

**SECOND ENGROSSMENT - MINORITY REPORT
with House Amendments**

Sixty-first
Legislative Assembly
of North Dakota

REENGROSSED SENATE BILL NO. 2199

Introduced by

Senators Wardner, Cook, O'Connell

Representatives Kaldor, Monson, Svedjan

1 A BILL for an Act to create a property tax relief sustainability fund; to create and enact two new
2 subdivisions to subsection 3 of section 57-15-01.1, a new section to chapter 57-38, a new
3 subdivision to subsection 7 of section 57-38-30.3, and chapter 57-64 of the North Dakota
4 Century Code, relating to allocation of state funds to school districts for mill levy reduction
5 grants and an income tax credit for renters of residential property; to amend and reenact
6 sections 57-15-14 and 57-15-31 of the North Dakota Century Code, relating to property tax
7 levies of school districts; to provide an appropriation; to provide for transfers; and to provide an
8 effective date.

9 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

10 **SECTION 1.** Two new subdivisions to subsection 3 of section 57-15-01.1 of the North
11 Dakota Century Code are created and enacted as follows:

12 Increased, for a school district determining its levy limitation under this
13 section, by the amount the school district's mill levy reduction grant under
14 section 57-64-02 for the base year exceeds the amount of the school district's
15 mill levy reduction grant under section 57-64-02 for the budget year.

16 Reduced for a school district determining its levy limitation under this section,
17 by the amount the school district's mill levy reduction grant under section
18 57-64-02 for the budget year exceeds the amount of the school district's mill
19 levy reduction grant under section 57-64-02 for the base year.

20 **SECTION 2. AMENDMENT.** Section 57-15-14 of the North Dakota Century Code is
21 amended and reenacted as follows:

22 **57-15-14. General fund levy limitations in school districts.** The aggregate amount
23 levied each year for the purposes listed in section 57-15-14.2 by any school district, except the

Fargo school district, may not exceed the amount in dollars which the school district levied for the prior school year plus eighteen percent up to a general fund levy of one hundred eighty-five mills on the dollar of the taxable valuation of the district, except that:

1. In any school district having a total population in excess of four thousand according to the last federal decennial census:
 - a. ~~There~~ there may be levied any specific number of mills that upon resolution of the school board has been submitted to and approved by a majority of the qualified electors voting upon the question at any regular or special school district election.
 - b. ~~There is no limitation upon the taxes which may be levied if upon resolution of the school board of any such district the removal of the mill levy limitation has been submitted to and approved by a majority of the qualified electors voting at any regular or special election upon such question.~~
2. In any school district having a total population of ~~less~~ fewer than four thousand, there may be levied any specific number of mills that upon resolution of the school board has been approved by fifty-five percent of the qualified electors voting upon the question at any regular or special school election.
3. After June 30, ~~2007~~ 2009, in any school district election for approval by electors of ~~unlimited or~~ increased levy authority under subsection 1 or 2, the ballot must specify the number of mills, ~~the percentage increase in dollars levied, or that unlimited levy authority is proposed for approval, and the number of taxable years for which that approval is to apply.~~ After June 30, ~~2007~~ 2009, approval by electors of ~~unlimited or~~ increased levy authority under subsection 1 or 2 may not be effective for more than ten taxable years.
4. The authority for an unlimited levy approved by electors of a school district before July 1, 2009, is terminated effective for taxable years after 2018. If the electors of a school district subject to this subsection have not approved a levy of up to a specific number of mills under this section by December 31, 2018, the school district levy limitation for subsequent years is subject to the limitations under section 57-15-01.1 or this section.

The question of authorizing or discontinuing such specific number of mills authority ~~or unlimited taxing authority~~ in any school district must be submitted to the qualified electors at the next regular election upon resolution of the school board or upon the filing with the school board of a petition containing the signatures of qualified electors of the district equal in number to ten percent of the number of electors who cast votes in the most recent election in the school district. However, not fewer than twenty-five signatures are required ~~unless the district has fewer than twenty-five qualified electors, in which case the petition must be signed by not less than twenty-five percent of the qualified electors of the district. In those districts with fewer than twenty-five qualified electors, the number of qualified electors in the district must be determined by the county superintendent for such county in which such school is located.~~ However, the approval of discontinuing ~~either~~ such authority does not affect the tax levy in the calendar year in which the election is held. The election must be held in the same manner and subject to the same conditions as provided in this section for the first election upon the question of authorizing the mill levy.

SECTION 3. AMENDMENT. Section 57-15-31 of the North Dakota Century Code is amended and reenacted as follows:

57-15-31. Determination of levy. The amount to be levied by any county, city, township, school district, park district, or other municipality authorized to levy taxes shall be computed by deducting from the amount of estimated expenditures for the current fiscal year as finally determined, plus the required reserve fund determined upon by the governing board from the past experience of the taxing district, the total of the following items:

1. The available surplus consisting of the free and unencumbered cash balance.
2. Estimated revenues from sources other than direct property taxes.
3. The total estimated collections from tax levies for previous years.
4. Such expenditures as are to be made from bond sources.
5. The amount of distributions received from an economic growth increment pool under section 57-15-61.
6. The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03.
7. The amount reported to a school district by the superintendent of public instruction as the school district's mill levy reduction grant for the year under section 57-64-02.

1 Allowance may be made for a permanent delinquency or loss in tax collection not to exceed
2 five percent of the amount of the levy.

3 **SECTION 4.** A new section to chapter 57-38 of the North Dakota Century Code is
4 created and enacted as follows:

5 **Renter's credit.** A taxpayer is entitled to a tax credit against tax liability as determined
6 under section 57-38-29 or 57-38-30.3 equal to three percent of the first six thousand five
7 hundred dollars of rent paid during the taxable year for the right of occupancy of a dwelling in
8 this state occupied as the taxpayer's primary residence. The claimant of a credit under this
9 section must provide information required by the tax commissioner to verify eligibility for the
10 credit under this section, including a statement from the lessor of the amount of rent paid for the
11 dwelling during the taxable year. Rental of a dwelling in a nursing home, intermediate care
12 facility, long-term care residential facility, or dwelling for which the landlord and tenant have not
13 dealt with each other at arm's length is not eligible for the credit under this section. If a dwelling
14 has more than one occupant renter, only one occupant may claim the credit under this section
15 and how the credit will be apportioned among the occupants is the responsibility of the
16 occupants.

17 **SECTION 5.** A new subdivision to subsection 7 of section 57-38-30.3 of the North
18 Dakota Century Code is created and enacted as follows:

19 Renter's credit under section 4 of this Act.

20 **SECTION 6.** Chapter 57-64 of the North Dakota Century Code is created and enacted
21 as follows:

22 **57-64-01. Definitions.** For purposes of this chapter:

- 23 1. "Combined education mill rate" means the combined number of mills levied by a
24 school district for the general fund, high school tuition, and high school
25 transportation.
- 26 2. "Qualifying school district" means a school district that meets the conditions and
27 requirements of this chapter to receive a mill levy reduction grant.
- 28 3. "Weighted student unit" means weighted student unit as determined for the school
29 district under chapter 15.1-27.

1 **57-64-02. Mill levy reduction allocation and grant.** Each qualifying school district in
2 the state is entitled to a mill levy reduction allocation and grant as provided in this chapter,
3 subject to legislative appropriation to the superintendent of public instruction.

4 1. The mill levy reduction allocation rate for each qualifying school district is equal to
5 the payments to the school district based on the per student payment rate as
6 determined for the school year under chapter 15.1-27.

7 2. The grant to a qualifying school district may not exceed the smallest of:

8 a. The allocation determined under subsection 1;

9 b. The taxable valuation of residential and agricultural property in the school
10 district in the previous taxable year times the number of mills determined by
11 subtracting forty mills from the combined education mill rate of the school
12 district for taxable year 2008; or

13 c. The taxable valuation of residential and agricultural property in the school
14 district in the previous taxable year times one hundred fifty mills.

15 3. The grant to a qualifying school district may not be less than the grant to that
16 school district in the preceding school year.

17 4. The superintendent of public instruction shall report to each qualifying school
18 district by July fifteenth of each year the mill levy reduction grant in dollars
19 available to that school district during the upcoming school year.

20 5. By December first, January first, February first, and March first of each school
21 year, the superintendent of public instruction shall forward to each qualifying
22 school district installments equal to twenty-five percent of the total mill levy
23 reduction grant the district is eligible to receive during that school year.

24 6. Allocations to a school district under this chapter are not considered per student
25 payments or state aid for purposes of chapter 15.1-27.

26 7. For all purposes under law relating to allocation of funds among political
27 subdivisions based on property tax levies, property taxes levied by a school district
28 are the amount that would have been levied without the mill reduction grant
29 provided to the school district under this chapter.

30 **57-64-03. School district levy compliance.**

1 1. To be eligible to receive a grant under this chapter, a qualifying school district must
2 establish a spending level that does not result in a general fund mill rate for
3 residential and agricultural property exceeding forty mills. The certificate of levy
4 form filed with the county auditor by a qualifying school district must reflect the
5 revenue to be received by the school district under this chapter and that the
6 general fund mill rate for the school district will not exceed forty mills for residential
7 and agricultural property unless:

8 a. The district has approval of a majority of the electors of the school district for
9 a higher levy;

10 b. The higher levy is the result of a school district reorganization in compliance
11 with chapter 15.1-12; or

12 c. The higher levy does not produce an amount in dollars exceeding the amount
13 allowed under section 57-15-01.1 for taxable year 2008 reduced by the
14 amount of the school district's mill levy reduction grant under section 57-64-02
15 for the budget year.

16 2. The authority under subdivision a or b of subsection 1 for a school district to levy a
17 general fund mill rate for residential and agricultural property exceeding forty mills
18 applies for not more than ten taxable years after taxable year 2008 unless a
19 majority of the electors of the school district approve an extension of that authority.
20 Approval by electors of extension of levy authority under subdivision a or b of
21 subsection 1 is effective for not more than ten taxable years at a time. A ballot
22 measure for approval by electors of extension of levy authority under subdivision a
23 or b of subsection 1 is subject to the following:

24 a. The ballot measure must specify the number of mills for the general fund mill
25 rate for which approval is sought.

26 b. If a ballot measure for approval of authority to levy a specific number of mills
27 is not approved by a majority of the electors of the school district voting on the
28 question, the school general fund levy limitation for subsequent years is
29 subject to the limitations under section 57-15-01.1 or 57-15-14.

30 **57-64-04. Levy reduction priority.** The mill levy reduction grant to a school district
31 under this chapter must be applied to reduce the combined education mill rate of the school

district as it applies to residential and agricultural property in the school district. If the combined mill rate of the school district is reduced to zero for residential and agricultural property, any remaining amount of the grant must be applied proportionately to reduction of the combined mill rate for other taxable property in the school district. In setting mill rates for qualified school districts, the county auditor shall apply funds allocated to a school district under this chapter for mill levy reduction first to reduce the number of mills levied for general fund purposes and, if allocation funds remain after the general fund mill rate is reduced to zero, the balance must be applied to reduce the high school tuition levy and then to reduce the high school transportation levy of the qualified school district.

57-64-05. Tax increment financing district revenue replacement grants.

1. A city in which a tax increment financing district was established before January 1, 2009, is entitled to a grant, subject to legislative appropriation, to reimburse the district for the loss of tax increments attributable to the mill levy reduction under this chapter for the school district in which the tax increment financing district property is located. The grant to which a city is entitled under this section is equal to the combined education mill rate reduction under this chapter for the school district for the taxable year times the incremental value of residential and agricultural property that had a tax increment value before January 1, 2009, as determined under section 40-58-20, discounted by five percent as allowed for taxpayers under section 57-20-09.
2. Applications for grants under this section must be filed with the tax commissioner by January thirty-first immediately following the taxable year of the combined education mill rate reduction under this chapter. Applications must be filed on a form prescribed by the tax commissioner. The tax commissioner shall audit applications, make corrections as required, and certify grant amounts and recipients to the state treasurer for payment of grants by March thirty-first following receipt of applications.

SECTION 7. Property tax relief sustainability fund. The property tax relief sustainability fund is a special fund in the state treasury. Moneys in the fund may be spent, pursuant to legislative appropriations, for property tax relief programs.

1 **SECTION 8. APPROPRIATION.** There is appropriated out of any moneys in the
2 general fund in the state treasury, not otherwise appropriated, the sum of \$395,000,000, or so
3 much of the sum as may be necessary, to the superintendent of public instruction for the
4 purpose of allocation of mill levy reduction grants to school districts under chapter 57-64, for the
5 biennium beginning July 1, 2009, and ending June 30, 2011.

6 **SECTION 9. APPROPRIATION.** There is appropriated out of any moneys in the
7 permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of
8 \$1,720,000, or so much of the sum as may be necessary, to the state treasurer for the purpose
9 of allocation of revenue replacement grants to tax increment financing districts under section
10 57-64-05, for the biennium beginning July 1, 2009, and ending June 30, 2011.

11 **SECTION 10. APPROPRIATION.** There is appropriated out of any moneys in the
12 permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of
13 \$1,000,000, or so much of the sum as may be necessary, to the information technology
14 department for the purpose of providing grants to counties that demonstrate to the satisfaction
15 of the department that the county has incurred technology-related costs directly related to
16 enactment of this Act.

17 **SECTION 11. TRANSFER - PERMANENT OIL TAX TRUST FUND - GENERAL**
18 **FUND.** The office of management and budget shall transfer the sum of \$395,000,000 from the
19 permanent oil tax trust fund to the general fund on July 1, 2009.

20 **SECTION 12. TRANSFER - PERMANENT OIL TAX TRUST FUND - PROPERTY TAX**
21 **RELIEF SUSTAINABILITY FUND.** The office of management and budget shall transfer the
22 sum of \$395,000,000 from the permanent oil tax trust fund to the property tax relief
23 sustainability fund on July 1, 2010.

24 **SECTION 13. EFFECTIVE DATE.** Sections 1, 2, 3, 4, and 5 of this Act are effective for
25 taxable years beginning after December 31, 2008.