

**HOUSE BILL NO. 1335**

Introduced by

Representatives Owens, DeKrey, Delmore, Dietrich, S. Kelsh

1 A BILL for an Act to create and enact two new sections to chapter 57-02 and a new section to  
2 chapter 57-15 of the North Dakota Century Code, relating to a homestead property tax relief  
3 credit, establishment of a property tax relief trust fund, and limitations on property tax increases;  
4 to amend and reenact subsection 15 of section 57-02-08 and section 57-02-27 of the North  
5 Dakota Century Code, relating to the property tax exemption for farm residences and valuation  
6 of property for property tax purposes; and to provide an effective date.

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

8 **SECTION 1.** A new section to chapter 57-02 of the North Dakota Century Code is  
9 created and enacted as follows:

10 **Homestead property tax relief credit.**

11 1. The owner of a homestead is entitled to claim a credit against property taxes levied  
12 on the homestead in the amount of the percentage specified in subsection 2  
13 applied to the total amount of property taxes, with any discount for early payment  
14 of taxes, levied on the homestead for the taxable year by all taxing districts or in  
15 the amount of the entire amount levied on the homestead by school districts for  
16 general fund, high school tuition, and high school transportation purposes,  
17 whichever amount is less. The entire amount of a homestead credit allowed under  
18 this section must be deducted from property taxes levied by school districts on the  
19 homestead. The legislative assembly shall provide appropriations from the  
20 property tax relief trust fund sufficient for allocation by the state treasurer, as  
21 certified by the tax commissioner, to school districts to reimburse each school  
22 district for property tax revenue collections not received by the school district as a  
23 result of the credit allowed under this section.

- 1           2.   The percentage reduction for the credit against property taxes under subsection 1  
2                   is ten percent for taxable year 2007, twenty percent for taxable year 2008, thirty  
3                   percent for taxable year 2009, and forty percent for taxable years after 2009.
- 4           3.   For purposes of this section, "homestead" means a dwelling occupied by the owner  
5                   as a primary dwelling place and up to one acre [.40 hectare] of the land on which  
6                   the dwelling is located and which is reasonably necessary for the use of the  
7                   dwelling as a home. A "homestead" may consist of a part of a structure containing  
8                   multiple dwellings or a part of a structure containing a dwelling and used in part for  
9                   other purposes, plus a prorated share of up to one acre [.40 hectare] of the land  
10                  upon which it is built.
- 11          4.   For a farm or ranch residence that is occupied as a homestead, the credit under  
12                  this section applies to the residence and agricultural land in a single tract or  
13                  contiguous tracts on which the residence is located and which is owned and used  
14                  by the occupant for activities normally associated with farming or ranching. The  
15                  credit under this section applies to a residence and agricultural property of a  
16                  family-owned and operated farming or ranching operation established as a  
17                  corporation or other legal entity if the residence is occupies as a primary dwelling  
18                  place by a family member who holds an ownership interest in the corporation or  
19                  other legal entity.

20           **SECTION 2.** A new section to chapter 57-02 of the North Dakota Century Code is  
21 created and enacted as follows:

22           **Property tax relief trust fund.** The property tax relief trust fund is established in the  
23 state treasury. The legislative assembly shall provide appropriations or transfers to the property  
24 tax relief trust fund in amounts sufficient for appropriations from the property tax relief trust fund  
25 to reimburse school districts for property tax revenue collections not received by a school  
26 district as a result of the credit allowed under section 1 of this Act. Any unexpended and  
27 unobligated balance in the property tax relief trust fund at the end of a biennium may be  
28 transferred by the state treasurer to the state general fund by order of the governor.

29           **SECTION 3. AMENDMENT.** Subsection 15 of section 57-02-08 of the North Dakota  
30 Century Code is amended and reenacted as follows:

- 31           15.   a. All farm structures and improvements located on agricultural lands.





- 1                   (3) ~~"Net income from farming activities" means taxable income from those~~  
2                   ~~activities as computed for income tax purposes pursuant to chapter~~  
3                   ~~57-38 adjusted to include the following:~~
- 4                   (a) ~~The difference between gross sales price less expenses of sale~~  
5                   ~~and the amount reported for sales of agricultural products for~~  
6                   ~~which the farmer reported a capital gain.~~
- 7                   (b) ~~Interest expenses from farming activities which have been~~  
8                   ~~deducted in computing taxable income.~~
- 9                   (c) ~~Depreciation expenses from farming activities which have been~~  
10                  ~~deducted in computing taxable income.~~
- 11                 (4) ~~When exemption is claimed under this subdivision for a residence, the~~  
12                 ~~assessor may require that the occupant of the residence who it is~~  
13                 ~~claimed is a farmer provide to the assessor for the year or years~~  
14                 ~~specified by the assessor a written statement in which it is stated that~~  
15                 ~~fifty percent or more of the net income of that occupant, and spouse if~~  
16                 ~~married and both spouses occupy the residence, was, or was not, net~~  
17                 ~~income from farming activities.~~
- 18                 (5) ~~In addition to any of the provisions of this subsection or any other~~  
19                 ~~provision of law, a residence situated on agricultural land is not exempt~~  
20                 ~~for the year if it is occupied by an individual engaged in farming who~~  
21                 ~~had nonfarm income, including that of a spouse if married, of more than~~  
22                 ~~forty thousand dollars during each of the three preceding calendar~~  
23                 ~~years. This paragraph does not apply to a retired farmer or a beginning~~  
24                 ~~farmer as defined in paragraph 2.~~
- 25                 (6) ~~For purposes of this section, "livestock" includes "nontraditional~~  
26                 ~~livestock" as defined in section 36-01-00.1.~~
- 27                 (7) ~~A farmer operating a bed and breakfast facility in the farm residence~~  
28                 ~~occupied by that farmer is entitled to the exemption under this section~~  
29                 ~~for that residence if the farmer and the residence would qualify for~~  
30                 ~~exemption under this section except for the use of the residence as a~~  
31                 ~~bed and breakfast facility.~~



1 were platted and assessed as agricultural property prior to March 30, 1981, must be assessed  
2 as agricultural property for ad valorem property tax purposes until put to another use. Such  
3 valuation must be uniform with the valuation of adjoining unannexed agricultural land.

4 **SECTION 5.** A new section to chapter 57-15 of the North Dakota Century Code is  
5 created and enacted as follows:

6 **Property tax increase limitations.** Property taxes levied by a taxing district on a  
7 parcel of residential or commercial property and any improvements on that property may not be  
8 increased above the amount levied by that taxing district on that property for the immediately  
9 preceding taxable year by more than five percent or the amount of the increase in the consumer  
10 price index, midwest region, for urban consumers, as computed by the United States  
11 department of labor, bureau of labor statistics, for the most recent full calendar year, plus  
12 three-fourths of one percentage point for the most recently completed calendar year, whichever  
13 is less, unless a greater increase by a taxing district is approved by a vote of sixty percent or  
14 more of the qualified electors of the taxing district voting on the question. The limitation under  
15 this subsection does not apply:

- 16 1. To improvements made on the property which were not subject to assessment in  
17 the previous taxable year, in which case the true and full value of the property,  
18 without the improvements, from the previous taxable year is subject to the  
19 limitation under this section and the true and full value of the improvements may be  
20 added. Reconstructed property after a disaster or accidental damage is not an  
21 improvement under this subsection if the fair market value of the property as  
22 reconstructed is approximately equal to the fair market value of the property before  
23 the disaster or damage. Any construction, installation, or modification of property  
24 to make the property more accessible to a disabled person is not an improvement  
25 for purposes of this subsection. The portion of any construction, installation, or  
26 modification designed with the primary purpose to use solar, wind, or geothermal  
27 energy to provide heating or cooling or electrical or mechanical power for use on  
28 the property is not an improvement for purposes of this subsection.
- 29 2. If the classification of the property has changed from the previous taxable year.
- 30 3. If the property was fully or partially exempt from property taxes in the previous  
31 taxable year and the exemption has been reduced or no longer applies.

1           4.   If the property has been sold in an arm's-length transaction since its assessment in  
2                    the previous taxable year.

3           5.   If the boundaries of the parcel have been expanded or the parcel has been divided  
4                    since its assessment in the previous taxable year.

5           **SECTION 6. EFFECTIVE DATE.** Sections 1, 4, and 5 of this Act are effective for  
6 taxable years beginning after December 31, 2006. Section 3 of this Act is effective for taxable  
7 years beginning after December 31, 2009.