.3	2.4	1.7
Size D - Nonmetropolitan (less than 50,000)	181.4	185.1	190.3	193.7	2.0	2.8	1.8
West urban	194.0	197.1	200.7	204.5	1.6	1.8	1.9
Size A - More than 1,500,000	196.5	199.7	203.5	207.6	1.6	1.9	2.0
Size B/C - 50,000 to 1,500,000 [2]	118.7	120.6	122.4	124.5	1.6	1.5	1.7
Size classes							
A [3]	173.9	176.8	180.5	183.6	1.7	2.1	1.7
B/C [2]	117.7	119.3	122.0	123.9	1.4	2.3	1.6
D	182.1	185.4	189.9	192.5	1.8	2.4	1.4
Selected local areas							
Anchorage, AK	167.8	169.6	174.1	176.7	1.1	2.7	1.5
Atlanta, GA	183.9	187.1	190.8	192.6	1.7	2.0	.9
Boston-Brockton-Nashua, MA-NH-ME-CT	210.3	213.9	218.9	222.0	1.7	2.3	1.4
Chicago-Gary-Kenosha, IL-IN-WI	190.1	192.0	196.7	197.9	1.0	2.4	.6
Cincinnati-Hamilton, OH-KY-IN	177.7	179.1	184.2	187.7	.8	2.8	1.9
Cleveland-Akron, OH	183.0	185.8	190.0	191.4	1.5	2.3	.7
Dallas-Fort Worth, TX	179.6	182.0	187.4	189.7	1.3	3.0	1.2
Denver-Boulder-Greeley, CO	187.4	189.2	192.6	196.3	1.0	1.8	1.9
Detroit-Ann Arbor-Flint, MI	186.6	188.7	193.0	195.9	1.1	2.3	1.5
Honolulu, HI	191.9	195.0	200.6	206.4	1.6	2.9	2.9
Houston-Galveston-Brazoria, TX	170.2	174.3	177.0	180.3	2.4	1.5	1.9
Kansas City, MO-KS	181.8	183.3	187.3	188.6	.8	2.2	.7
Los Angeles-Riverside-Orange County, CA	194.9	199.2	204.5	209.3	2.2	2.7	2.3
Miami-Fort Lauderdale, FL	186.6	191.8	196.9	202.7	2.8	2.7	2.9
Milwaukee-Racine, WI	180.4	183.1	187.2	189.2	1.5	2.2	1.1
Minneapolis-St. Paul, MN-WI	189.2	192.4	193.9	195.1	1.7	.8	.6
New York-Northern N.J.-Long Island, NY-NJ-CT-PA	206.4	210.7	214.8	219.2	2.1	1.9	2.0
Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD	199.0	202.1	206.3	210.7	1.6	2.1	2.1
Phoenix-Mesa, AZ [4]	105.2	107.3	109.2	110.6	2.0	1.8	1.3
Pittsburgh, PA	184.7	187.8	191.7	194.8	1.7	2.1	1.6
Portland-Salem, OR-WA	192.5	194.5	197.5	199.8	1.0	1.5	1.2
St. Louis, MO-IL	181.6	185.0	187.4	188.8	1.9	1.3	.7
San Diego, CA	214.3	218.3	222.9	226.7	1.9	2.1	1.7
San Francisco-Oakland-San Jose, CA	199.5	201.5	203.9	207.9	1.0	1.2	2.0
Seattle-Tacoma-Bremerton, WA	195.4	199.2	201.3	205.8	1.9	1.1	2.2
Tampa-St. Petersburg-Clearwater, FL	163.1	166.4	170.6	173.9	2.0	2.5	1.9
Washington-Baltimore, DC-MD-VA-WV [5]	120.7	122.8	125.8	127.7	1.7	2.4	1.5

[1] Regions defined as the four Census regions. See map in technical notes.
[2] Indexes on a December 1996=100 base.
[3] Indexes on a December 1986=100 base.
[4] For Phoenix-Mesa, indexes are on a December 2001=100 base.
[5] Indexes on a November 1996=100 base.

Table 30. Consumer Price Index for All Urban Consumers (CPI-U): Selected areas, semiannual averages, all items index

982-84=100, unless otherwise noted)

Area	All items						
	Semiannual average indexes				Percent change from preceding semiannual average		
	2nd half 2003	1st half 2004	2nd half 2004	1st half 2005	1st half 2004	2nd half 2004	1st half 2005
U.S. city average	184.6	187.6	190.2	193.2	1.6	1.4	1.6
Region and area size [1]							
Northeast urban	194.7	198.6	201.7	205.3	2.0	1.6	1.8
Size A - More than 1,500,000	196.9	200.7	203.8	207.7	1.9	1.5	1.9
Size B/C - 50,000 to 1,500,000 [2]	114.9	117.5	119.5	121.0	2.3	1.7	1.3
Midwest urban	178.8	181.4	183.9	186.4	1.5	1.4	1.4
Size A - More than 1,500,000	181.3	183.6	186.1	188.4	1.3	1.4	1.2
Size B/C - 50,000 to 1,500,000 [2]	113.5	115.5	117.0	118.8	1.8	1.3	1.5
Size D - Nonmetropolitan (less than 50,000)	171.8	174.3	177.0	180.5	1.5	1.5	2.0
South urban	177.8	180.5	183.1	186.1	1.5	1.4	1.6
Size A - More than 1,500,000	179.6	182.1	184.4	188.0	1.4	1.3	2.0
Size B/C - 50,000 to 1,500,000 [2]	113.4	115.3	117.1	118.6	1.7	1.6	1.3
Size D - Nonmetropolitan (less than 50,000)	175.6	178.1	181.4	185.1	1.4	1.9	2.0
West urban	188.9	191.9	194.0	197.1	1.6	1.1	1.6
Size A - More than 1,500,000	191.4	194.3	196.5	199.7	1.5	1.1	1.6
Size B/C - 50,000 to 1,500,000 [2]	115.3	117.5	118.7	120.6	1.9	1.0	1.6
Size classes							
A [3]	169.0	171.6	173.9	176.8	1.5	1.3	1.7
B/C [2]	113.9	116.1	117.7	119.3	1.9	1.4	1.4
D	176.8	179.3	182.1	185.4	1.4	1.6	1.8
Selected local areas							
Anchorage, AK	163.9	165.6	167.8	169.6	1.0	1.3	1.1
Atlanta, GA	180.5	182.4	183.9	187.1	1.1	.8	1.7
Boston-Brockton-Nashua, MA-NH-ME-CT	205.9	208.6	210.3	213.9	1.3	.8	1.7
Chicago-Gary-Kenosha, IL-IN-WI	185.3	187.2	190.1	192.0	1.0	1.5	1.0
Cincinnati-Hamilton, OH-KY-IN	174.7	175.4	177.7	179.1	.4	1.3	.8
Cleveland-Akron, OH	177.6	180.2	183.0	185.8	1.5	1.6	1.5
Dallas-Fort Worth, TX	176.4	177.8	179.6	182.0	.8	1.0	1.3
Denver-Boulder-Greeley, CO	185.7	186.5	187.4	189.2	.4	.5	1.0
Detroit-Ann Arbor-Flint, MI	182.9	184.2	186.6	188.7	.7	1.3	1.1
Honolulu, HI	185.7	189.2	191.9	195.0	1.9	1.4	1.6
Houston-Galveston-Brazoria, TX	164.6	168.7	170.2	174.3	2.5	.9	2.4
Kansas City, MO-KS	177.4	179.6	181.8	183.3	1.2	1.2	.8
Los Angeles-Riverside-Orange County, CA	187.2	191.5	194.9	199.2	2.3	1.8	2.2
Miami-Fort Lauderdale, FL	181.2	184.5	186.6	191.8	1.8	1.1	2.8
Milwaukee-Racine, WI	177.4	180.0	180.4	183.1	1.5	.2	1.5
Minneapolis-St. Paul, MN-WI	183.6	186.6	189.2	192.4	1.6	1.4	1.7
New York-Northern N.J.-Long Island, NY-NJ-CT-PA	199.2	203.1	206.4	210.7	2.0	1.6	2.1
Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD	190.2	194.0	199.0	202.1	2.0	2.6	1.6
Phoenix-Mesa, AZ [4]	103.5	105.2	105.2	107.3	1.6	.0	2.0
Pittsburgh, PA	178.1	181.4	184.7	187.8	1.9	1.8	1.7
Portland-Salem, OR-WA	186.5	189.8	192.5	194.5	1.8	1.4	1.0
St. Louis, MO-IL	174.5	179.1	181.6	185.0	2.6	1.4	1.9
San Diego, CA	206.7	211.4	214.3	218.3	2.3	1.4	1.9
San Francisco-Oakland-San Jose, CA	196.1	198.2	199.5	201.5	1.1	.7	1.0
Seattle-Tacoma-Bremerton, WA	193.1	194.0	195.4	199.2	.5	.7	1.9
Tampa-St. Petersburg-Clearwater, FL	158.6	160.9	163.1	166.4	1.5	1.4	2.0
Washington-Baltimore, DC-MD-VA-WV [5]	116.9	118.3	120.7	122.8	1.2	2.0	1.7

1 Regions defined as the four Census regions. See map in technical notes.
2 Indexes on a December 1996=100 base.
3 Indexes on a December 1986=100 base.
4 For Pheonix-Mesa, indexes are on a December 2001=100 base.
5 Indexes on a November 1996=100 base.

Table 30. Consumer Price Index for All Urban Consumers (CPI-U): Selected areas, semiannual averages, all items index

(1982-84=100, unless otherwise noted)

Area	All items						
	Semiannual average indexes				Percent change from preceding semiannual average		
	2nd half 2002	1st half 2003	2nd half 2003	1st half 2004	1st half 2003	2nd half 2003	1st half 2004
U.S. city average	180.9	183.3	184.6	187.6	1.3	0.7	1.6
Region and area size [1]							
Northeast urban	189.5	192.2	194.7	198.6	1.4	1.3	2.0
Size A - More than 1,500,000	191.2	194.0	196.9	200.7	1.5	1.5	1.9
Size B/C - 50,000 to 1,500,000 [2]	112.5	114.1	114.9	117.5	1.4	.7	2.3
Midwest urban	175.9	177.8	178.8	181.4	1.1	.6	1.5
Size A - More than 1,500,000	178.2	179.8	181.3	183.6	.9	.8	1.3
Size B/C - 50,000 to 1,500,000 [2]	111.5	113.0	113.5	115.5	1.3	.4	1.8
Size D - Nonmetropolitan (less than 50,000)	169.9	172.0	171.8	174.3	1.2	-.1	1.5
South urban	174.3	176.7	177.8	180.5	1.4	.6	1.5
Size A - More than 1,500,000	175.7	178.4	179.6	182.1	1.5	.7	1.4
Size B/C - 50,000 to 1,500,000 [2]	111.4	112.8	113.4	115.3	1.3	.5	1.7
Size D - Nonmetropolitan (less than 50,000)	172.6	174.8	175.6	178.1	1.3	.5	1.4
West urban	185.5	188.2	188.9	191.9	1.5	.4	1.6
Size A - More than 1,500,000	188.1	191.0	191.4	194.3	1.5	.2	1.5
Size B/C - 50,000 to 1,500,000 [2]	113.0	114.6	115.3	117.5	1.4	.6	1.9
Size classes							
A [3]	165.4	167.7	169.0	171.6	1.4	.8	1.5
B/C [2]	111.8	113.3	113.9	116.1	1.3	.5	1.9
D	174.0	176.1	176.8	179.3	1.2	.4	1.4
Selected local areas							
Anchorage, AK	159.0	161.1	163.9	165.6	1.3	1.7	1.0
Atlanta, GA	178.9	181.1	180.5	182.4	1.2	-.3	1.1
Boston-Brockton-Nashua, MA-NH-ME-CT	198.7	201.9	205.9	208.6	1.6	2.0	1.3
Chicago-Gary-Kenosha, IL-IN-WI	182.2	183.8	185.3	187.2	.9	.8	1.0
Cincinnati-Hamilton, OH-KY-IN	171.3	172.0	174.7	175.4	.4	1.6	.4
Cleveland-Akron, OH	173.8	174.9	177.6	180.2	.6	1.5	1.5
Dallas-Fort Worth, TX	173.3	176.1	176.4	177.8	1.6	.2	.8
Denver-Boulder-Greeley, CO	185.1	187.8	185.7	186.5	1.5	-1.1	.4
Detroit-Ann Arbor-Flint, MI	180.3	182.2	182.9	184.2	1.1	.4	.7
Honolulu, HI	180.4	183.2	185.7	189.2	1.6	1.4	1.9
Houston-Galveston-Brazoria, TX	160.7	162.8	164.6	168.7	1.3	1.1	2.5
Kansas City, MO-KS	174.9	176.6	177.4	179.6	1.0	.5	1.2
Los Angeles-Riverside-Orange County, CA	183.3	186.7	187.2	191.5	1.9	.3	2.3
Miami-Fort Lauderdale, FL	176.4	180.0	181.2	184.5	2.0	.7	1.8
Milwaukee-Racine, WI	175.2	178.1	177.4	180.0	1.7	-.4	1.5
Minneapolis-St. Paul, MN-WI	180.0	181.7	183.6	186.6	.9	1.0	1.6
New York-Northern N.J.-Long Island, NY-NJ-CT-PA	193.1	196.4	199.2	203.1	1.7	1.4	2.0
Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD	186.5	187.5	190.2	194.0	.5	1.4	2.0
Phoenix-Mesa, AZ [4]	101.1	103.1	103.5	105.2	2.0	.4	1.6
Pittsburgh, PA	175.0	176.9	178.1	181.4	1.1	.7	1.9
Portland-Salem, OR-WA	184.0	186.0	186.5	189.8	1.1	.3	1.8
St. Louis, MO-IL	170.3	172.3	174.5	179.1	1.2	1.3	2.6
San Diego, CA	200.0	203.8	206.7	211.4	1.9	1.4	2.3
San Francisco-Oakland-San Jose, CA	193.7	196.8	196.1	198.2	1.6	-.4	1.1
Seattle-Tacoma-Bremerton, WA	190.3	191.6	193.1	194.0	.7	.8	.5
Tampa-St. Petersburg-Clearwater, FL	155.6	157.6	158.6	160.9	1.3	.6	1.5
Washington-Baltimore, DC-MD-VA-WV [5]	113.9	115.6	116.9	118.3	1.5	1.1	1.2

[1] Regions defined as the four Census regions. See map in technical notes.
[2] Indexes on a December 1996=100 base.
[3] Indexes on a December 1986=100 base.
[4] For Pheonix-Mesa, indexes are on a December 2001=100 base.
[5] Indexes on a November 1996=100 base.

Table 30. Consumer Price Index for All Urban Consumers (CPI-U): Selected areas, semiannual averages, all items index

(1982-84=100, unless otherwise noted)

Area	All items						
	Semiannual average indexes				Percent change from preceding semiannual average		
	2nd half 2001	1st half 2002	2nd half 2002	1st half 2003	1st half 2002	2nd half 2002	1st half 2003
U.S. city average	177.5	178.9	180.9	183.3	0.8	1.1	1.3
Region and area size [1]							
Northeast urban	184.9	186.9	189.5	192.2	1.1	1.4	1.4
Size A - More than 1,500,000	186.2	188.4	191.2	194.0	1.2	1.5	1.5
Size B/C - 50,000 to 1,500,000 [2]	110.6	111.3	112.5	114.1	.6	1.1	1.4
Midwest urban	172.9	173.8	175.9	177.8	.5	1.2	1.1
Size A - More than 1,500,000	174.6	176.2	178.2	179.8	.9	1.1	.9
Size B/C - 50,000 to 1,500,000 [2]	110.3	110.3	111.5	113.0	.0	1.1	1.3
Size D - Nonmetropolitan (less than 50,000)	166.7	167.5	169.9	172.0	.5	1.4	1.2
South urban	171.4	172.3	174.3	176.7	.5	1.2	1.4
Size A - More than 1,500,000	172.5	173.5	175.7	178.4	.6	1.3	1.5
Size B/C - 50,000 to 1,500,000 [2]	109.6	110.2	111.4	112.8	.5	1.1	1.3
Size D - Nonmetropolitan (less than 50,000)	169.4	170.0	172.6	174.8	.4	1.5	1.3
West urban	182.1	184.0	185.5	188.2	1.0	.8	1.5
Size A - More than 1,500,000	184.2	186.3	188.1	191.0	1.1	1.0	1.5
Size B/C - 50,000 to 1,500,000 [2]	111.7	112.6	113.0	114.6	.8	.4	1.4
Size classes							
A [3]	161.8	163.4	165.4	167.7	1.0	1.2	1.4
B/C [2]	110.3	110.8	111.8	113.3	.5	.9	1.3
D	171.1	171.8	174.0	176.1	.4	1.3	1.2
Selected local areas [4]							
Anchorage, AK	156.0	157.5	159.0	161.1	1.0	1.0	1.3
Atlanta, GA	176.4	177.6	178.9	181.1	.7	.7	1.2
Boston-Brockton-Nashua, MA-NH-ME-CT	192.6	194.4	198.7	201.9	.9	2.2	1.6
Chicago-Gary-Kenosha, IL-IN-WI	178.2	180.1	182.2	183.8	1.1	1.2	.9
Cincinnati-Hamilton, OH-KY-IN	168.6	168.7	171.3	172.0	.1	1.5	.4
Cleveland-Akron, OH	173.3	172.9	173.8	174.9	-.2	.5	.6
Dallas-Fort Worth, TX	171.8	172.1	173.3	176.1	.2	.7	1.6
Denver-Boulder-Greeley, CO	181.8	184.6	185.1	187.8	1.5	.3	1.5
Detroit-Ann Arbor-Flint, MI	174.6	177.6	180.3	182.2	1.7	1.5	1.1
Honolulu, HI	178.7	180.1	180.4	183.2	.8	.2	1.6
Houston-Galveston-Brazoria, TX	158.6	157.8	160.7	162.8	-.5	1.8	1.3
Kansas City, MO-KS	172.5	173.1	174.9	176.6	.3	1.0	1.0
Los Angeles-Riverside-Orange County, CA	178.2	181.1	183.3	186.7	1.6	1.2	1.9
Miami-Fort Lauderdale, FL	173.6	174.7	176.4	180.0	.6	1.0	2.0
Milwaukee-Racine, WI	171.7	172.9	175.2	178.1	.7	1.3	1.7
Minneapolis-St. Paul, MN-WI	177.7	179.3	180.0	181.7	.9	.4	.9
New York-Northern N.J.-Long Island, NY-NJ-CT-PA	187.8	190.7	193.1	196.4	1.5	1.3	1.7
Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD	182.1	183.3	186.5	187.5	.7	1.7	.5
Phoenix-Mesa, AZ [5]	-	101.3	101.1	103.1	-	-.2	2.0
Pittsburgh, PA	172.5	172.9	175.0	176.9	.2	1.2	1.1
Portland-Salem, OR-WA	183.6	183.5	184.0	186.0	-.1	.3	1.1
St. Louis, MO-IL	167.1	167.8	170.3	172.3	.4	1.5	1.2
San Diego, CA	192.4	195.7	200.0	203.8	1.7	2.2	1.9
San Francisco-Oakland-San Jose, CA	191.1	192.3	193.7	196.8	.6	.7	1.6
Seattle-Tacoma-Bremerton, WA	186.9	188.3	190.3	191.6	.7	1.1	.7
Tampa-St. Petersburg-Clearwater, FL	149.6	152.2	155.6	157.6	1.7	2.2	1.3
Washington-Baltimore, DC-MD-VA-WV [6]	111.1	112.1	113.9	115.6	.9	1.6	1.5

[1] Regions defined as the four Census regions. See map in technical notes.
[2] Indexes on a December 1996=100 base.
[3] Indexes on a December 1986=100 base.
[4] In addition, the following metropolitan areas are published semiannually and appear in Tables 34 and 39 of the January and July issues of the CPI Detailed Report: Anchorage, AK; Cincinnati-Hamilton, OH-KY-IN; Denver-Boulder-Greeley, CO; Honolulu, HI; Kansas City, MO-KS; Milwaukee-Racine, WI; Minneapolis-St. Paul, MN-WI; Phoenix-Mesa, AZ; Pittsburgh, PA; Portland-Salem, OR-WA; St. Louis, MO-IL; San Diego, CA; Tampa-St. Petersburg-Clearwater, FL.
[5] For Pheonix-Mesa, indexes are on a December 2001=100 base.
[6] Indexes on a November 1996=100 base.
\- Data not available.

Table 30. Consumer Price Index for All Urban Consumers (CPI-U): Selected areas, semiannual averages, all items index

(1982-84=100, unless otherwise noted)

Area	All items						
	Semiannual average indexes				Percent change from preceding semiannual average		
	2nd half 2000	1st half 2001	2nd half 2001	1st half 2002	1st half 2001	2nd half 2001	1st half 2002
U.S. city average	173.6	176.6	177.5	178.9	1.7	0.5	0.8
Region and area size [1]							
Northeast urban	180.7	183.8	184.9	186.9	1.7	.6	1.1
Size A - More than 1,500,000	181.6	184.7	186.2	188.4	1.7	.8	1.2
Size B/C 50,000 to 1,500,000 [2]	108.5	110.4	110.6	111.3	1.8	.2	.6
Midwest urban	169.6	172.8	172.9	173.8	1.9	.1	.5
Size A - More than 1,500,000	171.1	174.3	174.6	176.2	1.9	.2	.9
Size B/C - 50,000 to 1,500,000 [2]	108.3	110.4	110.3	110.3	1.9	-.1	.0
Size D - Nonmetropolitan (less than 50,000)	164.2	166.9	166.7	167.5	1.6	-.1	.5
South urban	168.3	170.9	171.4	172.3	1.5	.3	.5
Size A - More than 1,500,000	168.3	171.1	172.5	173.5	1.7	.8	.6
Size B/C - 50,000 to 1,500,000 [2]	108.0	109.6	109.6	110.2	1.5	.0	.5
Size D - Nonmetropolitan (less than 50,000)	167.6	170.0	169.4	170.0	1.4	-.4	.4
West urban	176.5	180.2	182.1	184.0	2.1	1.1	1.0
Size A - More than 1,500,000	178.3	182.3	184.2	186.3	2.2	1.0	1.1
Size B/C - 50,000 to 1,500,000 [2]	108.7	110.6	111.7	112.6	1.7	1.0	.8
Size classes							
A [3]	157.7	160.7	161.8	163.4	1.9	.7	1.0
B/C [2]	108.3	110.1	110.3	110.8	1.7	.2	.5
D	168.3	170.9	171.1	171.8	1.5	.1	.4
Selected local areas							
Anchorage, AK	151.9	154.4	156.0	157.5	1.6	1.0	1.0
Atlanta, GA	171.9	176.1	176.4	177.6	2.4	.2	.7
Boston-Brockton-Nashua, MA-NH-ME-CT	185.4	190.5	192.6	194.4	2.8	1.1	.9
Chicago-Gary-Kenosha, IL-IN-WI	175.1	178.5	178.2	180.1	1.9	-.2	1.1
Cincinnati-Hamilton, OH-KY-IN	166.6	167.2	168.6	168.7	.4	.8	.1
Cleveland-Akron, OH	169.6	172.6	173.3	172.9	1.8	.4	-.2
Dallas-Fort Worth, TX	166.7	168.9	171.8	172.1	1.3	1.7	.2
Denver-Boulder-Greeley, CO	175.1	180.7	181.8	184.6	3.2	.6	1.5
Detroit-Ann Arbor-Flint, MI	171.2	174.1	174.6	177.6	1.7	.3	1.7
Honolulu, HI	176.7	178.1	178.7	180.1	.8	.3	.8
Houston-Galveston-Brazoria, TX	155.7	158.9	158.6	157.8	2.1	-.2	-.5
Kansas City, MO-KS	168.2	171.9	172.5	173.1	2.2	.3	.3
Los Angeles-Riverside-Orange County, CA	173.0	176.5	178.2	181.1	2.0	1.0	1.6
Miami-Fort Lauderdale, FL	169.0	172.4	173.6	174.7	2.0	.7	.6
Milwaukee-Racine, WI	169.6	171.8	171.7	172.9	1.3	-.1	.7
Minneapolis-St. Paul, MN-WI	172.0	175.3	177.7	179.3	1.9	1.4	.9
New York-Northern New Jersey-Long Island, NY-NJ-CT-PA	184.0	186.5	187.8	190.7	1.4	.7	1.5
Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD	177.6	180.5	182.1	183.3	1.6	.9	.7
Phoenix-Mesa, AZ [4]	-	-	-	101.3	-	-	-
Pittsburgh, PA	169.0	172.4	172.5	172.9	2.0	.1	.2
Portland-Salem, OR-WA	179.5	181.2	183.6	183.5	.9	1.3	-.1
St. Louis, MO-IL	164.0	167.5	167.1	167.8	2.1	-.2	.4
San Diego, CA	185.8	190.1	192.4	195.7	2.3	1.2	1.7
San Francisco-Oakland-San Jose, CA	182.6	188.7	191.1	192.3	3.3	1.3	.6
Seattle-Tacoma-Bremerton, WA	181.1	184.4	186.9	188.3	1.8	1.4	.7
Tampa-St. Petersburg-Clearwater, FL	146.2	148.0	149.6	152.2	1.2	1.1	1.7
Washington-Baltimore, DC-MD-VA-WV [5]	108.6	109.7	111.1	112.1	1.0	1.3	.9

1 Regions defined as the four Census regions. See map in technical notes.
2 Indexes on a December 1996=100 base.
3 Indexes on a December 1986=100 base.
4 For Pheonix-Mesa, indexes are on a December 2001=100 base.
5 Indexes on a November 1996=100 base.
- Data not available.

Table 30. Consumer Price Index for All Urban Consumers (CPI-U): Selected areas, semiannual averages, all items index

(1982-84=100, unless otherwise noted)

Area	All items						
	Semiannual average indexes				Percent change from preceding semiannual average		
	2nd half 1999	1st half 2000	2nd half 2000	1st half 2001	1st half 2000	2nd half 2000	1st half 2001
U.S. city average	167.8	170.8	173.6	176.6	1.8	1.6	1.7
Region and area size [1]							
Northeast urban	174.8	178.0	180.7	183.8	1.8	1.5	1.7
Size A - More than 1,500,000	175.8	178.8	181.6	184.7	1.7	1.6	1.7
Size B/C 50,000 to 1,500,000 [2]	104.9	107.1	108.5	110.4	2.1	1.3	1.8
Midwest urban	164.0	167.0	169.6	172.8	1.8	1.6	1.9
Size A - More than 1,500,000	165.3	168.5	171.1	174.3	1.9	1.5	1.9
Size B/C - 50,000 to 1,500,000 [2]	104.9	106.8	108.3	110.4	1.8	1.4	1.9
Size D - Nonmetropolitan (less than 50,000)	158.4	161.1	164.2	166.9	1.7	1.9	1.6
South urban	163.1	166.1	168.3	170.9	1.8	1.3	1.5
Size A - More than 1,500,000	162.5	165.5	168.3	171.1	1.8	1.7	1.7
Size B/C - 50,000 to 1,500,000 [2]	104.8	106.7	108.0	109.6	1.8	1.2	1.5
Size D - Nonmetropolitan (less than 50,000)	163.7	166.3	167.6	170.0	1.6	.8	1.4
West urban	170.0	173.1	176.5	180.2	1.8	2.0	2.1
Size A - More than 1,500,000	171.1	174.5	178.3	182.3	2.0	2.2	2.2
Size B/C - 50,000 to 1,500,000 [2]	105.3	106.9	108.7	110.6	1.5	1.7	1.7
Size classes							
A [3]	152.1	154.9	157.7	160.7	1.8	1.8	1.9
B/C [2]	104.9	106.8	108.3	110.1	1.8	1.4	1.7
D	163.5	166.2	168.3	170.9	1.7	1.3	1.5
Selected local areas							
Anchorage, AK	148.3	150.0	151.9	154.4	1.1	1.3	1.6
Atlanta, GA	166.3	169.2	171.9	176.1	1.7	1.6	2.4
Boston-Brockton-Nashua, MA-NH-ME-CT	177.5	181.8	185.4	190.5	2.4	2.0	2.8
Chicago-Gary-Kenosha, IL-IN-WI	169.4	172.6	175.1	178.5	1.9	1.4	1.9
Cincinnati-Hamilton, OH-KY-IN	160.8	163.0	166.6	167.2	1.4	2.2	.4
Cleveland-Akron, OH	163.7	166.3	169.6	172.6	1.6	2.0	1.8
Dallas-Fort Worth, TX	159.6	162.7	166.7	168.9	1.9	2.5	1.3
Denver-Boulder-Greeley, CO	168.2	171.4	175.1	180.7	1.9	2.2	3.2
Detroit-Ann Arbor-Flint, MI	165.1	168.4	171.2	174.1	2.0	1.7	1.7
Honolulu, HI	173.8	175.9	176.7	178.1	1.2	.5	.8
Houston-Galveston-Brazoria, TX	150.0	152.7	155.7	158.9	1.8	2.0	2.1
Kansas City, MO-KS	161.8	165.0	168.2	171.9	2.0	1.9	2.2
Los Angeles-Riverside-Orange County, CA	166.8	170.1	173.0	176.5	2.0	1.7	2.0
Miami-Fort Lauderdale, FL	163.4	166.7	169.0	172.4	2.0	1.4	2.0
Milwaukee-Racine, WI	164.6	167.6	169.6	171.8	1.8	1.2	1.3
Minneapolis-St. Paul, MN-WI	165.1	168.2	172.0	175.3	1.9	2.3	1.9
New York-Northern New Jersey-Long Island, NY-NJ-CT-PA	178.2	181.0	184.0	186.5	1.6	1.7	1.4
Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD	173.4	175.4	177.6	180.5	1.2	1.3	1.6
Pittsburgh, PA	163.6	166.9	169.0	172.4	2.0	1.3	2.0
Portland-Salem, OR-WA	174.4	176.4	179.5	181.2	1.1	1.8	.9
St. Louis, MO-IL	158.8	162.1	164.0	167.5	2.1	1.2	2.1
San Diego, CA	173.9	179.8	185.8	190.1	3.4	3.3	2.3
San Francisco-Oakland-San Jose, CA	174.2	177.7	182.6	188.7	2.0	2.8	3.3
Seattle-Tacoma-Bremerton, WA	174.0	177.3	181.1	184.4	1.9	2.1	1.8
Tampa-St. Petersburg-Clearwater, FL	141.8	145.1	146.2	148.0	2.3	.8	1.2
Washington-Baltimore, DC-MD-VA-WV [4]	105.1	106.6	108.6	109.7	1.4	1.9	1.0

[1] Regions defined as the four Census regions. See map in technical notes.
[2] Indexes on a December 1996=100 base.
[3] Indexes on a December 1986=100 base.
[4] Indexes on a November 1996=100 base.

#8 HB 1444A 1-23-07

North Dakota Farm Bureau

Bringing ag home

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House Finance and Tax Committee

January 23, 2007

Testimony on HB 1449 by North Dakota Farm Bureau

presented by Sandy Clark, public policy team

Good morning, Chairman Belter and members of the Finance and Tax Committee. My name is Sandy Clark and I represent the members of North Dakota Farm Bureau.

Our policy is very clear that members of North Dakota Farm Bureau are staunch advocates of property tax relief. We believe property taxes are too high for all classifications of property, including residential, commercial and agricultural.

Property tax relief was a theme of the elections last fall for both political parties. We hope this Legislative Assembly can see fit to follow through on those campaign promises.

Therefore, we support the concept of HB 1449, which is to provide property tax relief. However, we are not prepared today to support this bill in its entirety as the vehicle to accomplish that. As you are aware, there are a number of other bills that deal with property tax relief. Until all these options are on the table and we have had opportunity to evaluate each of them, we are not prepared to support any one bill in its entirety.

As we've testified before on other property tax relief bills, we believe certain components must be a part of any property tax relief proposal.

1) We believe any property tax relief must be directed toward residential, commercial and agricultural property.
2) A hard cap on dollars raised by property tax must be part of any proposal.

There are a couple provisions in this bill that we particularly like which we have not seen in other property tax relief proposals. If you would join me on page 11, line 27, item 4 allows a local taxing district to increase its levying authority with a 60% vote of the people. If the local taxpayers vote themselves an increase, it only impacts them and that's their business.

(over)

The other provision we like that we have not seen elsewhere is on page 13, line 12. This says that property with delinquent taxes would not be eligible for property tax relief. Delinquent taxes can be a problem for political subdivisions.

Ag land taxes are generally not delinquent, because the banker will see to it that the taxes get paid. They need to protect their investment in the property. I suspect the same is true of residential property that is mortgaged.

But often taxes become delinquent on property in cities and towns where the building is old and it costs more to tear it down than the property is worth. The owner lets the property taxes lapse and the county or city ends up owning the property and the problem. We don't think that property owner should receive property tax relief besides.

The other case that happens on rare occasions and I repeat this is the rare not the normal, a developer in the residential or commercial market in a larger city will not pay the taxes on undeveloped land. The developer will "use" the money for the five-year period and then pay the taxes just before the five-year time frame expires. This provision would be an incentive for a developer to pay the taxes in a timely manner.

There are a couple provisions in this bill that we might question. HB 1449 contains a provision for a four- percent growth rate. We would hope you would consider something less than that.

On page 12, beginning on line 27, this section says property tax relief would only be available to property owners who reside in North Dakota. We don't have a problem with that, but we might question if it is Constitutional.

Again, NDFB appreciates the opportunity today to speak out in support of property tax relief and looks forward to the continued process of working through the bills that will allow the 60th Legislative Assembly to end the Session with some meaningful property tax relief.

Thank you for your time and I will try to answer any questions you may have.

#9 HB1449-A
1-23-07 AM

City of Fargo – HB 1449 Testimony / January 23, 2007

Chairman Belter and members of the House Finance and Taxation Committee, my name is Linda Coates and I am a City Commissioner in Fargo. I am also on the Executive Board and Legislative Committee of the North Dakota League of Cities, so I am here on behalf of all of us to express our views on this bill. There are several bills introduced which attempt to limit local jurisdictions' ability to manage their own financial affairs, and this bill is one of the most troublesome.

As elected officials, whether state, county or local, we all share the same job – to **provide government services** to our citizens in the most responsible and efficient manner possible, and to **tax the citizens as fairly as possible** to pay for those services. We are all partners in the effort to make life in North Dakota – particularly in its cities and towns, where 90% of North Dakotans live – as appealing as possible to stop the flow of outmigration from our state. But this bill threatens city governments' ability to do our job and to do it fairly. We find it very disturbing that all Home Rule powers relating to property tax valuations, exemptions, and other tax credits and administrative powers are being stripped from our management toolbox in this bill. (40-05.1-05)

When the Legislature granted Home Rule charter powers to political subdivisions, one of the most significant powers was the ability to **control our proprietary functions and operations**. This means that we as local elected officials are responsible to evaluate the unique needs of our own communities and provide services that our residents consider essential. This local control is vital, because community needs vary dramatically from one community to another across the state, based upon growth rates and many other variables.

I understand the desire of state legislators to respond to the cry of citizens who demand relief from rising property taxes. We hear those same cries – sometimes even from legislators themselves speaking to the City Commission as unhappy homeowners! However, please bear two things in mind. First of all, the City of Fargo's tax levy represents only 12% of the entire property tax payer's bill, while the school district consumes about 65% of the taxpayer's contribution. Secondly, as was stated in a recent Fargo Forum editorial regarding school funding, "Lawmakers…have to address the state/local funding imbalance that has developed over the last 15 years, whereby the state's share has shrunk by about 30% while local districts' share has jumped about 190%. The result has been a significant shift to local property taxes." As governmental partners, **we must work together to share the job of taxing in the fairest possible way.**

On the spending side, do the sponsors of this bill believe that Cities have failed in our management of governmental operations? **We respectfully but firmly disagree.** Across the state you will find, from the largest city to the smallest town, elected **local officials doing their frugal best** to control spending and operate as efficiently as possible in an effort to hold our sliver of property taxes in check and still provide necessary public services. In a time of rapidly rising fuel and health insurance costs alone, this gets more difficult every year.

In Fargo's case we have a long and established track record of fiscal responsibility and a mission to efficiently meet the needs of our citizens. But with our continuing growth comes the need for additional resources to serve our growing community, and we feel that the various limitations contained in this bill would not only seriously hinder that growth but would also, in essence, throw a wrench into one of the largest economic engines in the State.

We are opposed to the section of this bill that seeks to cap property tax dollars. Property taxes currently make up about 22% of the City's general fund budget and is the largest revenue source that we have. Revenue constrained by this bill would have to be made up in other fees and charges ultimately paid by our citizens OR essential services would have to be cut back or eliminated.

The largest share of our budget is for city employees who do the work of providing those essential services such as Police and Fire protection, Public Health and Transportation, and Public Works projects. Some people have the notion that Fargo's City departments are flush with staff. Quite the contrary. Fargo's Police Force, our largest cost center, is staffed at 1.4 officers per 1,000 of population. Average staffing levels for other Cities our size is 1.8 officers per 1,000. This means that overall Fargo would have to add another 37 officers to achieve just this average level of staffing at a cost of approximately $2,000,000. Other cost drivers include double-digit health insurance increases, additional employees to cover a growing City and, most recently, large increases in energy and heavy equipment costs. When the cost of a fire pumper truck rises from $500,000 to $850,000, Cities have no choice but to pay the market prices for the equipment they need. We cannot simply wait or defer these large expenditures because we have a growing community to protect. When street lane miles expand each year, we have to employ more staff to maintain our streets and purchase more equipment to get the job done.

This bill also seeks to change how property is assessed. Article X Section 5 of the Constitution states that *all taxes shall be uniform upon the same class of property*. Under the 2% cap provision of this bill, identical houses side by side built 5 years apart, for example, could end up have widely varying assessed value due to inflation, higher costs of building materials, demand, etc, clearly resulting in taxes that are NOT uniform.

Valuation caps of any kind have the unintended consequence of shifting the tax burden to the very people you are trying to help. For example, with assessment caps, newer homes assessed over time end up being taxed at a lower percentage of value than older homes (especially those owned by people on fixed incomes) because older homes do not increase in value at the same rate as newer homes. This is NOT the way to achieve fairness in taxation for our citizens – we should work toward making taxation more fair and equitable, not less fair and equitable.

Finally, there is no mention in this bill of State Aid Funding to make up for cities' loss of revenue. If this bill is to be seriously considered, it would seem reasonable to also consider an increase in State Aid to offset the bill's negative impact on cities. This would be fair and equitable because the State Aid program is funded by sales taxes. Cities both large and small are contributing to the growth in State sales tax collections and should share in the wealth that they help create.

In closing, the Fargo City Commissioners and the members of the North Dakota League of Cities encourage State Legislators to **focus their efforts on providing adequate and sustainable state aid to school districts** which will do the most to help lower local property taxes. We also urge State Legislators to preserve the elements of Home Rule, which provides for the most responsible and accountable local decision-making for our citizens.

Thank you for your thoughtful consideration and for the opportunity to speak on this bill.

#10 HB. 1449 A
1-23-07

TESTIMONY REQUESTING AMENDMENTS TO HB 1449

Chairman Belter and members of the House Finance and Taxation Committee, for the record, my name is Greg Sund. I am the Dickinson City Administrator. I am testifying requesting amendments to HB 1449.

I am concerned this ability seeks to limit authority of home rule governments. One of the benefits to local governments under home rule is the ability to make local taxing decisions locally. State law has specific requirements to insure the public has ample opportunity to be aware and participate in the process of budget appropriation and property tax levies. In addition, home rule cities have shown they are responsible in using the authority they have. For instance, the city of Dickinson could levy about 185 mills each year under present authority. Contrary to this, the 2006 mill levy of the city of Dickinson is under 97 mills for the General Fund and less than 110 when library and airport authority mill levies are considered. Based on the performance of home rule cities like Dickinson, it is clear there is no need to enact controls on taxing authority. A major concern is the state of North Dakota actually works against the efforts of local boards to control their levies. For instance, in 2005 the Dickinson City Commission approved a mill levy for the library, that included an increase in taxes, but growth in the tax base led to a drop in mills levied. The result of this situation was the state of North Dakota withholding all State Aid for Libraries for Dickinson in 2006. **I ask the committee to consider an amendment deleting the proposed additions on lines 1, 2, 15, 16, 17, & 18 on page 2 of HB 1449.**

I am concerned about the proposed language to be added on lines 27 - 31, page 2 of HB 1449. Although it is unlikely an improvement for which a special assessment was charged would directly increase a property's assessed value, it is possible such improvements could increase the value of a property simply because it could make the property more desirable. For instance, two properties with the exact same development would likely be valued differently if one property was on a dirt or gravel road with no city water or sewer and the other had a paved street with curb and gutter and city water and sewer. For this reason, I believe the proposed addition on these lines is misdirected. **I ask the committee to consider an amendment that deletes the proposed addition on lines 27 - 31, page 2 of HB 1449.**

I am concerned with language in SECTION 4 on pages 3 and 4 of HB 1449 refer to a "person" when considering an exemption from property taxes on a property. I ask if the use of "person" means it would be possible for one person, who is not the property owner, but a resident of a property, who meets to guidelines qualify the property for a tax exemption, regardless the owner's or household income. Because this is confusing and could be abused, **I ask the committee to consider an amendment to replace "person" on page 3, lines 4, 7, 10, first instance on 13, 15, 17, 20, 21, 24, 27, 28, 31, and page 4 lines 3, 4, 7, and 10 be replaced with "property owner". Similarly, I ask the sentence "An exemption under this subsection applies regardless of whether the person is head of a family" on page 3, lines 8 & 9 be deleted.**

It appears the proposed addition to the definition of "homestead" on lines 13 – 16 of page 6 of HB 1449 creates an artificial cap on property value, which would have the affect of benefiting the rich to the detriment of other taxpayers in the tax base. **I encourage the committee to consider deleting the proposed amendment to this definition.**

The proposed caps on increase in value on pages 7 – 9 of HB 1449 would have the affect of benefiting properties increasing in value more than 2% a year over properties of lesser desirability which may not be increasing at even 2% a year. In effect, these limitations shift the responsibility for taxes from higher value homes usually owned by people of means to lower value properties usually owned by lower income individuals. Such changes would result in an unfair distribution of tax levies among properties in the tax base. In addition, the proposed additions would encourage property owners to serve as their own contractors when building on their property, because it would give them a considerable benefit over property owners who hire a contractor. Because of the inequities the proposed bill would create, **I ask the committee to consider an amendment striking referencing caps on valuation on pages 7 – 9 on HB 1449.**

The language in Section 9 of HB 1449, found on pages 10 and 11 seem to punish the local governments that seek to be efficient by lowering their mill levy by creating sliding caps. Proposed language in #3 on lines 24 – 26 on page 11 encourages local governments to be inefficient with mill levies by making sure they do not drop their mill levy in order to preserve ability to cover future need. In a sense, this language would encourage local governments to be less efficient with property tax dollars. Because of the many problems that would be created by the language in Section 9, **I ask the committee to delete all of Section 9.**

Finally, the proposed addition on lines 17 – 20 on page 12 of HB 1449 create an unfunded mandate for counties that are already challenged to operate efficiently because of scare resources. For this reason, **I ask the committee to delete lines 17 – 20 on page 12 of HB 1449.**

I encourage the committee to consider all of these amendments to HB 1449.

HB 1449-A

1-23-07-am

#11

Testimony to the House Finance & Taxation Committee,
Chairman Wesley R. Belter

Prepared January 19, 2007 by
Kevin Ternes, City Assessor
City of Minot
ternes@web.ci.minot.nd.us

House Bill 1449
Mr. Chairman, my name is Kevin Ternes and I am the City Assessor in Minot.

I believe that several portions of HB #1449 will cause inequity among property taxpayers and will not result in a fair and equitable tax levy for all property.

Section 3 would require supporting evidence of market value for those improvements that would be financed by special assessments. Clearly, the assessor already needs market evidence to assess property and improvements to that property. For new lots in newly created subdivisions, comparable lots and their sale prices can indicate the proper assessment. However, this bill proposes that the assessor cannot assess the lots at market value until actual sales of property in the specific subdivision have taken place. This proposed bill would mandate a new subdivision be taxed at a raw land value while comparable lots financed by the developer and not special assessments that could be in an adjacent subdivision would be taxed probably 10 times higher because that is the market value. All property is currently assessed at its estimated market value. This would give new subdivisions that were improved with special assessments an assessment discount in the first year up to 90% of the probable market value over the developer financing his own improvements. That would not be a fair and equitable assessment. And to simply extend the discount to all improvements whether special assessed or not would mean that in the first year, all improved lots that might have a market value of around $35,000 in Minot will be assessed at something closer to 10% of that value. With all other taxpayers paying on assessments closer to market value, you can see the disparity that would be caused.

Section 4 relates to Homestead Credit. This bill proposes to expand the Homestead Credit by removing the current asset test of $50,000 and increasing the income limitations to $37,500 from the existing

$14,500. I believe this would require the City of Minot to expend significantly more resources to administer this program for the state.

In looking at 2000 census figures and the percentage of seniors that make up the city and an income limit of less then $37,500, I believe it is quite possible that we could have at least 5 to 6 times the applications we currently have now in Minot. An increase of about 175 applications to probably closer to 1,000 applications would require the City of Minot to hire part time help for several months as the applications would have to be processed prior to boards of equalization deadlines.

In addition, non-qualifying taxpayers will be asked to subsidize the homestead credit with other state taxes for those individuals getting the homestead credit who may own income property, lake cabins, and have other assets because this bill would remove the current asset test of $50,000 which never included the applicant's home that has been in effect for quite some time. If the legislature feels the $50,000 asset test is too low, maybe it could be raised rather than removed.

Finally, this section allows someone to qualify for a discount on their property tax up to the value of a $300,000 home as compared to a $67,500 home currently. Currently, even if an applicant would qualify for a 100% discount, anything over the value of $67,500 would be taxed. Maybe the $67,500 could be raised to reflect the average home value around the state rather than allowing a discount on a $300,000 home. Under this proposed bill, a qualifying applicant in a $300,000 home could receive almost a $1,200 discount in our city on their property tax while someone living in a $100,000 home that doesn't qualify would pay almost $1,900 in property tax.

I believe that HB 1269, which addresses Homestead Credit and updates the income limitations and maintains the asset test would be fair and equitable to all taxpayers. That proposed bill would not allow for a discount on a home that is over 3 times the average priced home in Minot as this bill as proposed would do. Maybe a compromise between the two bills regarding Homestead Credit could be suggested.

Section 5 requires that real property subject to taxation must be listed and assessed every year with reference to its value on February 1st. That is the current standard in the current law. However the rest of the section in this bill limits the assessor to fulfill this obligation and restricts the taxable valuation of real property from changing more than 2% unless certain conditions are met. The effect of this section will be to move the assessment process from the long held standard of market value which mostly all states subscribe to, to something else. Currently, taxpayers can compare their assessment to the current market and realtors and appraisers can assist them in determining if their assessment is reasonable. However, if the market changes upward, and assessments reflect something else less than that because of a 2% cap, what standard will taxpayers and assessors use to determine if assessments are fair or reasonable?

Some states that have moved from a current market based system, have spent several years phasing the market based assessment back into place. Minnesota for instance, is going back to a market based assessment system and has been phasing in current market value assessments over the last few years. South Dakota and Montana currently consider market value as the basis for their assessment process. If certain styles and ages of home, or certain locations change in market value faster than other homes and locations of the city, and it is more than 2%, those properties will enjoy a tax advantage over properties of less market value. For example, they will be paying a property tax on less than the market value of their home as compared to others where the market value has not changed as much. We have portions of Minot that can and do appreciate at a greater rate than other parts of the city. A 2% cap on increased valuation will give those areas that appreciate in market value faster a tax advantage over other parts our city.

Section 5 -2a does not define improvements. Are improvements to mean building components that were not assessed the prior year like basement finish, home additions and extra garages? Real estate appraisers and realtors often consider improvements to mean new siding, windows, kitchens and bathrooms and general remodeling. If improvements like exterior and interior remodeling are not included, a home could change as much as 30% to 50% in market value after such remodeling and yet the assessment could only change 2%? This bill does not define the term "improvements" for the assessment process.

Section 5 -2a(1) indicates that a builder or contractor can provide "credible" evidence of the owner's cost and then the taxable valuation must reflect that cost. Therefore, if two different builders build similar homes next to each other, and these two homes have about the same market value, they could be taxed differently as based on the cost provided by the builder/contractor. Some contractors obviously get different discounts on materials purchased, or may have different labor costs, or operate on a larger or smaller scale. Therefore, because of these differences, two taxpayers living in two newly constructed comparable homes will be paying a different property tax.

The term "credible" on line 24, Page 7 would need to be defined I believe for assessors to administer this section. Does the term "credible" simply include a signed note from the builder/contractor indicating the final cost? Would it be a comprehensive list of components and the cost of materials and labor? Would the assessor be expected to verify this submission by the contractor to ensure a fair and equitable assessment? It would seem that the incentive to submit lower cost evidence that doesn't include the entire cost of components would be high as this number would be the basis of property taxation with no method available for the assessor to verify. To allow a contractor/builder to simply provide a number to the assessor does not provide for an objective assessment and allow for taxation equity among comparable properties. And would the owner of the new home who does his own construction and therefore has little labor costs be taxed at 30% to 40% less than the owner of a comparable home who purchased his from a contractor? The result of Section 5 in this bill would be brand new comparable homes along the same street all assessed at a different price with no regard to actual market value.

Section 8 requires the assessor to send a notice of increased assessment to the real estate owner when the amount of the assessment changes by more than 2% over the last assessment. Current statute requires a notice be sent if the assessment increases 15% or more. This section also changes the deadline for sending this notice from 10 days prior to the local equalization board meeting to 30 days prior to the meeting. This bill asks the assessor to continue to value property as to its current value as of February 1st subject to the assessment caps, with the local board of equalization meeting on the 2nd Tuesday of

April. City assessment offices press hard to fulfill the current deadline of 10 days prior to the board. The 30 day deadline shortens the amount of time the assessor has to complete the assessment roll to approximately 5 weeks instead of the current 8 week schedule now. I believe this would place local assessors in a severe time constraint and will put pressure on their resources to comply with a 30 day deadline for notices of increased assessment. We would lose about 3 weeks of time to fulfill the requirements that are placed on us by law.

I believe the current assessment process works very efficient and is easily understood by the public because current property assessment relates to market value. In 2005, Minot had 2 abatement requests, and last year only 1 abatement request.

I ask you to consider the concerns I have about this proposed bill as it relates to fairness and equity of assessment for all taxpayers and invite any questions you might have.

1449 A
1-23-07
AM
#12

City of Grand Forks

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TESTIMONY ON HOUSE BILL 1449
House Finance and Taxation Committee
Michael R. Brown, Mayor
City of Grand Forks, ND
January 23, 2007

Mr. Chairman and members of the committee, my name is Michael Brown and I am the Mayor of Grand Forks. I want to thank you for the opportunity to testify on House Bill 1449.

On behalf of the citizens of Grand Forks, let me first express appreciation for the focus of legislation such as this to achieve property tax relief. I believe property tax relief is the one of our citizens' top concerns. I also believe that this relief should be sustainable and I would encourage you to continue to explore and discuss options in the form of increased K-12 education funding.

Unfortunately, House Bill 1449, while well intentioned, employs mechanisms that have more negative effects than positive ones. First, it attempts to limit a local government's fundamental ability to provide the necessary and expected services to its citizens. The caps placed on the budgeting process have no relation to the level of services desired by citizens, the natural increase of personnel costs, nor to the steady increase in the cost of resources such as gas and building materials.

Second, this bill would remove the value of public infrastructure only to the extent of the special assessment amount. Therefore it would create a property tax exemption for only property owners who choose to utilize the municipal financing mechanism. Secondly, special assessments are utilized more in new developing areas than in older areas, therefore there would be a shift of tax burden to older more established neighborhoods.

Third, this bill attempts to arbitrarily restrict valuation increases determined by the assessor. Any artificial limit to the structured and thorough assessing process causes inequity in the valuation process. In addition, the suggested 2% limit is lower than inflation in most years.

On a final note, we do support the amendments to the Homestead Credit that make it more accessible and more beneficial to our citizens. However, we support this only to the effect that the amount of credit increased is an obligation of the state, and not local entities. The suggested limit of State reimbursement of $15M annually may not be enough to offset these credits.

It is for these reasons that, in its current form, I would ask for a DO NOT PASS recommendation of House Bill 1449.

Thank you for your consideration.

1449 A

#13

1-23-07

AM

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CITY OF **Williston** NORTH DAKOTA

January 22, 2007

House Finance and Taxation Committee
State Capitol
Bismarck, North Dakota

RE: HB 1449

Dear Committee Members:

The City of Williston opposes Section 5 of HB 1449, which would result in unequal property tax for otherwise equal properties. Because of increased building costs, equivalent homes built in different years would be taxed disparately because of the maximum two percent per year increase on the older home. Existing law allows for a fair and equal valuation of property.

The City of Williston also opposes Section 9 of HB1449, which limits increases in property taxes in dollars levied by a taxing district. This severely impacts Cities, which rely upon property tax dollars to fund police, fire, code enforcement, street maintenance and repair, and numerous other public services. If property tax is limited, there will be cut-backs in services and layoffs.

City Commissioners are accountable to the voters, and the voters have the authority to remove them from office. The legislature does not need to tie the hands of the local governing body in its efforts to provide the public services demanded by its constituents.

We urge a "Do Not Pass" recommendation for HB 1449.

Sincerely,

E Ward Koeser

E. Ward Koeser
President of the Board of Commissioners

1-23-07 AM
HB 1449-A
#15

Testimony To The
THE HOUSE FINANCE & TAXATION COMMITTEE
Prepared January 23, 2007 by
Mark Johnson, CAE – Executive Director
North Dakota Association of Counties

REGARDING HOUSE BILL 1449

Thank you Chairman Belter and committee members for the opportunity to address HB1449 on behalf of county government. County commissioners from across the State agree with the goal they believe the sponsors are seeking in this bill – that of immediate and sustainable property tax relief. They also very much wish to be part of the effort to achieve that goal.

Two specific points regarding the bill have been raised by county officials and need to be pointed out.

Home rule counties are concerned that the bill will remove the actions of their county voters to consolidate and limit property taxes, by requiring a return to the "*provisions of state law relating to property tax*." They believe that this would violate their voters' intentions.

All counties are concerned with the inequity that limits on property assessments will, over time, build into the property tax system. While, budget limits affect spending, assessment limits only affect who pays what portion of the budget. The way county officials understand this portion of the bill; older, lower-value, property must assume a greater and greater proportion of the entire property tax burden over the long-term – leaving newer, high-value, property with proportionately less.

Commissioners however, believe that parts of this bill address the symptoms, not the causes of property tax increases – the mechanism of property tax, not the problem itself.

As this committee is well aware, county government is a creation of the State's constitution with certain constitutional responsibilities and the broad direction to deliver "*any other governmental services or functions as may be provided by law.*" (Article VII, Section 8).

While certainly counties can and do provide some services that are requested by their citizens, or required by citizen vote; the majority of the cost of county government is directly related to those "other governmental services" that the Legislature has required by law.

If I may, I would like to direct the committee's attention to just a sampling of some new requirements proposed in this current session.

SB2012 is the DHS budget, and I have attached just one page from the fiscal analysis. In the children and family services portion only, the county share is proposed to increase by 19% (20% last biennium). And that is just what counties must pay back to the State – it doesn't include those direct cost increases mandated by the State. It also doesn't address elderly services, or their huge responsibility for delivering economic assistance services.

SB2051 is a bill increasing retiree benefits under PERS – undoubtedly a much needed adjustment. As Section 2 of the bill indicates, county costs will increase by 16%.

HB1107 – the state mileage reimbursement is proposed to increase by 14%. The state rate is the county minimum.

SB2246, similarly, proposes per diem reimbursements from 10% to 20% - also the county minimum.

SB2015 is both a direct and indirect mandate on county government. State law requires that county social service employees be included in the State merit system of salary administration. As State salary brackets increase, fully one-fourth of county employees are affected. It is difficult for counties to address salaries of only 25% of their employees – triggering increases throughout the courthouse

On the revenue side, counties must respond to similar adjustments.

HB1049, if passed, will reduce both the State Aid Distribution Fund, and the State Highway Distribution Fund substantially.

HB1129 is a State initiative to restructure the death certificate process. This bill repeals the counties' ability to provide certified copies of these documents, reducing their revenue stream for this particular function by 50%.

HB1210 will undoubtedly reduce county revenues by providing an additional tax credit to financial institutions, but even the Tax Department is unsure of what that impact will be.

Finally, HB1012, the NDDOT budget is just included to reference the Legislative decision to redirect much of the highway funding increases of the last two biennia strictly to state highways. As county road budgets remain stagnant, counties are facing fifteen to twenty percent inflation in road maintenance costs. The result has been a decrease in the buying power of county road funding by more than 25%.

In conclusion, counties wish to work with the Legislature to provide meaningful, sustainable, property tax relief through cost reduction and reasonable budget controls.

78036.0100

Sixtieth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2012

Introduced by

Appropriations Committee

(At the request of the Governor)

A BILL for an Act to provide an appropriation for defraying the expenses of the department of human services; to provide for transfers; to create and enact a new section to chapt… and chapter 23-39 of the North Dakota Century Code, relating to programs f… special health care needs; to amend and reenact sections 25-17-02 …, 5… 50-06-01.4 of the North Dakota Century Code, relating to n… medical food for individuals with metabolic disorde… human services; and to repeal chapter 50-… to crippled children.

BE IT ENACTED B…

CHILDREN AND FAMILY SERVICES
Summary by Major Division and BOC with Funding Sources
For the 2007 - 2009 Biennium Budget

…ode
…AND POLICY

	Prior Biennium Expenditures	Current Biennium Budget	Total Budget Changes	Request to OMB	Optional Adjustment Requests	Executive Budget Recomm	Salary and Health	Request to the Senate
…UIVALENTS (FTEs)	17.000	18.000	0.000	18.000	0.000	0.000	0.000	18.000
Report Budget Total:	100,283,863	113,047,022	2,940,861	115,987,883	0	2,991,118	161,410	119,140,411
General Funds:	14,887,054	17,211,750	988,189	18,199,939	0	1,032,090	90,245	19,322,274
Federal Funds:	72,321,143	79,663,543	989,389	80,652,937	0	1,921,528	71,165	82,645,630
Other Funds:	4,988,245	6,315,682	(525,662)	5,790,020	0	0	0	5,790,020
SWAP Funds:	217,416	164,373	(45,190)	119,183	0	0	0	119,183
County Funds:	7,870,005	9,478,262	1,747,542	11,225,804	0	37,500	0	11,263,304
IGT Funds:	0	213,407	(213,407)	0	0	0	0	C…
Report Funding Total:	100,283,863	113,047,022	2,940,861	115,987,883	0	2,991,118	161,410	119,140,4…

20%

19%

70080.0200

Sixtieth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2051

Introduced by

Government and Veterans Affairs Committee

(At the request of the Public Employees Retirement System Board)

16%

A BILL for an Act to amend and reenact sections 39-03.1-10, 39-0 24-52-17.5 and subsection 2 of section 54-52.6-09 of the N to employer contributions and increases to certain r public employees retirement system; and to r

BE IT ENACTED BY THE LEGIS

SECTION 1.

amended and

Sixtieth
Legislative Assembly

SECTION 3. AMENDMENT. Section 54-52-06 of the North Dakota Century Code is amended and reenacted as follows:

Employer's contribution to retirement plan. Each governmental unit shall ...al to four and ~~twelve hundredths~~ seventy-six hundredths percent of ... participating member. For those members who elect to ...-52-17.14, the employing governmental unit, or in the case ...ployment the most recent employing governmental ... If the employee's contribution is paid by ...05, the employer unit shall ... contribution. Each ... election made ...ds

A

FISCAL NOTE

Requested by Legislative Council
12/27/2006

Bill/Resolution No.: SB 2051

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures					$1,880,000	$2,740,000
Appropriations					$1,880,000	$2,740,000

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
						$1,215,000	$228,000	$1,055,000

Sixtieth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1107

Introduced by

Government and Veterans Affairs Committee

(At the request of the Legislative Compensation Commission)

A BILL for an Act to amend and reenact subsections 1 and 5 of section 54-06-09 of the North Dakota Century Code, relating to mileage and travel expense reimbursement for state officials and employees.

14%

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsections 1 and 5 of section 54-06-09 of the North Dakota Century Code are amended and reenacted as follows:

1. State officials, whether elective or appointive, and their deputies, assistants, and clerks, or other state employees, entitled by law to be reimbursed for mileage or travel expense, must be allowed and paid for mileage and travel expense the following amounts:

    a. The sum of ~~thirty-seven~~ forty-two and one-half cents per mile [1.61 kilometers] for each mile [1.61 kilometers] actually and necessarily traveled in the performance of official duty when the travel is by motor vehicle, the use of which is required by the employing entity. The sum of seventy cents per mile [1.61 kilometers] for each mile [1.61 kilometers] actually and necessarily traveled in the performance of official duty when the travel is by private airplane. Mileage by private aircraft must be computed by actual air mileage when only one state employee or official is traveling; if two or more state employees or officials are traveling by private aircraft, the actual mileage must be based on the road mileage between the geographical points. Reimbursement for private airplane travel must be calculated as follows:

        (1) If reimbursement is for one properly authorized and reimbursable passenger, reimbursement must be paid on a per mile basis as provided in this subsection.

Sixtieth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2246

Introduced by

Senators Krebsbach, Heitkamp, Wardner

Representatives Boehning, Glassheim, D. Johnson

A BILL for an Act to amend and reenact subsection 2 of section 44-08-04 of the North Dakota Century Code, relating to reimbursement of lodging expenses and allowances for meals for state and political subdivision officers and employees.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 2 of section 44-08-04 of the North Dakota Century Code is amended and reenacted as follows:

2. Expenses for travel within the state must be reimbursed at the following rates for each quarter of any twenty-four-hour period:
   a. First quarter is from six a.m. to twelve noon and the sum must be ~~five~~ six dollars. First quarter reimbursement may not be made if travel began after seven a.m. -20%
   b. Second quarter is from twelve noon to six p.m. and the sum must be ~~seven~~ eight dollars and fifty cents. -14%
   c. Third quarter is from six p.m. to twelve midnight and the sum must be ~~twelve~~ fourteen dollars and fifty cents. -17%
   d. Fourth quarter is from twelve midnight to six a.m. and the sum must be the actual lodging expenses not to exceed ~~fifty~~ fifty-five dollars plus any additional applicable state or local taxes. A political subdivision may reimburse an elective or appointive officer, employee, representative, or agent for actual lodging expenses. -10%

73039.0100

Sixtieth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2015

Introduced by

Appropriations Committee

(At the request of the Governor)

A BILL for an Act to provide ~
under the supen'
vario'

Serving the region since 1

34/14
Details, 6B

SATURDAY,
JANUARY 20, 2007

The Bismarck Tribune

www.bismarcktribune.com

75 cents

Pay raise close at hand

Senate preparing to endorse N.D. state worker salary bill

Session '07

✓ Lawmaker wants tougher drunken driving laws — 4B
✓ Calendar of scheduled hearings — 4B

By DALE WETZEL
Associated Press Writer

In a departure from the North Dakota Legislature's usual practice, state employees may have their pay questions answered long before lawmakers finish their work.

The Senate Appropriations Committee on Friday approved a compensation package for the next two years. It includes 4 percent annual raises, a minimum $75 monthly pay raise for most workers, and continuation of a prized health insurance benefit that does not require state employees to contribute part of its monthly cost.

Sen. Raymon Holmberg, R-Grand Forks, the committee's chairman, said he expected the full Senate to act on the measure quickly. North Dakota's budget surplus, which is expected to reach $540 million, makes the decision easier, he said.

"We've always said when times are tough, you've got to cinch your belts, and they've done that," Holmberg said Friday. "Now, times are much better. Therefore, we should repay those hardworking people."

Normally, the final provisions of a pay package for state workers are not known until the final days of the Legislature. The package is included in the budget bill of the Office of Management and Budget, one of the last spending measures that lawmakers handle before they adjourn.

This year, separate legis tion was introduced, provid the framework for st employees' compensa package for the next two y

See Raises, Page 9A

— 47

70114.0200

Sixtieth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1049

Introduced by

Representatives Carlson, Delzer, Dosch, Kasper, Thoreson

A BILL for an Act to creat... ...orth Dakota Centur... and other... as

FISCAL NOTE
Requested by Legislative Council
12/26/2006

HB 1049

...state fiscal effect: Identify the state fiscal effect and the fiscal effect on agency appropriations compared to ...ng levels and appropriations anticipated under current law.

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			($11,600,000)	($6,300,000)		
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).

HB 1049 provides a sales tax exemption for natural gas sales (taxed at a 2% sales tax rate under current law) and an exemption from special fuels tax for fuels used for heating purposes (taxed at a 2% special fuels tax rate under current law).

B. **Fiscal impact sections:** Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.

HB 1049 is expected to reduce state general fund revenues by an estimated $11.6 million and state aid distribution fund revenues by an estimated $1 million during the 2007-09 biennium due to the sales tax exemption provided in the bill. The special fuels tax exemption is expected to reduce highway distribution fund revenues by an estimated $5.3 million during the 2007-09 biennium.

...**fiscal effect detail:** For information shown under state fiscal effect in 1A, please:
...: Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and ...d any amounts included in the executive budget.

...amounts. Provide detail, when appropriate, for each agenc... positions affected.

...hen appropriate, for e... penditures and ... udget or

78114.0100

Sixtieth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1129

Introduced by

Human Services Committee

(At the request of the State Department of Health)

A BILL for an Act to create and enact a new section to chapter 23-02.1 of the North Dakota Century Code, relating to electronic birth, marriage, fetal death, and death records and electronic filing and registration for birth, fetal death, and death records; to amend ~~ sections 23-02.1-01, 23-02.1-05, 23-02.1-08, 23-02.1-11, 23-02.1-12 ~~ 23-02.1-15, and 23-02.1-16, subsection 1 of section 23-0~ 23-02.1-19, and 23-02.1-20, subsection 2 ~ subsection 2 of section 23-02 ~ 23-02.1-29, and ~ 23-0~

FISCAL NOTE
Requested by Legislative Council
01/02/2007

Bill/Resolution No.: HB 1129

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	**Other Funds**	**General Fund**	**Other Funds**	**General Fund**	**Other Funds**
Revenues			$140,000		$180,000	
Expenditures		$107,570	$9,000	$220,000	$12,000	
Appropriations		$107,570	$9,000	$220,000	$12,000	

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	**Cities**	**School Districts**	**Counties**	**Cities**	**School Districts**	**Counties**	**Cities**	**School Districts**
			($140,000)			($180,000)		

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Mandates for electronic birth and death registration systems;
Moving responsibility of death registration to the state;
Reassigning death registration responsibilities to the state registrar and subregistrars
Restricting access to certified copies of birth and death records.

...tions: *Identify and provide a brief description of the sections of the measure ... any assumptions and comments relevant to the analysis.*

1)
2) a. ... by state law to register and certify all births and de... requirements that are intended to make ...ities. The critical requirements

70400.0100

Sixtieth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1210

Introduced by

Representatives Onstad, DeKrey, Griffin, S. Meyer

Senator Heitkamp

A BILL for an Act to create and enact a new subsection to section 57-35.3-05, a new sec"on to chapter 57-38, and a new subsection to section 57-38-30.3 of the North Dak... de, relating to a financial institution's tax credit and a corporate and i... r contributions to community endowment funds; and t...

BE IT ENACTED BY THE LEG...

SEC...

FISCAL NOTE

Requested by Legislative Council
01/10/2007

...esolution No.: HB 1210

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to ...unding levels and appropriations anticipated under current law.

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	**Other Funds**	**General Fund**	**Other Funds**	**General Fund**	**Other Funds**
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	**Cities**	**School Districts**	**Counties**	**Cities**	**School Districts**	**Counties**	**Cities**	**School Districts**

2A. **Bill and fiscal impact summary:** Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).

HB 1210 provides a tax credit for financial institutions, corporations and individuals equal to twenty percent of contributions to certified community endowment funds.

B. **Fiscal impact sections:** Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.

...n how many certified community endowment funds might be established, nor the contributions that will ...s that would qualify for the tax credit. The fiscal impact of this bill cannot be determined.

...information shown under state fiscal effect in 1A, please. ...ounts. Provide detail, when appropriate, for each revenue type and ...the executive budget.

...opriate, for each agency, line

78012.0100

Sixtieth
Legislative Assembly
of North Dakota

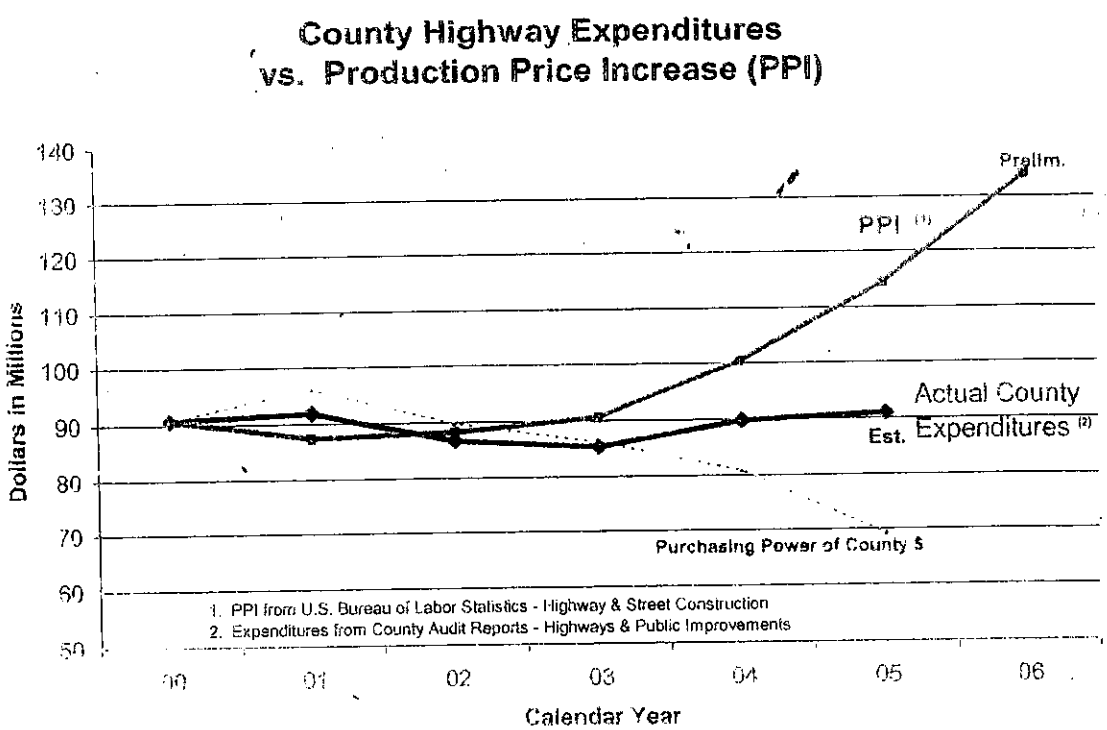
HOUSE BILL NO. 1012

Introduced by

Appropriations Committee

(At the request of the Governor)

A BILL for an Act to provide an appropriation for defraying the expenses of the department of transportation.



1-23-07 HB 1449

#17

1/23/07
From Rep Kasper
HB 1449
submitted the next day

House of representatives
State Capital
600 East Boulevard Ave
Bismarck, ND 58505

Representative Jim Kasper:

I applaud your efforts and other co-sponsors on HB1449 for a yes vote by other house members.

This issue should have been addressed years ago and and want you and other sponsors that the property owners truly support this bill.

My wife and I have lived at this address since 1969 and our property taxes for that year was $484.16.

In a recent statement from the County this past December, our property taxes have increased to $2721.73.

Since 1997 we have seen our property taxes escalate nearly $1,000.00 dollars.

Our present city and county leadership have had an open blank check for years to spend money as they desire and I totally agree that it's time to cap this spending and reduce this taxing authority.

My wife and I have been living on my fixed income (Social Security) for numerous years and exceeds the present cap of $14,500 by $600.00 dollars for any property tax relief. This cap has not been raised for many years.

We totally agree that immediate changes have to be made and support your efforts and others to make these changes.

I am very much upset with the city of Grand Forks in sending lobbyists to Bismarck to lobby against this bill at taxpayer expenses.

The citizens of North Dakota elect these representatives and senators to the State to represent us-not the special interests of cities and counties.

Thanks again for submitting this needed bill.

Dudley Benson
1609 2nd ave no
Grand Forks, ND 58203

Sample of North Dakota's 357 Cities	Population (2000 Census)	2006 State Aid Total	2006 Distribution Expressed in Mills	Current Value of 1 Mill	Dollar Impact of HB 1447	Mill Impact of HB 1447
Beach	1,116	$41,412	29.7	$1,043	$8,075	9.9
Bismarck	55,532	$1,955,185	14.8	$132,463	$132,463	3.7
Buffalo	209	$6,220	18.4	$338	$1,555	4.6
Burlington	1,096	$40,670	27.9	$1,460	$10,168	7
Carson	319	$9,494	40.2	$236	$2,374	10.1
Devils Lake	7,222	$293,555	30.7	$9,548	$73,389	7.7
Dickinson	16,010	$553,667	19.6	$28,291	$138,417	4.9
Edgeley	637	$22,197	29.6	$750	$5,549	7.4
Ellendale	1,559	$57,850	58.8	$984	$14,463	14.7
Grafton	4,516	$167,577	32.5	$5,154	$41,894	8.1
Grand Forks	49,321	$2,320,941	19.2	$121,057	$580,235	4.8
Harwood	2,058,781	$20,588	51	$404	$5,146	12.8
LaMoure	944	$32,018	34.9	$918	$8,005	8.7
Lincoln	1,730	$64,196	28.3	$2,269	$16,049	7.1
Mcville	470	$17,640	51.1	$345	$4,410	12.8
Northwood	959	$33,417	24	$1,393	$8,354	6
Stanley	1,279	$47,460	39.6	$1,200	$11,865	9.9
Valley City	6,826	$285,053	30.2	$9,436	$71,263	7.6
Wahpeton	8,586	$348,998	30	$11,625	$87,250	7.5
Watford City	1,435	$53,249	37	$1,439	$13,312	9.3

Revenue projections for 2007

With many cities beginning work on their 2007 budgets, the North Dakota League of Cities has developed a number of projections for city revenue sources. These projections are based on information from the State Tax Department, the Office of Management and Budget, the State Treasurer's office, and the Department of Transportation.

To use these projections in the budget process, it is necessary to make comparisons to the level of funds received previously. For most revenue sources, comparisons are made to the level of funding received in calendar year 2005, since that is the latest year for which actual total figures are available. Comparisons for the telecommunications carriers tax and the financial institutions tax are made to 2006, since the amount is distributed in March of each year.

Remember that the actual amount to be distributed under the state aid distribution fund is based on sales tax collections during the period involved, so distributions will not necessarily be uniform. Four tenths of one cent of the sales tax is deposited into the state aid distribution fund, with cities and park districts receiving 46.3 percent of this amount.

Revenue for the highway tax distribution fund is dependent on fuel sales and the level of the gas tax and motor vehicle registration fees. Cities receive about 14% of highway tax distribution fund revenues.

Please contact the League office if you have any questions relating to these projections or if you would like any further information.

State Aid Distribution Fund (distribution to cities, NDCC 57-39.2-26.1)

Calendar year 2005 (total of quarterly payments - actual) $17,724,636
Calendar year 2006 (total of quarterly payments - projected) $18,210,000
Calendar year 2007 (total of quarterly payments - projected) $18,700,000

Projected to be 5% more in 2007 as compared with 2005.

Highway Tax Distribution (distribution to cities, NDCC 54-27-19)

Calendar year 2005 (total of monthly payments - actual) $21,451,565
Calendar year 2006 (total of monthly payments - projected) $22,600,000
Calendar year 2007 (total of monthly payments - projected) $22,600,000

Projected to be 5% more in 2007 as compared with 2005.

Cigarette Tax (distribution to cities, NDCC 57-36-31)

Calendar year 2005 (total of semi-annual payments - actual) $1,318,910
Calendar year 2006 (total of semi-annual payments - projected) $1,240,000
Calendar year 2007 (total of semi-annual payments - projected) $1,165,000

Projected to be 12% less in 2007 as compared with 2005.

Telecommunications Carriers Tax (NDCC 57-34)

Net gross receipts tax revenues of up to $8.4 million per taxable year are deposited in the telecommunications carriers tax fund for distribution to taxing districts. This tax is in lieu of property tax. The amount is distributed to county treasurers for further distribution to taxing districts in March of each year.

Projected to be about the same in 2007 as compared with 2006.

Financial Institutions Tax (NDCC 57-35.3)

This franchise tax is paid by financial institutions. The total amount distributed to political subdivisions for 2005 was $7 million. The amount is distributed to county treasurers for further distribution to political subdivisions in March of each year. (NDCC 57-35.3-09)

Projected to be about the same in 2007 as compared with 2006.

Fire Insurance Premium Tax (NDCC 18-04)

The fire insurance premium tax is distributed to city fire departments, certified rural fire departments, or fire protection districts in September of each year based on legislative appropriation. The 2005 state legislature appropriated $6.2 million for the biennium. The total amount distributed for 2005 was $3.1 million. (NDCC 18-04-05)

Projected to be about the same in 2007 as compared with 2005.

Oil Gross Production Tax (NDCC 57-51-15, 16)

Subject to extreme fluctuation.

Projected to be 10 to 15% more in 2007 as compared with 2005.

Coal Conversion Tax (NDCC 57-60-14, 15)

Projected to be about the same in 2007 as compared with 2005.

North Dakota
League of Cities
Founded in 1912

Service, Advocacy, Leadership,
Education & Support

City Budget Tutorial

Compiled by the ND League of Cities
City of Grand Forks
City of Minot
City of Wahpeton

410 East Front Avenue □ Bismarck, ND 58504-5641
Phone: 701-223-3518 □ *Toll Free (in state):* 1-800-472-2692 □ *Fax:* 701-223-5174 □ *Web:* www.ndlc.org

Assessment Process (Feb - April)

Budget Process

Preparation of preliminary revenue & expenses (late spring)

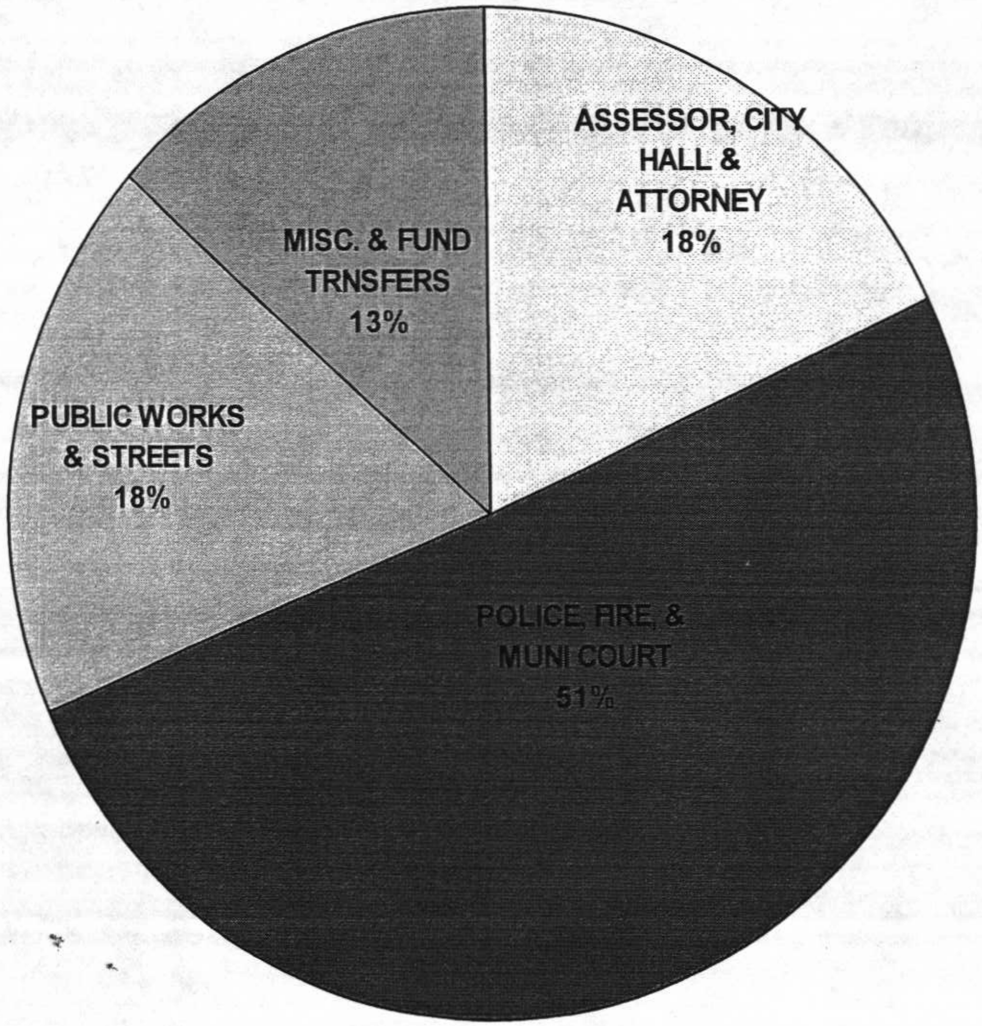
Budget draft reviewed & amended within available resources (early summer)

Budget ordinance hearing (September)

Final budget action by October 7

Determination of mills levied and forwarded to the county auditor by October 10

City General Fund Expense 2007



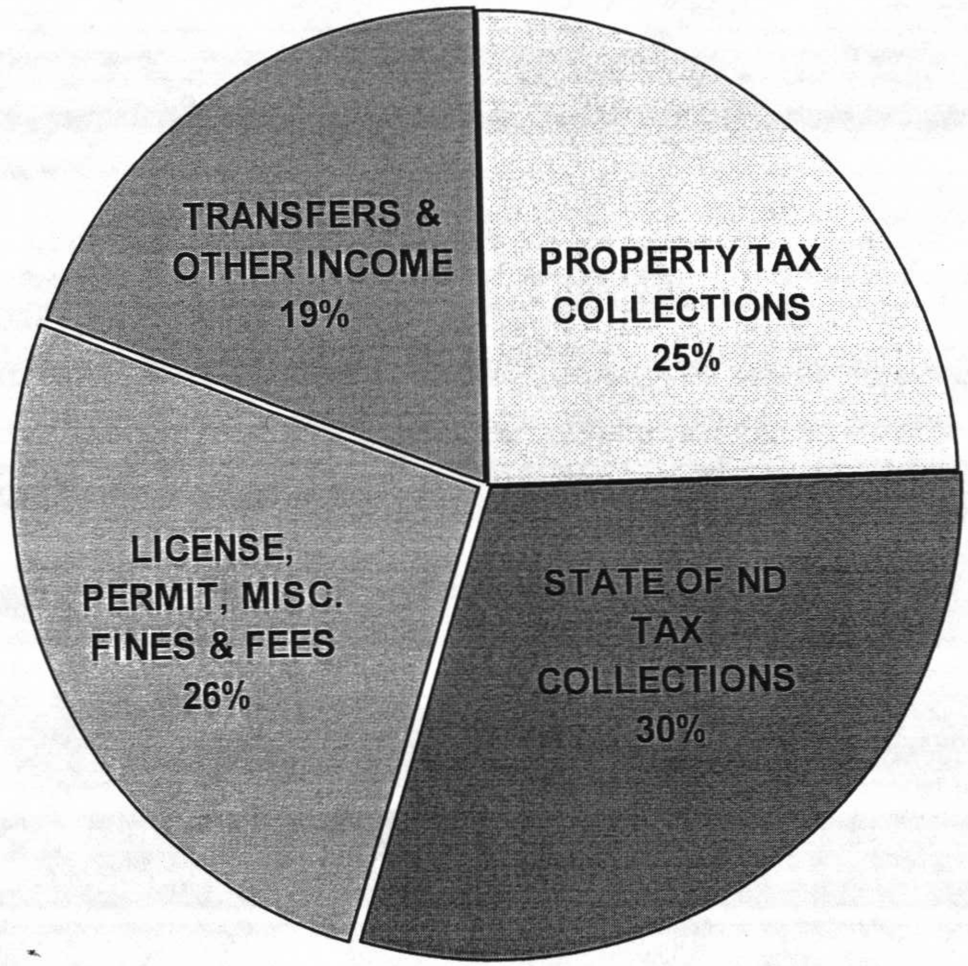
CIty of Wahpeton

City Expense 2006 - 2007

Expenses by Dept. for General Fund

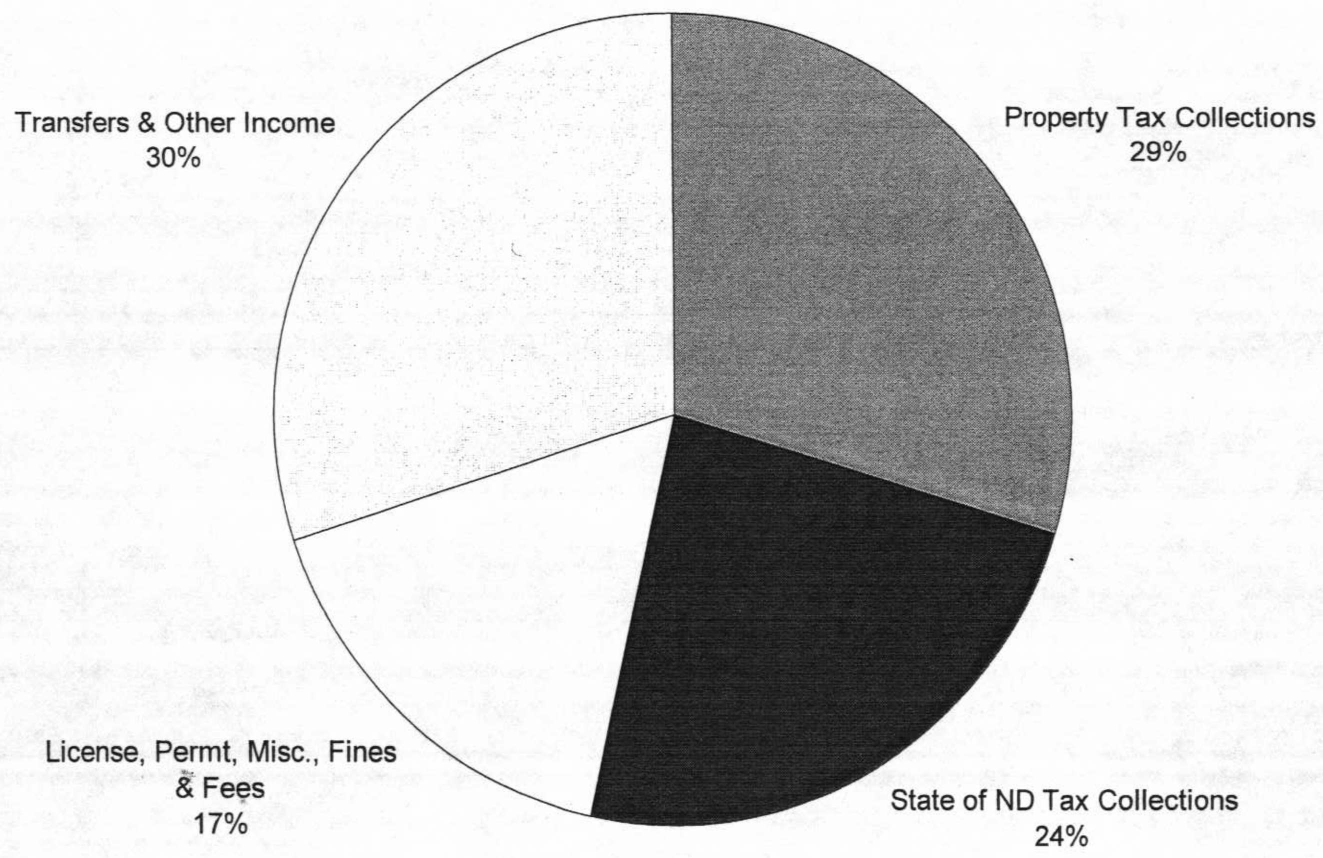
FUND	DEPARTMENT	2006 BUDGET	2007 BUDGET	2007 CHANGE	2006 % CHANGE
101	ASSESSOR, CITY HALL & ATTORNEY	$450,007.58	$451,439.86	$1,432.28	0.32%
101	POLICE, FIRE, & MUNI COURT	$1,198,569.38	$1,268,346.43	$69,777.05	5.82%
101	PUBLIC WORKS & STREETS	$504,661.78	$456,715.50	-$47,946.28	-9.50%
101	MISC. & FUND TRANSFERS	$327,927.27	$332,109.41	$4,182.14	1.28%
GENERAL FUND EXPENSE TOTAL		**$2,481,166.01**	**$2,508,611.21**	**$27,445.19**	**1.11%**

City General Fund Revenue 2007

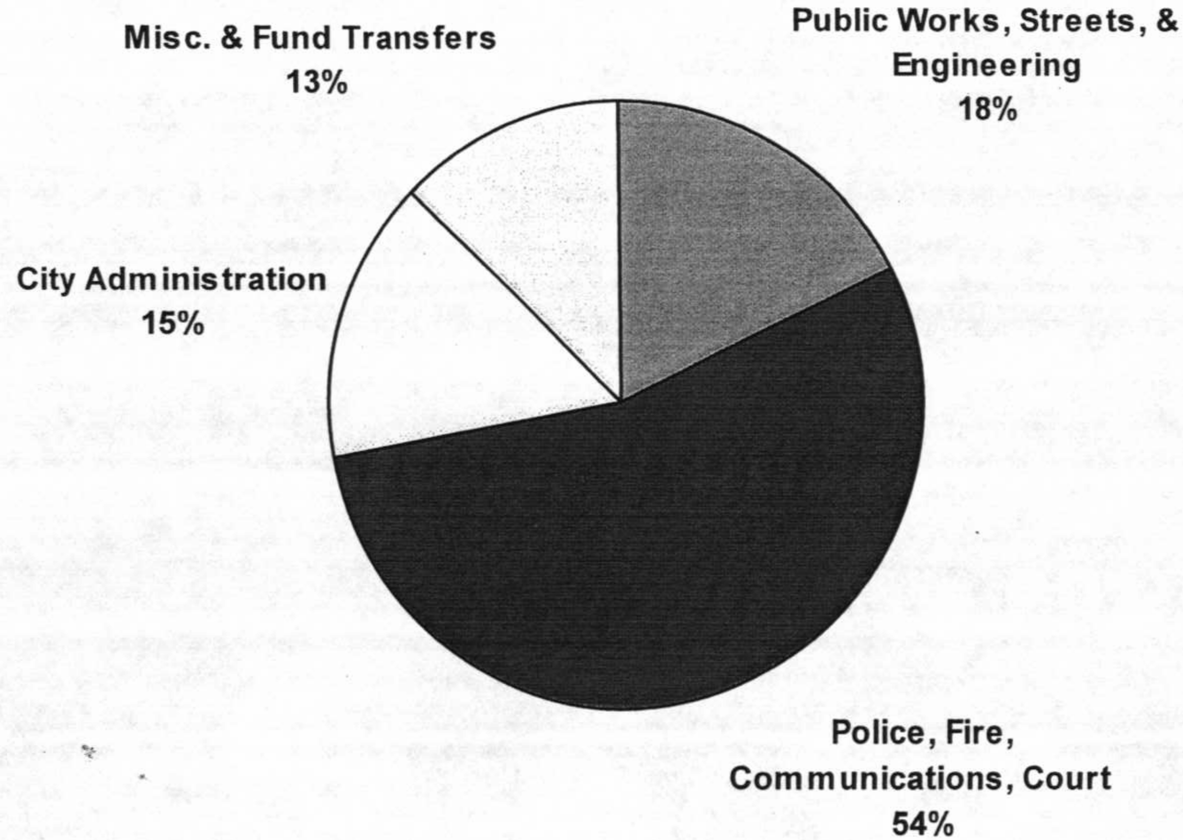


City of Wahpeton

City of Minot General Fund Revenue 2007



City of Minot General Fund Expense 2007



Property Tax Calculation

To calculate annual taxes for a property, the taxable value is multiplied by the mill levy.

What is Taxable Value?

- Taxable value refers to a percentage of the assessor's appraisal according to a state-prescribed formula, after any exemptions are removed.
- An assessment ratio of 50% is multiplied by the assessor's appraisal to get assessed value.
- Then the assessed value is multiplied by 9% for residential and 10% for all other property classes to get taxable value.
- Therefore, the taxable value of residential property is 4.5% of the assessor's estimate of value; for commercial and agricultural property, it is 5% of the assessor's value.

2007 Mill Levy Calculation

Estimated Total Taxable Valuation for the City	$12,300,000
1 Mill = 1/1,000	$12,300
City General & Special Levy Fund Expenses for 2007	$1,455,336
Mills needed to be certified on all taxable properties	118.32
$1,455,336 / $12,300.00	

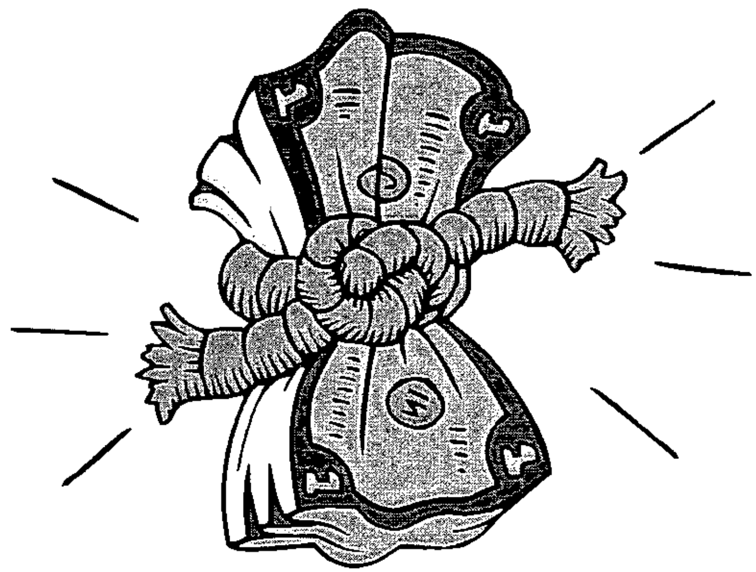
Mill Levy Illustration

RESIDENTIAL TAX ASSESSMENT EXAMPLE

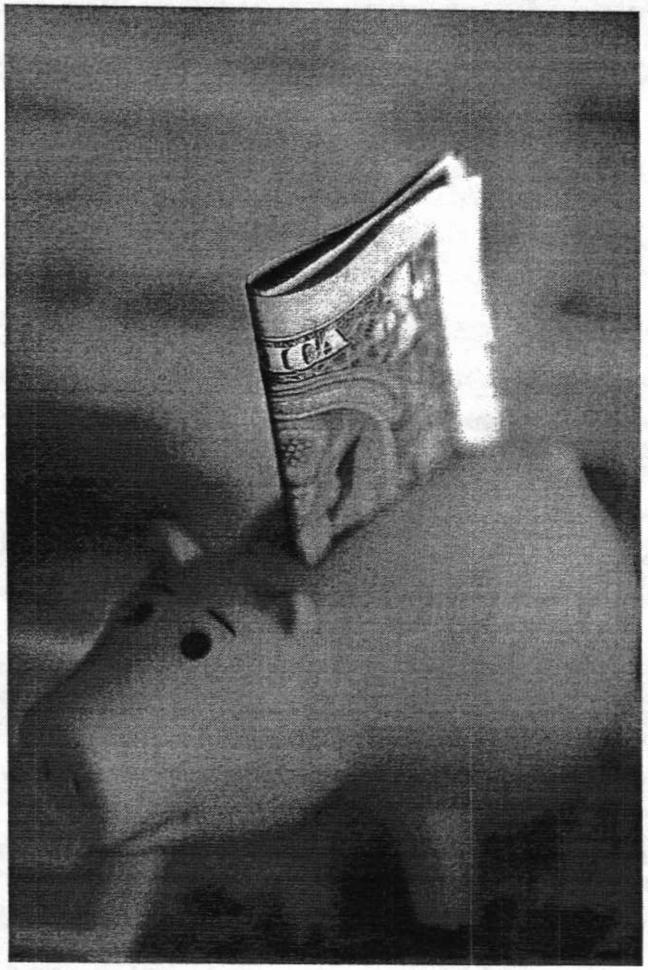
PROPERTY TRUE & FULL VALUE	$150,000.00
ASSESSED VALUATION	$75,000.00
TAXABLE VALUATION (9%)	$6,750.00
MILL LEVY ASSESSMENT	
501.93 MILLS X (6,750 / 1,000)	$3,388.03
5% DISCOUNT	-$169.40
TAXES PAYABLE	$3,218.63
PROPERTY TAX ALLOCATION 2005 LEVY (COLLECTED & PAID IN 2006)	
23.85% STATE/COUNTY	$767.64
45.09% SCHOOL DISTRICT	$1,451.28
7.49% PARK	$241.08
23.57% CITY	$758.63
	$3,218.63

Levy Caps & Home Rule

- There are caps on certain levies
- If citizens approve a home rule charter, the city may make changes from budget practices in state law
- No matter the method, local budgets still focus on services required



Property Tax Relief



Homestead Credit

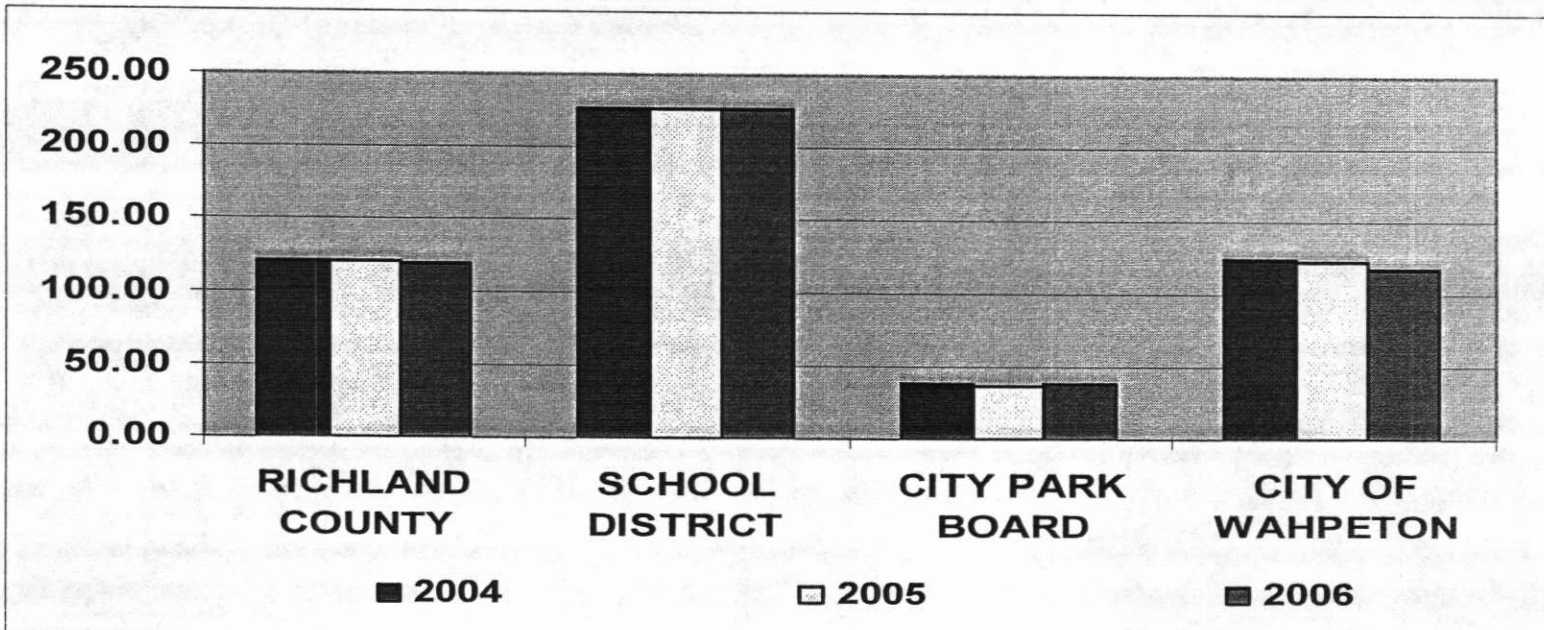
- Eligible if…
  - Senior citizen
  - Disabled
- Receive
  - Property tax credit
  - Refund on portion of rent

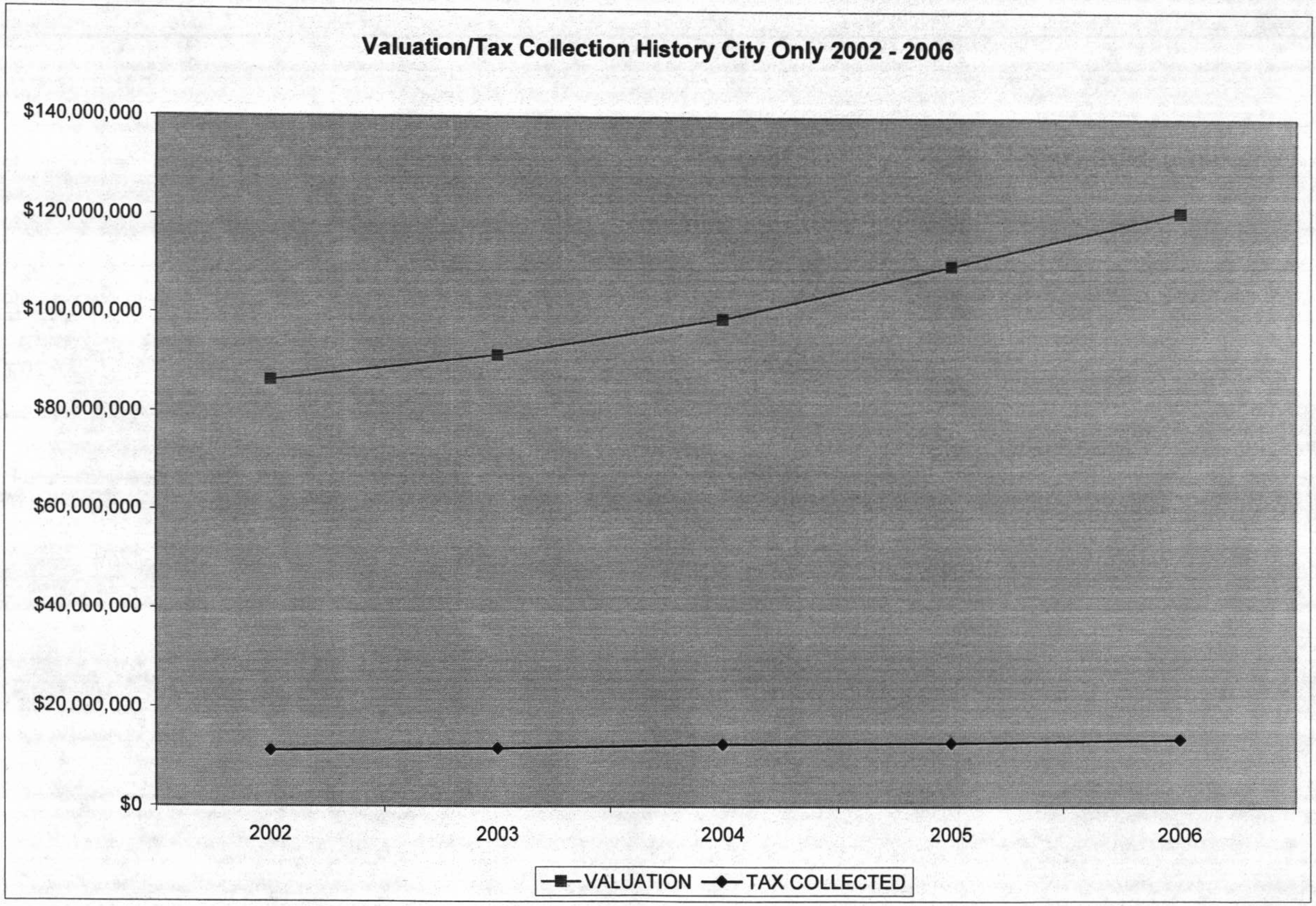
New Housing

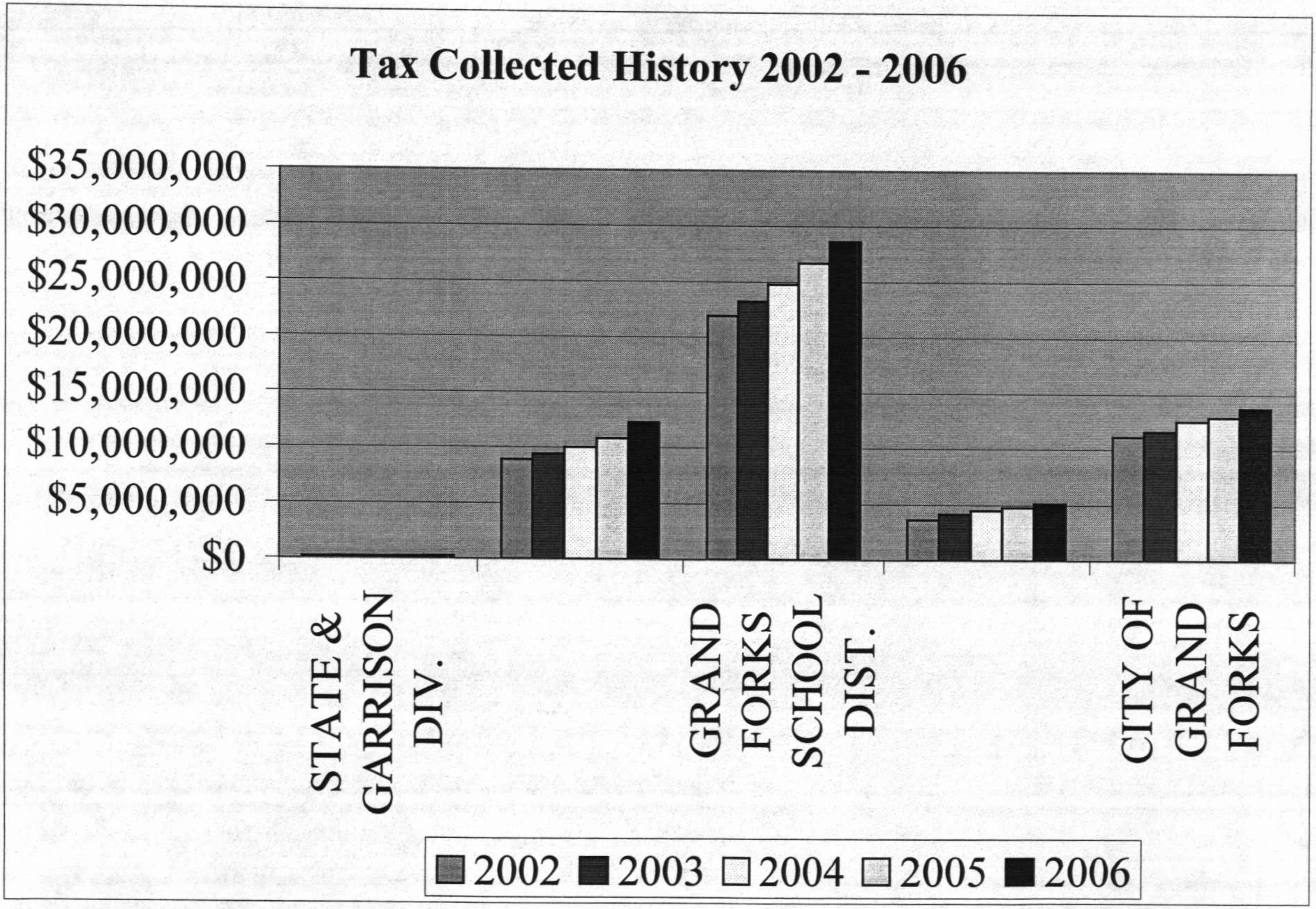
- Upon application, first $75,000 of home value is exempt from property taxes for 2 years

Mill Levy History 2004 - 2006

TAX ENTITIY	2004	2005	2006
STATE LEVY	1.00	1.00	1.00
RICHLAND COUNTY	120.50	120.50	118.70
SCHOOL DISTRICT	227.33	226.05	226.32
CITY PARK BOARD	37.64	37.16	37.59
CITY OF WAHPETON	124.64	122.66	118.32
TOTAL MILLS	**511.11**	**507.37**	**501.93**



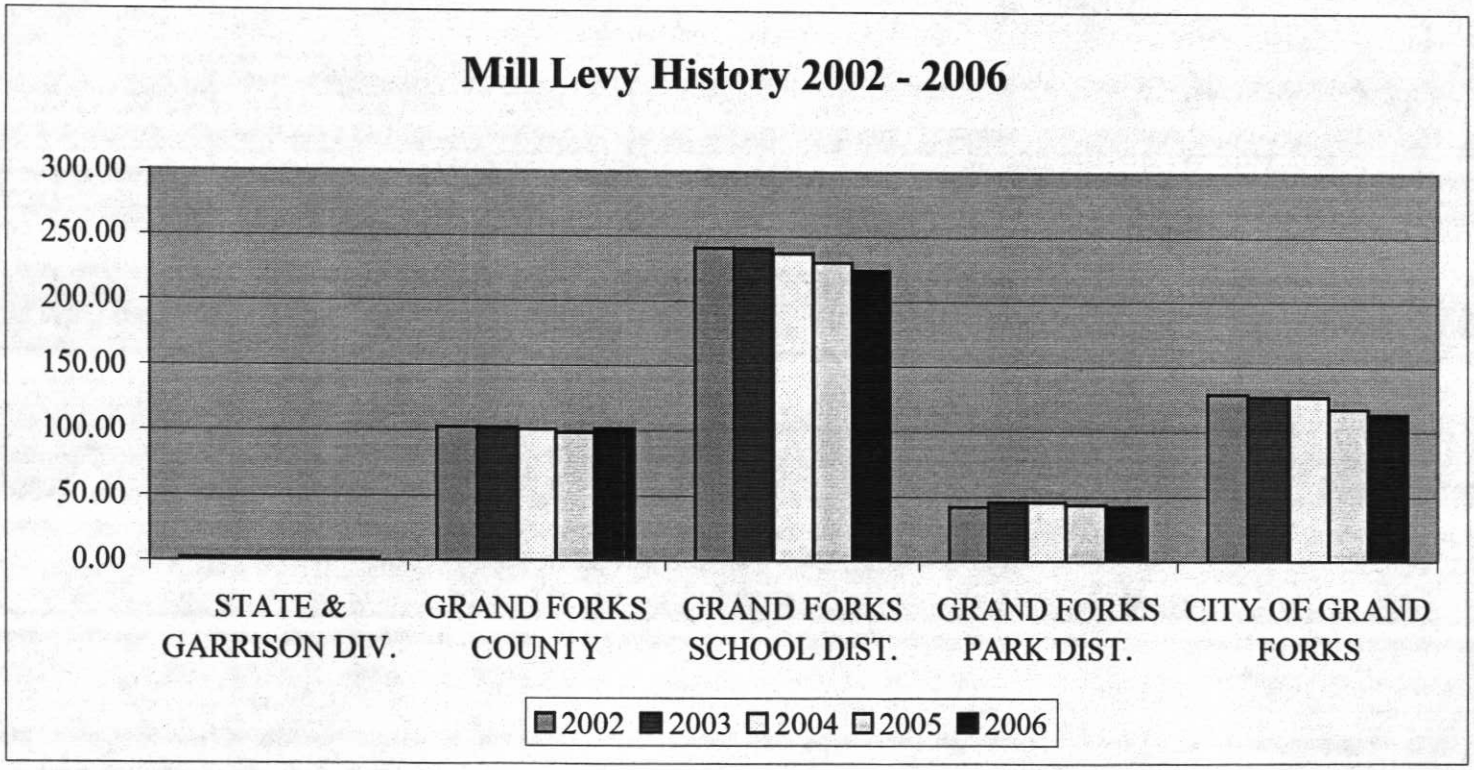

Valuation/Tax Collection History City Only 2002 - 2006
$140,000,000
$120,000,000
$100,000,000
$80,000,000
$60,000,000
$40,000,000
$20,000,000
$0
2002
2003
2004
2005
2006
VALUATION
TAX COLLECTED


Tax Collected History 2002 - 2006
$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
STATE & GARRISON DIV.
GRAND FORKS SCHOOL DIST.
CITY OF GRAND FORKS
2002
2003
2004
2005
2006

Mill Levy History 2002 - 2006

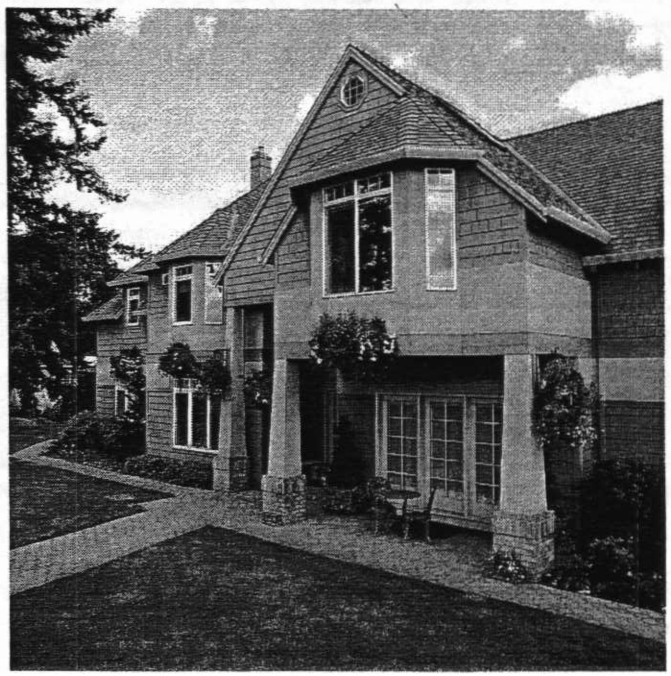
(BUDGET YEARS 2003 - 2007)

TAX ENTITY LEVY	2002	2003	2004	2005	2006
STATE & GARRISON DIV.	2.00	2.00	2.00	2.00	2.00
GRAND FORKS COUNTY	102.61	102.59	101.16	98.40	101.45
GRAND FORKS SCHOOL DIST.	241.03	240.82	237.12	230.11	224.11
GRAND FORKS PARK DIST.	42.14	45.65	45.61	43.59	42.36
CITY OF GRAND FORKS	129.18	127.19	127.17	117.73	113.55
TOTAL MILLS	**516.96**	**518.25**	**513.06**	**491.83**	**483.47**

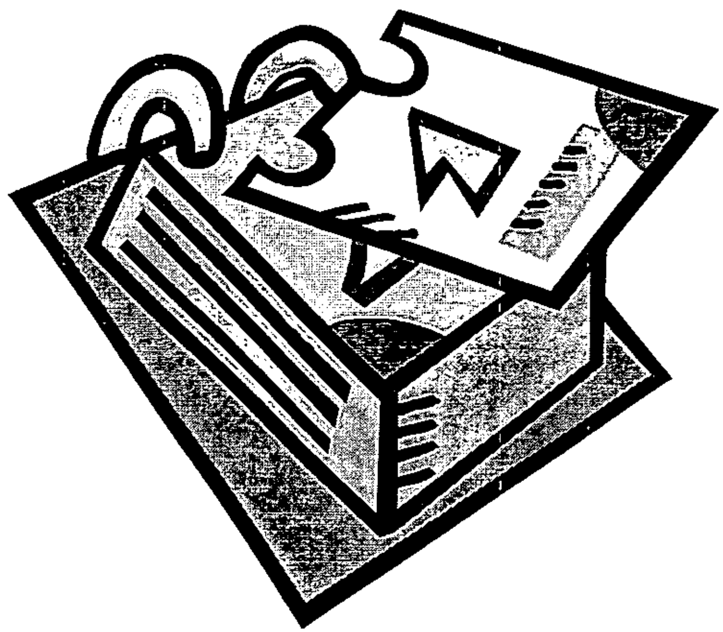


What is an appraisal?

- An appraisal is an opinion of value.



Property Tax Assessment



- **Market value** – value people are paying for property
- Assessors apply **Mass appraisal** techniques

What is a Mass Appraisal?

Appraising groups of similar properties

vs.

"Fee" or "Bank" Appraisal

Cost Approach

- Combines an estimate of land value with an estimate of depreciated reproduction or replacement cost of the improvements.

Principle of Substitution

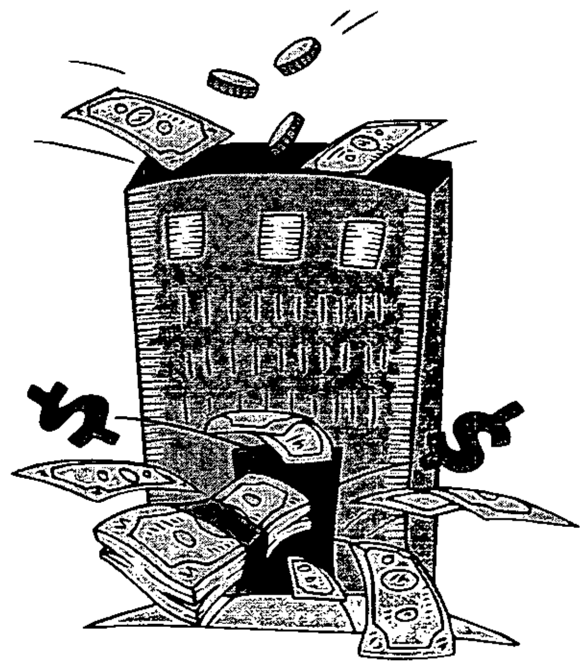
Market Approach

Comparing Market Data

- Sales Prices
- Asking Prices
- Offers of Prospective Buyers

Income Approach

- Based on an estimate of net income derived from the operation of an income-producing property



Principle of Anticipation

2-1

North Dakota Office of State Tax Commissioner

Claim for Refund of City or County Sales and Use Tax Transmittal

- **Attach supporting documents**
- **Read instructions**

Name	Social Security Number or Federal Employer Identification Number	
Address		
City	State	Zip Code

To obtain a refund of city or county sales and use taxes, list qualifying purchases made after September 30, 2005, on which you have remitted payment to the seller. To qualify, the local tax paid on each purchase must be in excess of the defined city or county cap. See Instructions on back.

Note: Enter one invoice per line. Copies of all invoice(s) must be provided with refund claim.

INVOICE DATE	INVOICE NUMBER	SELLER'S NAME

INVOICE DATE	INVOICE NUMBER	SELLER'S NAME

If you have additional transactions to report, list on separate schedule and attach to Claim for Refund.

Refund requests will be processed immediately upon receipt. Copies of all invoices must accompany your request. Questions regarding the refund of tax may be directed to the Sales & Withholding Taxes Section at 701-328-3470 or salestax@nd.gov.

Under penalties of law, I declare that the amount of city or county sales or use tax for which I am submitting this claim for refund has NOT been refunded or credited to me by the Office of State Tax Commissioner or the seller to whom the tax was previously paid. If a duplicate payment is received, I will immediately send payment for such duplicate payment to the North Dakota Office of State Tax Commissioner.

Taxpayer Signature ____________________ Date ____________ Phone Number ____________

Mail To: North Dakota Office of State Tax Commissioner
Sales & Withholding Taxes
600 E. Boulevard Ave. Dept. 127
Bismarck, ND 58505-0599

Contact: Phone: 701.328.3470
E-mail: salestax@nd.gov
Web site: www.nd.gov/tax

21944

Instructions for Claim for Overpayment of City or County Sales Tax

WHO MAY FILE. Any person who has made a taxable purchase of tangible personal property from one of the following cities or counties **in excess of the stated taxable amount.** For purchases occurring on or after October 1, 2005, a retailer has a requirement to collect applicable city and county sales and use tax without regard to any cap on purchases provided by city or county ordinance, resolution, or charter. However, a taxpayer is eligible for refund from the State Tax Commissioner for the difference between the amount of the city and county sales and use taxes paid, and the amount that would have been due by application of the cap provided by the city or county ordinance, resolution or charter. (N.D.C.C. § 57-01-02.1(5))

Local Taxes and applicable taxable amounts: (Taxable amount applies to each individual purchase (invoice) unless otherwise specified.)

City/County	Taxable Amount
Aneta	$2,500
Ashley	$2,500
Beach	$2,500
Belfield	$2,500
Berthold	$2,500
Beulah	$2,500
Bismarck	$2,500
Bottineau	$2,500
Bowman	$2,500
Buffalo	$2,500
Cando	$2,500
Carrington	$2,500
Carson	$2,500
Casselton	$2,500
Cavalier	$2,500
Cooperstown	$2,500
Crosby	$2,500
Devils Lake	$1,666
Dickinson	$2,500
Drake	No Refund Cap
Drayton	$2,500
Dunseith	$2,500
Edgeley	$2,500 (prior to October 1, 2006)
	No Refund Cap (after October 1, 2006)
Edinburg	$2,500
Elgin	$2,500
Ellendale	$2,500
Enderlin	$2,500
Fairmount	No Refund Cap
Fargo	$2,500
Finley	$2,500
Fort Ransom	$2,500
Gackle	No Refund Cap
Garrison	$2,500
Glen Ullin	$2,500
Grafton	$2,500
Grand Forks	$2,500
Grenora	$2,500
Gwinner	No Refund Cap
Halliday	$2,500
Hankinson	$2,500
Hannaford	$5,000
Harvey	$2,500
Hatton	$2,500
Hazelton	$2,500 (prior to January 1, 2007)
	$3,500 (after January 1, 2007)
Hazen	$2,500
Hettinger	$2,500
Hillsboro	$2,500
Hoople	$2,500
Hope	$2,500
Jamestown	$2,500
Kenmare	$2,500
Killdeer	$2,500
Kulm	$2,500
Lakota	No Refund Cap
LaMoure	$1,666
Langdon	$2,500
Larimore	$2,500
Lidgerwood	$2,500
Linton	$2,500 (prior to October 1, 2006)
	No Refund Cap (after October 1, 2006)
Lisbon	$2,500
Maddock	$1,666
Mandan	$2,500
Mayville	$2,500
McClusky	$2,500
McVille	$2,500
Medora	$1,000 per single unit
Michigan	$1,666
Milnor	$1,666
Minnewaukan	No Refund Cap
Minot	$2,500 per customer per retailer per day
Mohall	$2,500
Mott	$1,666
Munich	$2,500
Napoleon	$2,500
Neche	$2,500
New England	$2,500
New Leipzig	$2,500
New Rockford	$2,500
Northwood	$2,500 (prior to October 1, 2006)
Northwood (cont)	No Refund Cap (after October 1, 2006 and prior to January 1, 2007)
	$2,500 (after January 1, 2007)
Oakes	$1,666
Oxbow	No Refund Cap
Page	$2,500
Park River	$1,250
Pembina	$2,500
Portland	$2,500
Powers Lake	$2,500
Reeder	$2,500
Regent	$2,500
Richardton	$2,500
Rolette	$2,500
Rolla	$1,666
Rugby	$2,500
Scranton	$2,500
St. John	$2,500
Stanley	$2,500
Steele	$2,500
Steele County	$2,500
Strasburg	$2,500
Tioga	$2,500
Tower City	$2,500
Towner	$2,500
Turtle Lake	$2,500
Underwood	No Refund Cap
Valley City	$2,500
Velva	$2,500
Wahpeton	$1,666
Walhalla	$2,500
Walsh County	$10,000
Washburn	$2,500
Watford City	$2,500
West Fargo	$2,500
Williams County	$2,500
Williston	$2,500
Wilton	$2,500
Wimbledon	$2,500
Wishek	$2,500 (prior to January 1, 2007)
	No Refund Cap (after January 1, 2007)

EXAMPLE:

Customer purchases furniture from ABC Furniture Store, located in Bismarck, ND The selling price for the furniture as follows: $3,000 for living room furniture, $3,000 for bedroom set, and $100 delivery charge. Total taxable purchase price - $6,100.

Point of Sale:	Bismarck	Taxable Sales Amount:	$ 6,100
Invoice Date:	10/1/2005	State sales tax (5%)	$ 305
Invoice Number:	ZZ12345	Bismarck city sales tax (1%)	61
Seller:	ABC Furniture Store	Total Tax Paid	$ 366

Calculation of City Tax refund:

Total Taxable Sales Amount	$ 6,100
Less: Bismarck Taxable Amount	- 2,500
Taxable Amount Refund Due	$ 3,600
Multiply by Bismarck Rate	x .01
City Sales Tax Refund	$ 36.

WHEN TO FILE: A claim for refund of city or county sales and use tax may be filed within three years from date of purchase occurring on or after October 1, 2005.

WHERE TO FILE: A claim for refund must be filed with the North Dakota Office of State Tax Commissioner, Sales and Withholding Taxes, 600 E. Boulevard Ave. Dept. 127, Bismarck, ND 58505-0599.

DOCUMENTATION REQUIRED: The claim for refund must include copies of all invoices to support the claim. The invoice should provide invoice date, invoice number, seller name and address, items or materials purchased, purchase price of items or materials purchased, and amount of city and/or county sales and use tax paid. Failure to submit copies of all invoices will be result in returning the claim with a request for additional information, which will delay the refund process. The Office of State Tax Commissioner reserves the right to request additional supporting documentation as it deems necessary.

Revised 01/07

2-1

Guideline

Local Option Taxes by Location

January 2007

LOCAL OPTION TAXES

This guideline contains information on local sales, use and gross receipts taxes, lodging taxes, lodging and restaurant taxes, and motor vehicle rental taxes **imposed by cities and counties** but administered by the North Dakota Office of State Tax Commissioner. The Office of State Tax Commissioner assumes full responsibility for collection of the taxes including delinquency control, auditing and collection activity. Local option sales, use and gross receipts taxes are reported on the same form as the state sales taxes. However, city lodging taxes, city lodging and restaurant taxes and city motor vehicle rental taxes are reported to the State Tax Commissioner on separate forms. This guideline summarizes all the North Dakota cities and counties imposing local option taxes.

City Lodging Tax & City Lodging and Restaurant Tax

In addition to city sales, use and gross receipts taxes, many cities impose local taxes on lodging accomodations, restaurant meals and on-sale beverages. Unlike city sales, use and gross receipts taxes, city lodging and city lodging and restaurant taxes do not contain any special exemptions or compensation allowances. Information on these local taxes is provided below.

City Lodging Tax

City	Rate	City	Rate	City	Rate	City	Rate
Ashley	2%	Carrington	2%	Hettinger	2%	Rugby	2%
Beach	2%	Devils Lake	2%	Jamestown	2%	Steele	2%
Belfield	2%	Dickinson	2%	Lakota	2%	Tioga	1%
Beulah	2%	Garrison	2%	Langdon	2%	Wahpeton	2%
Bismarck	2%	Grafton	2%	Lisbon	2%	Watford City	2%
Bottineau	2%	Hankinson	2%	Mandan	2%	West Fargo	2%
Bowman	2%	Harvey	2%	Medora	2%	Williston	2%
				New Town	1%	Wishek	2%

Note: Fargo (3%), Grand Forks (3%), Minot (3%) and Valley City (3%) also impose a local lodging tax, however, their taxes are administered locally.

City Lodging and Restaurant Tax

City	Applies to	Rate	City	Applies to	Rate
Bismarck	Lodging, food, liquor	1%	Hazen	Lodging, food, liquor	1%
Bottineau	Lodging, food, liquor	1%	Jamestown	Lodging, food	1%
Bowman	Lodging, food, liquor	1%	Lakota	Lodging	1%
Devils Lake	Lodging, food	1%	Lisbon	Lodging, food, liquor	1%
Dickinson	Lodging, food, liquor	1%	Mandan	Lodging, food, liquor	1%
Edgeley	Lodging, food, liquor	1%	Pick City	Lodging, food, liquor	1%
Ellendale	Lodging, food, liquor	1%	Rugby	Lodging, food	1%
Grand Forks	Lodging, food, liquor	¼%	Valley City	Food, liquor	1%
			West Fargo	Lodging	1%

City Motor Vehicle Rental Tax

Three cities (Bismarck, Grand Forks, and Minot) impose a 1% tax on the rental of any motor vehicle for fewer than thirty days when that motor vehicle is either delivered to a renter at an airport or delivered to a renter who was picked up by the retailer at an airport. For the purposes of this tax, a "retailer" means a company for which the primary business is the renting of motor vehicles for periods of fewer than thirty days.

Collection and Payment of Local Taxes

Local tax is imposed on taxable sales when possession of the goods transfers to the purchaser or the purchaser's agent within a jurisdiction (city or county) imposing a local tax. Leasing or rental companies with property located inside a taxing jurisdiction must collect local sales tax on lease or rental payments, including those contracted prior to the effective date of the local tax.

Local option sales, use and gross receipts taxes parallel state sales, use and gross receipts tax law. All exemptions applicable for state sales, use and gross receipts taxes also apply to local option sales, use and gross receipts taxes including exemptions for tax exempt entities (schools, government agencies, hospitals, etc.) and some sales to Montana residents.

The proper execution of resale certificates, exemption certificates and processing certificates exempt sales and purchases from local tax as well as state tax. However, these certificates may not be used to exempt only state or local tax; either the activity is exempt from both taxes or it is subject to both taxes.

State and Local Gross Receipts Taxes

Effective October 1, 2005, the state sales tax on new farm machinery and new farm irrigation equipment used exclusively for agricultural purposes and the state sales tax on retail sales of alcoholic beverages sold for consumption either on or off-the-premises were replaced with gross receipts taxes. Local jurisdictions that tax these items also impose a gross receipts tax. The rates for the new gross receipts taxes are identical to the previous sales tax rates for both the state and local jurisdictions.

Retailers located within a taxing jurisdiction:

- *Must collect* the local tax when the purchaser takes possession of the goods at the retailer's location or elsewhere within the taxing jurisdiction.
- *Must not collect* the local tax for goods delivered in the retailers own vehicles or by common carrier to the purchaser outside the taxing jurisdiction.

Retailers located outside a taxing jurisdiction including those retailers located in another city or county that imposes a local sales tax:

- *Must collect* the local tax when the goods are delivered into a local taxing jurisdiction by the retailer's delivery vehicles.
- *Must collect* the local tax if the seller delivers the goods by common carrier to the purchaser within a taxing jursidiction if the retailer has sufficient business presence within that local taxing jurisdiction.
- *Must not collect* the local tax where the purchaser is located if the purchaser takes possession of the goods at the retailer's location and the retailer's location is in a different taxing jurisdiction than the purchaser.

A sufficient business presence by a retailer within a local taxing jurisdiction includes, but is not limited to:

- Sales or service people working in a city or county;
- Regular or frequent deliveries into a city or county with the seller's own vehicles;
- Property ownership or use including lease or rental within a city or county; or
- Contractors working in a city or county on behalf of the retailer.

If the purchaser did not pay a local tax at the time of purchase, the goods will be subject to local *use* tax if the purchaser takes the goods into a city or county with a local use tax for storage, use or consumption in that taxing jurisdiction. The tax is due on the cost or fair market value of the goods when they enter the taxing jurisdiction. In these situtations, the consumer is responsible to report the purchase and pay the local tax liability. The seller of the goods is not responsible to collect the use tax in this situation.

Contractors

Contractors and subcontractors who use tangible personal property in the performance of construction contracts within a taxing jurisdiction are subject to city or county use tax. Local use tax may be paid directly to the seller of the goods or may be accrued by the contractor for payment to the Office of State Tax Commissioner. Under state law, a contractor or subcontractor is subject to use tax regardless of who owns the goods unless local sales or use tax has already been paid on the goods.

Construction materials are subject to local tax if:

- Purchased from a retailer located inside a taxing jurisdiction for use inside that taxing jurisdiction.
- Purchased elsewhere but stored, used or consumed inside a taxing jurisdition. ***Please Note:*** The local tax due is reduced by the local tax legally due and paid to another city or county.

Generally, contractors who provide a *Contractor's Certificate* to avoid payment of sales tax at the time construction materials are purchased are subject to the city or county use tax when the goods are installed whether the goods are used inside or outside of a taxing jurisdiction. The tax is due to the taxing jurisdiction where the goods were purchased.

Thirty-one (31) local sales tax ordinances provide a limited exemption for materials that are purchased within the jurisdiction, but later installed outside of the jurisdiction where the sale took place. These jurisdictions are Aneta, Bismarck, Bottineau, Cooperstown, Devils Lake, Dickinson, Drake, Edgeley, Enderlin, Fairmount, Fargo, Fort Ransom, Gackle, Glen Ullin, Grenora, Gwinner, Hankinson, Hannaford, Lakota, LaMoure, Lidgerwood, Lisbon, Mandan, McVille, Mohall, Northwood, Page, St. John, Underwood, Williams County and Williston.

To qualify for the limited exemption, a contractor must provide the supplier a *Contractor's Certificate* at the time of purchase and ask to be exempt from both state and local sales taxes. When the goods are used, the contractor must pay state use tax on the cost of the goods. The local use tax is due to the city or county where the goods are installed only if the goods are installed within a city or county that imposes a local use tax.

A *Contractor's Certificate* may also be used in all other taxing jurisdictions that impose local sales, use and gross receipts taxes but that do not allow the limited exemption. When the materials are used, use tax is due to the local jurisdiction where the materials were purchased regardless of where the materials were installed. If the *Contractor's Certificate* is not provided, city, county and state sales tax are due at the time of purchase.

Construction materials are not subject to local tax if the goods were purchased from a retailer located in a taxing jurisdiction, but delivered by the retailer outside the taxing jurisdiction for use outside of that taxing jurisdiction.

It is important to note that the maximum tax (refund cap) is calculated on each material purchase a contractor makes to fulfill a construction contract, not on purchase orders or the entire construction contract itself. Accordingly, most construction activity which is subject to local sales or use tax will include more than the specified refund cap in total local tax costs. While retailers are required to collect the full amount of sales tax for retail sales (customer may apply for a refund of local tax collected in excess of the refund cap), when use tax is accrued, it should be accrued up to the cap amount only.

Compensation

Some local option taxes provide for permit holder compensation. If the jurisdiction provides for compensation, sales and use tax permit holders are allowed to retain a portion of their local tax collections or use tax obligations to help recover administrative expenses. The jurisdictions and their appropriate rates and maximums are identified on the following pages. Please note that the return must be filed and paid in full by the scheduled due date or your compensation will be disallowed and your local tax obligation will be subject to penalty and interest.

Local Option Sales, Use and Gross Receipts Taxes as of January 1, 2007

City	Tax Type	Current Rate Initiated	Location Code	Rate	Not Subject to Local Tax	*Refund Cap	Permit Holder Compensation
Aneta	Sales, Use and Gross Receipts	1-1-05	203	1%	New farm machinery Coin-operated amusement	$25/sale	None
Ashley	Sales, Use and Gross Receipts	4-1-98	162	1%	None	$25/sale	3% Max. - $33.33/ month or $100.00/quarter
Beach	Sales, Use and Gross Receipts	10-1-97	156	1%	New farm machinery	$25/sale	None
Belfield	Sales, Use and Gross Receipts	4-1-95	133	1%	Natural gas	$25/sale	None
Berthold	Sales, Use and Gross Receipts	1-1-96	138	1%	New farm machinery New farm irrigation equipment Coin-operated amusement	$25/sale	None
Beulah	Sales, Use and Gross Receipts	10-1-03	200	1%	Natural gas Coin-operated amusement	$25/sale	3% Max. - $50.00/ month or $150.00/quarter
Bismarck	Sales, Use and Gross Receipts	4-1-86	102	1%	Natural gas Coin-operated amusement	$25/sale	3% Max. - $83.33/ month or $250.00/quarter
Bottineau	Sales, Use and Gross Receipts	10-1-99	122	2%	Natural gas New farm machinery New farm irrigation equipment	$50/sale	3% Max. - $50.00/ month or $150.00/quarter
[illegible]wman	Sales, Use and Gross Receipts	10-1-94	126	1%	Natural gas New farm machinery	$25/sale	None
Buffalo	Sales, Use and Gross Receipts	1-1-03	196	1%	None	$25/sale	3% Max. - $83.33/ month or $250.00/quarter
Cando	Sales and Gross Receipts only	7-1-98	161	1%	None	$25/sale	3% Max. - $50.00/ month or $150.00/quarter
Carrington	Sales, Use and Gross Receipts	1-1-94	124	1%	Natural gas New farm machinery	$25/sale	None
Carson	Sales, Use and Gross Receipts	10-1-02	191	1%	None	$25/sale	None
Casselton	Sales, Use and Gross Receipts	4-1-98	163	1%	None	$25/sale	None
Cavalier	Sales, Use and Gross Receipts	10-1-98	127	1½%	Natural gas New farm machinery	$37.50/sale	None
Cooperstown	Sales, Use and Gross Receipts	7-1-96	141	1%	New farm machinery Coin-operated amusement	$25/sale	None
Crosby	Sales, Use and Gross Receipts	1-1-93	116	1%	New farm machinery	$25/sale	None

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City	Tax Type	Current Rate Initiated	Location Code	Rate	Not Subject to Local Tax	*Refund Cap	Permit Holder Compensation
Devils Lake	Sales, Use and Gross Receipts	1-1-97	104	1½%	Natural gas Coin-operated amusement New farm machinery New farm irrigation equipment	$25/sale	3% Max. - $83.33/ month or $250.00/quarter
Dickinson	Sales, Use and Gross Receipts	1-1-02	106	1½%	Natural gas	$37.50/sale	None
Drake	Sales, Use and Gross Receipts	7-1-05	209	1%	None	None	None
Drayton	Sales, Use and Gross Receipts	10-1-97	157	1%	None	$25/sale	None
Dunseith	Sales, Use and Gross Receipts	1-1-05	204	1%	None	$25/sale	None
Edgeley	Sales, Use and Gross Receipts	1% - 1-1-97 1% - 10-1-06	148	2%	None	None	3% Max. - $50.00/ month or $150.00/quarter
Edinburg[2]	Sales, Use and Gross Receipts	4-1-99	176	1%	New farm machinery	$25/sale	None
Elgin	Sales, Use and Gross Receipts	4-1-00	179	1%	None	$25/sale	None
Ellendale	Sales, Use and Gross Receipts	1-1-95	131	1%	Natural gas Coin-operated amusement	$25/sale	3% Max. - $50.00/ month or $150.00/quarter
Enderlin	Sales, Use and Gross Receipts	10-1-98	166	1%	None	$25/sale	None
Fairmount	Sales, Use and Gross Receipts	4-1-05	206	1%	None	None	None
Fargo	Sales, Use and Gross Receipts	1% - 7-1-06 1½% - 1-1-05 to 6-30-06	105	1%	Coin-operated amusement	$25.00/sale effective 7-1-06 $37.50/sale before 7-1-06	None
Finley[3]	Sales, Use and Gross Receipts	10-1-98	167	1%	Coin-operated amusement	$25/sale	None
Fort Ransom	Sales, Use and Gross Receipts	1-1-00	177	1%	None	$25/sale	None
Gackle	Sales, Use and Gross Receipts	1-1-06	210	1%	Natural Gas	None	None
Garrison	Sales, Use and Gross Receipts	1% - 1-1-96 1% - 10-1-06	139	2%	Natural gas New farm machinery New farm irrigation equipment Coin-operated amusement	$50/sale	None
Glen Ullin	Sales, Use and Gross Receipts	1-1-07	212	1%	None	$25/sale	None
Grafton[2]	Sales, Use and Gross Receipts	1-1-91	107	1%	Natural gas New farm machinery New farm irrigation equipment	$25/sale	3% Max. - $83.33/ month or $250.00/quarter

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City	Tax Type	Current Rate Initiated	Location Code	Rate	Not Subject to Local Tax	*Refund Cap	Permit Holder Compensation
Grand Forks	Sales, Use and Gross Receipts	7-1-00	101	1¾%	Natural gas New farm machinery New farm irrigation equipment Coin-operated vending sales of 99¢ or less 44% of gross receipts from coin-operated amusement	$43.75/sale	5% Max. - $166.67/ month or $500.00/quarter
Grenora[4]	Sales, Use and Gross Receipts	10-1-02	192	1%	Natural gas	$25/sale	None
Gwinner	Sales, Use and Gross Receipts	4-1-05	207	1%	Natural gas	None	None
Halliday	Sales, Use and Gross Receipts	7-1-96	143	1%	None	$25/sale	None
Hankinson	Sales,Use and Gross Receipts	10-1-97	158	1%	None	$25/sale	None
Hannaford	Sales, Use and Gross Receipts	10-1-04	202	1%	Coin-operated amusement	$50/sale	None
Harvey	Sales, Use and Gross Receipts	10-1-91	112	1%	Natural gas New farm machinery New farm irrigation equipment	$25/sale	3% Max. - $83.33/ month or $250.00/quarter
Hatton	Sales, Use and Gross Receipts	4-1-98	164	1%	Coin-operated amusement	$25/sale	None
Hazelton	Sales, Use and Gross Receipts	10-1-00	180	1%	Natural gas Coin-operated amusement	$25/sale before 1-1-07 $35/sale effective 1-1-07	3% Max. - $50/month or $150/quarter
Hazen	Sales, Use and Gross Receipts	4-1-95	134	1%	New farm machinery New farm irrigation equipment	$25/sale	3% Max. - $83.33/ month or $250.00/quarter
Hettinger	Sales, Use and Gross Receipts	7-1-02	142	1%	New farm machinery	$25/sale	None
Hillsboro	Sales, Use and Gross Receipts	1-1-03	168	2%	Coin-operated amusement	$50/sale	None
Hoople[2]	Sales, Use and Gross Receipts	1-1-99	172	1%	Natural gas New farm machinery New farm irrigation equipment	$25/sale	3% Max. - $83.33/ month or $250.00/quarter
Hope[3]	Sales, Use and Gross Receipts	1-1-01	185	1%	Coin-operated amusement	$25/sale	None
Jamestown	Sales, Use and Gross Receipts	4-1-02	110	2%	Natural gas New farm machinery Coin-operated amusement	$50/sale	None
Kenmare	Sales, Use and Gross Receipts	1-1-93	117	1%	Mobile homes Natural gas New farm machinery New farm irrigation equipment	$25/sale	None

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City	Tax Type	Current Rate Initiated	Location Code	Rate	Not Subject to Local Tax	*Refund Cap	Permit Holder Compensation
Killdeer	Sales, Use and Gross Receipts	1% - 4-1-95 ½% - 1-1-07	135	1½%	Natural gas New farm machinery	$25/sale before 1-1-07 $37.50/sale effective -1-1-07	None
Kulm	Sales, Use and Gross Receipts	4-1-98	165	1%	None	$25/sale	None
Lakota	Sales, Use and Gross Receipts	1-1-07	213	1%	None	None	None
LaMoure	Sales, Use and Gross Receipts	1% - 1-1-97 ½% - 1-1-05	149	1½%	Natural gas New farm machinery	$25/sale	None
Langdon	Sales, Use and Gross Receipts	1-1-94	123	1%	Natural gas New farm machinery Coin-operated amusement	$25/sale	3% Max. - $83.33/ month or $250.00/quarter
Larimore	Sales, Use and Gross Receipts	1-1-95	128	1%	None	$25/sale	None
Lidgerwood	Sales, Use and Gross Receipts	10-1-00	181	1%	None	$25/sale	None
Linton	Sales, Use and Gross Receipts	1% - 10-1-93 1% - 10-1-06	121	2%	Natural gas Coin-operated amusement	None	3% Max. - $50.00/ month or $150.00/quarter
Lisbon	Sales, Use and Gross Receipts	7-1-95	136	1%	Natural gas New farm machinery New farm irrigation equipment	$25/sale	None
ddock	Sales, Use and Gross Receipts	10-1-02	193	1½%	None	$25/sale	None
Mandan	Sales, Use and Gross Receipts	4-1-91	108	1%	Natural gas Coin-operated amusement	$25/sale	3% Max. - $83.33/ month or $250.00/quarter
Mayville	Sales, Use and Gross Receipts	1% - 1-1-97 1% - 7-1-03	150	2%	Coin-operated amusement	$25/sale before 7-1-03 $50/sale effective 7-1-03	None
McClusky	Sales, Use and Gross Receipts	1-1-96	140	1%	None	$25/sale	None
McVille	Sales, Use and Gross Receipts	1-1-02	188	1%	New farm machinery Coin-operated amusement	$25/sale	None
Medora	Sales, Use and Gross Receipts	4-1-02	178	2½%	None	$25/single unit purchase	None
Michigan	Sales, Use and Gross Receipts	1% - 10-1-01 ½% - 4-1-04	187	1½%	None	$25/sale	None
Milnor	Sales, Use and Gross Receipts	10-1-02	169	1½%	New farm machinery	$25/sale	None
Minnewaukan	Sales, Use and Gross Receipts	1-1-07	214	1½%	Natural gas New farm machinery New farm irrigation equipment	None	None

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City	Tax Type	Current Rate Initiated	Location Code	Rate	Not Subject to Local Tax	*Refund Cap	Permit Holder Compensation
Minot	Sales, Use and Gross Receipts	1-1-98	103	2%	Natural gas Mobile homes New farm machinery New farm irrigation equipment Coin-operated amusement	$50/customer/day	5% Max. - $83.33/ month or $250.00/quarter
Mohall	Sales, Use and Gross Receipts	10-1-92	114	1%	New farm machinery	$25/sale	None
Mott	Sales, Use and Gross Receipts	1% - 4-1-97 ½% - 4-1-04	153	1½%	None	$25/sale	None
Munich	Sales, Use and Gross Receipts	1-1-99	173	1%	Natural gas Coin-operated amusement	$25/sale	3% Max. - $50.00/ month or $150.00/quarter
Napoleon	Sales, Use and Gross Receipts	10-1-96	144	1%	Natural gas	$25/sale	3% Max. - $50.00/ month or $150.00/quarter
Neche	Sales, Use and Gross Receipts	1-1-04	201	1%	Natural gas New farm machinery	$25/sale	None
New England	Sales, Use and Gross Receipts	10-1-02	194	1%	None	$25/sale	None
New Leipzig	Sales, Use and Gross Receipts	1-1-99	174	1%	None	$25/sale	None
New Rockford	Sales, Use and Gross Receipts	10-1-96	145	1%	None	$25/sale	None
Northwood	Sales, Use and Gross Receipts	1% - 1-1-03 ½% - 10-1-06	197	1½%	Coin-operated amusement	$25/sale before 10-1-06 None between 10/1/06 and 1/1/07 $37.50/sale effective 1-1-07	None
Oakes	Sales, Use and Gross Receipts	1% - 10-1-96 ½% - 10-1-03	146	1½%	None	$25/sale	3% Max. - $83.33/ month or $250.00/quarter
Oxbow	Sales, Use and Gross Receipts	1-1-02	189	1%	Coin-operated amusement	None	None
Page	Sales, Use and Gross Receipts	4-1-05	208	1%	None	$25/sale	None
Park River[1,2]	Sales, Use and Gross Receipts	1% - 1-1-95 1% - 7-1-05	130	2%	New farm machinery Coin-operated amusement	$25/sale	None
Pembina	Sales, Use and Gross Receipts	1-1-93	119	1%	None	$25/sale	None
Portland	Sales, Use and Gross Receipts	1% - 1-1-97 1% - 7-1-03	151	2%	Coin-operated amusement	$25/sale before 7-1-03 $50/sale effective 7-1-03	None

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City	Tax Type	Current Rate Initiated	Location Code	Rate	Not Subject to Local Tax	*Refund Cap	Permit Holder Compensation
Powers Lake	Sales, Use and Gross Receipts	4-1-97	154	1%	Natural gas New farm machinery	$25/sale	3% Max.-$83.33/ month or $250.00/quarter
Reeder	Sales, Use and Gross Receipts	1-1-03	198	1%	New farm machinery	$25/sale	None
Regent	Sales and Gross Receipts Only	1-1-97	152	1%	None	$25/sale	None
Richardton	Sales and Gross Receipts Only	10-1-97	159	1%	New farm machinery	$25/sale	None
Rolette	Sales, Use and Gross Receipts	1-1-03	199	1%	None	$25/sale	None
Rolla	Sales, Use and Gross Receipts	1% - 1-1-94 ½% - 10-1-04	125	1½%	New farm machinery	$25/sale	None
Rugby	Sales, Use and Gross Receipts	1-1-93	118	1%	Natural gas New farm machinery New farm irrigation equipment	$25/sale	3% Max. - $50.00/ month or $150.00/quarter
Scranton	Sales and Gross Receipts Only	4-1-02	190	1%	Natural gas	$25/sale	None
St. John	Sales, Use and Gross Receipts	1-1-01	186	1%	Natural gas Coin-operated amusement	$25/sale	3% Max. - $83.33/ month or $250.00/quarter
Stanley	Sales, Use and Gross Receipts	10-1-95	137	1%	Natural gas New farm machinery	$25/sale	3% Max. - $83.33/ month or $250.00/quarter
Steele	Sales, Use and Gross Receipts	10-1-96	147	1%	None	$25/sale	None
Strasburg	Sales, Use and Gross Receipts	4-1-93	120	1%	Natural gas Coin-operated amusement	$25/sale	3% Max. - $50.00/ month or $150.00/quarter
Tioga[4]	Sales, Use and Gross Receipts	1-1-95	132	1%	Natural gas New farm machinery	$25/sale	None
Tower City	Sales, Use and Gross Receipts	10-1-02	195	1%	Natural gas New farm machinery	$25/sale	None
Towner	Sales, Use and Gross Receipts	10-1-98	170	1%	Natural gas New farm machinery New farm irrigation equipment	$25/sale	3% Max.-$50.00/ month or $150.00/quarter
Turtle Lake	Sales, Use and Gross Receipts	10-1-00	182	1%	New farm machinery New farm irrigation equipment Natural gas Coin-operated amusement	$25/sale	None

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City	Tax Type	Current Rate Initiated	Location Code	Rate	Not Subject to Local Tax	*Refund Cap	Permit Holder Compensation
Underwood	Sales, Use and Gross Receipts	10-1-06	211	1½%	New farm machinery	None	None
Valley City	Sales, Use and Gross Receipts	1% - 1-1-92 ½% - 7-1-03	113	1½%	Natural gas New farm machinery	$25.00/sale before 7-1-03 $37.50/sale effective 7-1-03	None
Velva	Sales, Use and Gross Receipts	1-1-99	175	1%	Natural gas New farm machinery New farm irrigation equipment Coin-operated amusement	$25/sale	None
Wahpeton	Sales, Use and Gross Receipts	10-1-99	111	1½%	Coin-operated amusement New farm machinery New farm irrigation equipment	$25/sale	3% No maximum
Walhalla	Sales, Use and Gross Receipts	10-1-97	160	1%	Natural gas New farm machinery	$25/sale	None
Washburn	Sales, Use and Gross Receipts	10-1-00	183	1%	Natural gas	$25/sale	3% Max.-$83.33/ month or $250.00/quarter
Watford City	Sales, Use and Gross Receipts	10-1-98	171	1%	Natural gas New farm machinery Coin-operated amusement	$25/sale	3% Max.-$83.33/ month or $250.00/quarter
West Fargo	Sales, Use and Gross Receipts	10-1-94	129	1%	Coin-operated amusement	$25/sale	None
Williston[4]	Sales, Use and Gross Receipts	1% - 7-1-91 1% - 4-1-03	109	2%	Natural gas New farm machinery New farm irrigation equipment Coin-operated amusement	$25/sale before 4-1-03 $50/sale effective 4-1-03	3% Max. - $83.33/ month or $250.00/quarter
Wilton	Sales, Use and Gross Receipts	10-1-00	184	1%	Natural gas	$25/sale	3% Max.-$83.33/ month or $250.00/quarter
Wimbledon	Sales, Use and Gross Receipts	1-1-05	205	1%	Natural gas sales New farm machinery	$25/sale	None
Wishek	Sales, Use and Gross Receipts	4-1-97	155	1%	New farm machinery New farm irrigation equipment	None	None

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County	Tax Type	Current Rate Initiated	Location Code	Rate	Not Subject to Local Tax	*Refund Cap	Permit Holder Compensation
ss	Sales and Gross Receipts only	10-1-99 **Repealed** effective 4-1-03	501	½%	Coin-operated amusement Coin-operated vending sales of 99 cents or less	$12.50/sale	None
Steele[3]	Sales, Use and Gross Receipts	4-1-05	503	1%	Coin-operated vending sales of 99 cents or less Coin-operated amusement	$25/sale	None
Walsh[2]	Sales, Use and Gross Receipts	4-1-01	502	¼%	Natural gas New farm machinery New farm irrigation equipment	$25/sale	None
Williams[4]	Sales and Use Only	10-1-06	504	½%	New farm machinery New farm irrigation equipment Coin-operated vending sales of 99 cents or less Coin-operated amusement Alcoholic beverages	$12.50/sale	None

[1] **Park River Rate:** From 1-1-05 through 6-30-05 the city sales tax rate was 2 percent and the use tax rate was 1 percent. Effective 7-1-05 both the sales, use and gross receipts tax are at 2 percent.

[2] **Walsh County:** Edinburg, Grafton, Hoople and Park River are located within Walsh County. The county sales, use and gross receipts tax is in addition to state and city sales, use and gross receipts tax.

[3] **Steele County:** Finley and Hope are located within Steele County. The county sales, use and gross receipts tax is in addition to state and city sales, use and gross receipts tax.

[4] **Williams County:** Grenora, Tioga, and Williston are located within Williams County. The county sales and use tax is in addition to state and city sales, use and gross receipts tax.

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STATE SALES TAXES

The Office of State Tax Commissioner has prepared a number of sales and use tax guidelines that provide a better understanding of the North Dakota sales and use laws. These guidelines are available on our web site at ***www.nd.gov/tax***.

State Sales Tax Rates:

- 2 percent on the total receipts from retail sales of natural gas.
- 3 percent on the total receipts from retail sales of new mobile homes. (Used mobile homes are exempt.)
- 5 percent on the total receipts from all other taxable retail sales of tangible personal property and services except where alcohol or farm machinery gross receipts taxes apply.

Gross Receipt Tax Rates:

- 1 percent on the gross receipts from the leasing or renting of hotel, motel or tourist court accommodations for period of less than 30 consecutive days, excluding bed and breakfast accommodations. (5% state sales tax is also applicable.)
- 3 percent on the gross receipts from retail sales of new farm machinery and new irrigation equipment used exclusively for agricultural purposes. (Used farm machinery and used irrigation equipment used exclusively for agricultural purposes are exempt.)
- 7 percent on the gross receipts from retail sales of alcoholic beverages sold for consumption either on or off-the-premises.

21847

NDLA, H PSD

From: Kasper, Jim M.
Sent: Friday, February 02, 2007 1:18 PM
To: Kasper, Jim M.; -Grp-NDLA House CC
Cc: jmkasper@amg-nd.com
Subject: FW: HB 1449--TRUE PROPERTY TAX REFORM BILL--02/02/07-- FROM REP. JIM KASPER

From: Kasper, Jim M.
Sent: Friday, February 02, 2007 12:38 PM
To: Kasper, Jim M.
Subject: FW: HB 1449--Property Tax Reform Bill--from Rep. Kasper;Rep. Thoreson; Rep. Ruby; Rep. Dosch; Rep. Wrangham

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From: Kasper, Jim M.
Sent: Thursday, January 25, 2007 7:19 PM
To: -Grp-NDLA House Republicans
Cc: Kasper, Jim M.
Subject: HB 1449--Property Tax Reform Bill--from Rep. Kasper;Rep. Thoreson; Rep. Ruby; Rep. Dosch; Rep. Wrangham

Greetings House Colleagues:

Because HB 1449 has been amended in the House Finance and Tax Committee, I want to go through the changes in the bill for your consideration. Let me just re-iterate strongly that HB 1449 deals ONLY WITH PROPERTY TAX REFORM AND RELIEF. It does not address any Income Tax relief.

As an opening comment, this bill will substantially amend the current Property Tax sections of ND law and will give substantial property tax relief to the people of North Dakota. Additionally, it will slow the growth of future property tax increases by putting caps on the future growth of property taxes. Because the language and formulas in current ND law are somewhat technical in nature, when we amend them, we are by necessity dealing with quite technical language. There is no way to avoid that when dealing with this section of the statutes. However, the bottom line of the bill is VERY VERY SIMPLE, as you will see from the outline below:

SECTION 1 AND SECTION 2

In these two sections, we simply amend current law to state that Home Rule Charter cities and counties in ND cannot circumvent the limits and caps to their property taxes collected that are being put into effect by HB 1449. It would make no sense to pass property tax reform if we allowed a Home Rule Charter to throw out the changes we make and allow the spending and taxes to keep on increasing by using their Home Rule Charter to circumvent the limits in the bill.

SECTION 3

in some cities in ND, the Assessors are adding in the cost of Specials to increase the "True and Full Value", of a home that they assess, which increases the True and Full Value of a home for tax purposes. Section 3 does not allow assessors to add the Specials on to the value of a home to increase the True and Full Value of the home. Specials are a cost to a home owner not an asset to the home owner.

SECTION 4

This is the section of the bill which substantially increases the Homestead Tax credit for seniors over age 65 and those who are permanently and totally disabled. Under current law, the citizens who qualify cannot have incomes in excess of $14,500 to receive any Homestead property tax reduction. Additionally, the total amount of Homestead tax relief paid to ND citizens in 2006 was only $2,025,000.

HB 1449 will increase the income limits to qualify for a Homestead Tax credit to up to $ 25,000 . The big majority of Homestead tax relief will go to the lower income citizens. Following are the limits:

1. INCOME LESS THAN $15,000: These people will receive a reduction in the True and Full Value of their Homestead of 50% or $75,000, whichever is greater.

2. INCOME FROM $15,000 TO $ 17,000: These people will receive a reduction in the True and Full Value of their Homestead of 40% or $60,000, whichever is greater.

3. INCOME FROM $ 17,000 TO $ 22,000: These people will receive a reduction in the True and Full Value of their Homestead of 30% or $45,000, whichever is greater.

4. INCOME FROM $ 22,000 TO $ 25,000: These people will receive a reduction in the True and Full Value to their Homestead of 20% or $30,000, whichever is greater.

To avoid giving too much of the dollars to the real wealthy, we put a cap of no more than a $ 150,000 reduction in your true and full value, so that those with million dollar homes, etc. do not eat up a big amount of the Homestead tax dollars paid out.

We also cap the total amount of Homestead Tax Credit paid annually for citizens to no more than $ 5,000,000 per year or $ 10,000,000 per Bi-ennium.

SECTION 5 and SECTION 6 and SECTION 7.

In these sections, we cap the amount of growth or increase in a Properties TAXABLE VALUATION to no more than 2% over the previous years TAXABLE VALUATION. Taxable Valuation IS NOT the sales price or market price of your property, if you were to sell it.

TAXABLE VALUATION of your home IS DETERMINED BY TAKING YOUR ASSESSED VALUATION (which is your true and full value or most likely your selling price if you were to sell your home), and dividing it by 50% and then taking that number times 9%. So as an example, if your home were worth $100,000 this would be your True and Full Value, we would divide the $100,000 by 2 to equal $50,000 and then multiply by 9%, to equal $4,500, which is your TAXABLE VALUATION. This is the value that the mil levies are calculated against. This is also the value that we do not allow to increase greater than 2% from the previous year. So, your taxable valuation of $4,500 could not increase to greater than $4,590 from the current year to the following year.

We also require that for new construction, the assessor must first assess the new construction to determine True and Full Value, and then look to comparable properties of the same True and Full Value, and then give that new property a Taxable Value that is reduced downward to be on the average with other properties. This formula will not penalize new construction and require them to pay higher property taxes than older homes, etc.

SECTION 8

Requires that a property owner be given 30 days written notice if the assessed valuation is going to increase by more than 2% from the previous year. There is an appeal process the property owner can then follow.

SECTION 9

This section limits the total amount of property taxes from all sources that any taxing authority can collect from one year to the next, to NO MORE THAN A 4% INCREASE FROM THE PREVIOUS YEARS AMOUNT OF PROPERTY TAXES COLLECTED.

Section 9 also allows that a taxing authority can ask the people to allow them to increase their property taxes collected above this 4% cap, and if 60% or more of the people vote to allow it, the taxes collected can be greater than 4%.

The last resort for the local taxing entities is to come to the Legislature and ask for more money. As the Legislature has been blamed for Property tax increases for many years, let the local taxing authorities make their case to the Legislature in the future for more money.

SECTION 10

Section 10 requires that the county treasurer mail to each person or entity paying property taxes a statement that shows the current years property tax data AND THE PREVIOUS 4 YEARS HISTORY OF PROPERTY TAXES LEVIED. This will show the taxpayers on one sheet of paper their last 5 years property tax records.

Education and knowledge is a wonderful thing

SECTION 11

1. Requires that in order to receive property tax relief under HB1449, one must HAVE HIS OR HER HOMESTEAD IN NORTH DAKOTA. This requirement will save about $25,000,000 of money going out to non-residents of North Dakota. This part IS CONSTITUTIONAL IF THE LEGISLATURE PASSES IT. This limitation IS USED CURRENTLY BY NUMEROUS STATES, MINNESOTA BEING THE CLOSEST. In order for this provision to be ruled unconstitutional, 4 of 5 North Dakota Supreme Court justices must rule it unconstitutional.

2. We also provide that the state of North Dakota will pay 8% of the property taxes of Residential property, 4 % of Agricultural property taxes and 4 % of Commercial property taxes. WE CAP THE TOTAL AMOUNT PAID OUT HERE TO $ 35,000,000 PER YEAR AND

$ 70,000,000 PER BI-ENNIUM.

3. If your property taxes are Delinquent, you are not eligible to receive this payment from the state.

SECTION 12 AND 13

Section 12 says that if you qualify for a discount due to timely payment of your property taxes, the discount applies after deduction of the credit paid by the state.

Section 13 requires that it is clearly written on your tax statement the amount of taxes that the state of ND paid for you.

SECTION 14

Appropriates from the General Fund the $ 35,000,000 that the state will be paying for ND property tax relief and the $ 5,000,000 that will be paid for the Homestead Tax Credit for seniors and disabled ND citizens each year, for a total of $80,000,000 for the bi-ennium.

CONCLUDING COMMENTS

Let me state again that HB 1449 is entirely about property tax relief and reform. We believe it addresses the Basic Cause of the increase of Property Taxes for our North Dakota Property Taxpayers in the past number of years which has been caused by the INCREASED TAXABLE VALUES OF THE PROPERTY BEING TAXED. Our local taxing entities have not been able to hold the line on spending and have not had the disciple to reduce mil levies as these Taxable Values have been increasing. HB 1449 will dramatically slow down these increases and have true tax reduction in the future for the Property Taxpayers of the state of North Dakota.

WE ASK YOUR SUPPORT WHEN HB 1449 COMES ON THE FLOOR IN THE NEAR FUTURE.

Thank you very much.

Rep. Jim Kasper
Rep. Mark Dosch
Rep. Blair Thoreson
Rep. Dan Ruby
Rep. Dwight Wrangham