

To: Chairman Jessica Bell, Finance & Taxation Committee

From: Katie Paulson, McKenzie County Recorder/Tax Equalization Director

RE: SB 2270

Chairman Bell and Committee Members,

My name is Katie Paulson, and I am the McKenzie County Recorder/Tax Equalization Director. I am here to oppose SB 2270, a bill that proposes to allow a person 65 years of age or older to file an irrecoverable claim that reduces the valuation of their property by 70% of their primary residence.

As Tax Director, it is my duty to ensure that the properties in McKenzie County are valued at market value and remain equalized in relation to the other properties within my county. The purpose of this process is to spread the property tax burden to our property owners in fair and equitable manner. I believe strongly in this process as I have spent many hours training, analyzing, and executing models that support where the valuation from each property comes from.

When lawmakers propose laws that will provide ways that properties can be valued or discounted to a level that is drastically below market value, this process is completely undermined and makes the property tax burden heavier on some of the property owners. I believe that although the intentions of this bill are to help our aging population with financial limitations; the repercussions of a bill like this would be negative. In the bill there is no mention of income or assets, the qualification for this reduction. When I think of the drastic number of property owners within my jurisdiction that are 65 and older, the amount of valuation that

would be removed from our tax rolls would be a substantial number. That tax burden would be shifted to our working families, farmers, and business owners. When I think of fair and equitable, this is not what will work.

I do believe that there could be a different solution to helping our residents that are retired and on a limited income. The state already offers the Homestead Credit which allows seniors and disabled people to apply for some financial help on their property tax. Currently if these folks apply and qualify based on their income level, they can receive help on up to \$125,000 in total valuation. The level of reduction is a tiered approach that is based off of their income as long as it is less than \$42,000 annually, and there are deductions that are allowed for medical expenses.

I have heard the complaints from our long-time residents that have seen property values exceed this valuation over the last decade that I have lived in McKenzie County. In 2010 the median price of a single-family home was \$53,500; in 2019 the median price for a single-family home was \$285,000. The median is the mid-point measurement of the sales, it is less skewed than an average, and I can tell you that with the increase in transactions over the last few years that it is a trend for our residents. Our real estate market is inflated because of the oil activity, but I am certain that there are counties that haven't seen this drastic of a change in their respective markets, but many have seen some level of increase. The owners that have lived in their homes for an extended amount of time have been affected by steep value changes to keep up with the market, so I understand their trepidation over what is affordable today. I think that the intentions of this bill to provide some tax relief could be addressed by raising the value the credit covers and income qualification that is covered by this credit. The Homestead

Credit allows for the valuation to still be carried out equally within each jurisdiction, and the credit gets paid to the counties from the state. This program does not shift the tax burden to the rest of the taxpayers, but it provides direct relief to the qualified applicants' tax bills. It has been a number of years since the amount covered by the credit has been raised.

Exemptions and blanket reductions do help those that qualify, but it comes at an expense to all of those who do not qualify. I realize that the fund that pays the counties for the Homestead Credit comes from other tax dollars that are allocated by the state, so I also understand that changing the credit value would have implications to the state fund that disperses the money back to the counties, but the program has already been successfully implemented for a number of years and proven to provide direct assistance to our retired residents with limited income without shifting the burden to the working families.

I strongly urge the committee to keep the equalization process intact and **DO NOT PASS SB 2270.**

Thank you for your consideration and time.

Katie Paulson, McKenzie County Recorder/Tax Equalization Director