

HOUSE BILL NO. 1465

Introduced by

Representatives Owens, K. Koppelman, Rohr, Weisz

1 A BILL for an Act to create and enact sections 46-03-10.1, ~~57-02-08.9~~, and 57-15-01.2 of the
2 North Dakota Century Code, relating to statutory references to mills, ~~property tax credits~~, and
3 property tax levy limitations; ~~to amend and reenact sections 57-02-27 and 57-39.2-26.1 of the~~
4 ~~North Dakota Century Code, relating to determination of taxable valuation and allocation of~~
5 ~~revenue to the state aid distribution fund~~; to repeal section 57-15-01.1 of the North Dakota
6 Century Code, relating to property tax levies; ~~to provide an appropriation~~; and to provide an
7 effective date.

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

9 **SECTION 1.** Section 46-03-10.1 of the North Dakota Century Code is created and enacted
10 as follows:

11 **46-03-10.1. Expression of mills references in decimal form.**

12 In arranging the laws for publication and in publishing and maintaining the laws, the
13 legislative council shall change statutory references to mills in reference to property tax
14 imposition to a decimal expression in numerals of the number of cents per dollar of taxable
15 valuation equivalent to the number of mills stated.

16 ~~— **SECTION 2.** Section 57-02-08.9 of the North Dakota Century Code is created and enacted~~
17 ~~as follows:~~

18 ~~— **57-02-08.9. Residential, agricultural, and commercial property tax credit —**~~

19 ~~**Certification — Distribution.**~~

20 ~~— 1. An individual is entitled to receive a reduction of four thousand dollars or fifty percent,~~
21 ~~whichever is less, of the taxable valuation of the individual's primary residence as~~
22 ~~provided in this section. A reduction under this section applies regardless of whether~~
23 ~~the individual is the head of a family. If an individual is entitled to a reduction in taxable~~
24 ~~valuation under this section and section 57-02-08.1 or 57-02-08.8, any reduction under~~

1 ~~sections 57-02-08.1 and 57-02-08.8 must be applied first and then the reduction under~~
2 ~~this section must be applied. The reduction under this section, alone or in combination~~
3 ~~with any other reduction allowed by law, may not exceed the taxable valuation of the~~
4 ~~primary residence.~~

5 ~~2. An estate or trust, or a corporation or passthrough entity that owns residential property~~
6 ~~used as part of a farming or ranching operation is entitled to a reduction as provided in~~
7 ~~subsection 1 if that residential property is not exempt from property taxes as a farm~~
8 ~~residence and is occupied as a primary residence, as of the assessment date of the~~
9 ~~taxable year, by an individual who is a beneficiary of the estate or trust or who holds~~
10 ~~an ownership interest in the corporation or passthrough entity. Either the occupant or~~
11 ~~the entity that owns the residence may be the applicant for purposes of this subsection~~
12 ~~and the definition of primary residence under subsection 15. An estate, trust,~~
13 ~~corporation, or passthrough entity may not claim a reduction for more than one~~
14 ~~property under this subsection.~~

15 ~~3. The reduction under subsection 1 or 2 continues to apply if the individual does not~~
16 ~~reside in the primary residence because the individual's absence is due to~~
17 ~~confinement in a nursing home, hospital, or other care facility, for as long as that~~
18 ~~confinement lasts and the portion of the primary residence previously occupied by the~~
19 ~~individual is not rented to another individual.~~

20 ~~4. Individuals residing together, as spouses or when one or more is a dependent of~~
21 ~~another, are entitled to only one reduction between or among them under subsection 1~~
22 ~~or 2. Individuals residing together, who are not spouses or dependents, who are~~
23 ~~coowners of the property are each entitled to a percentage of a full reduction under~~
24 ~~subsection 1 or 2 equal to their ownership interests in the property.~~

25 ~~5. The owner of a parcel of commercial property is entitled to receive a reduction of two~~
26 ~~thousand dollars or fifty percent, whichever is less, of the taxable valuation of the~~
27 ~~property if all individuals collectively owning a majority of the ownership interest in that~~
28 ~~parcel of commercial property reside in a primary residence eligible for the reduction~~
29 ~~under subsection 1 or 2. If a parcel of commercial property is owned in whole or in part~~
30 ~~by a corporation or passthrough entity, the reduction under this subsection applies to~~
31 ~~that property only if all individuals collectively owning a majority of the ownership~~

1 ~~interest in that corporation or passthrough entity reside in a primary residence eligible~~
2 ~~for the reduction under subsection 1 or 2. An owner of commercial property is entitled~~
3 ~~to the reduction under this subsection for only one parcel of commercial property in~~
4 ~~this state.~~

5 ~~6. The owner of agricultural property is entitled to receive a reduction of two thousand~~
6 ~~dollars or fifty percent, whichever is less, of the taxable valuation of up to six hundred~~
7 ~~forty acres [258.99 hectares] of agricultural property owned by the applicant if all~~
8 ~~individuals collectively owning a majority of the ownership interest in that agricultural~~
9 ~~property reside in primary residences eligible for the reduction under subsection 1 or 2~~
10 ~~and do not reside in residential property exempt from property taxes as a farm~~
11 ~~residence. If agricultural property is owned in whole or in part by a corporation or~~
12 ~~passthrough entity, the reduction under this subsection applies to that property only if~~
13 ~~individuals collectively owning a majority of the ownership interest in the corporation or~~
14 ~~passthrough entity reside in a primary residence eligible for the reduction under~~
15 ~~subsection 1 or 2 and do not reside in residential property exempt from property taxes~~
16 ~~as a farm residence. An owner of agricultural property is eligible for only one reduction~~
17 ~~under this section against all agricultural property owned by that person in this state.~~

18 ~~7. To claim a reduction under this section, an applicant must sign and file with the~~
19 ~~assessor, by October first of the year for which a reduction is initially claimed, a claim~~
20 ~~form containing a verified statement of facts establishing the applicant's eligibility as of~~
21 ~~February first of that year. A claim of the reduction under this section remains in effect~~
22 ~~for the property until the ownership of the property changes.~~

23 ~~8. The assessor shall attach the statement filed under subsection 7 to the assessment~~
24 ~~sheet and shall show the reduction on the assessment sheet.~~

25 ~~9. The tax commissioner shall prescribe, design, and make available all forms necessary~~
26 ~~to effectuate this section. Claim forms must include the full name, address, and social~~
27 ~~security or taxpayer identification number of the applicant, and any other information~~
28 ~~prescribed by the tax commissioner. The tax commissioner shall include on claim~~
29 ~~forms a statement to the effect that the applicant, by signing, declares the application~~
30 ~~to be true, correct, and complete and subject to the penalties under section 12.1 11-02-~~

1 ~~for making a false statement in a government matter. The county director of tax~~
2 ~~equalization shall make these forms available to applicants upon request.~~

3 ~~10. A social security or taxpayer identification number contained in any form under this~~
4 ~~section is confidential and may be disclosed only to county officers, the tax~~
5 ~~commissioner, or a court and only for purposes of administering this section. A county~~
6 ~~officer, the tax commissioner, or a court in possession of a form or other document~~
7 ~~under this section shall delete or obscure any social security or taxpayer identification~~
8 ~~number on any copy of the form or other document released to the public.~~

9 ~~11. A reduction under this section is valid for the entire taxable year for which the~~
10 ~~application was approved, without regard to any change of ownership of the property~~
11 ~~which occurs after the assessment date. A reduction remains effective for succeeding~~
12 ~~taxable years without the owner filing a claim for the exemption, but the assessor may~~
13 ~~require the owner to file a renewed claim or verify eligibility for succeeding taxable~~
14 ~~years.~~

15 ~~12. If any applicant is found to have fraudulently claimed a reduction under this section to~~
16 ~~which that applicant is not entitled, all reductions under this section for that applicant~~
17 ~~for that taxable year must be canceled and that applicant is forever barred from~~
18 ~~claiming or receiving a reduction under this section. If an applicant received a~~
19 ~~reduction that is canceled under this section, the auditor of the county in which such~~
20 ~~property is located shall enter the amount of the canceled reduction plus a penalty of~~
21 ~~ten percent as omitted property on the assessment roll of property that has escaped~~
22 ~~taxation.~~

23 ~~13. Determinations concerning eligibility for a reduction under this section may be~~
24 ~~appealed through the informal equalization process and formal abatement process.~~

25 ~~14. This section does not reduce the liability of any individual for special assessments~~
26 ~~levied upon any property.~~

27 ~~15. For the purposes of this section:~~

28 ~~a. "Dependent" has the same meaning it has for federal income tax purposes.~~

29 ~~b. "Owned" means the applicant holds a present ownership interest, including~~
30 ~~ownership in fee simple, holds a present life estate or other terminable present~~

1 ~~ownership interest, or is a purchaser under a contract for deed, but does not~~
2 ~~include a mere right of occupancy or a tenancy under a lease.~~

3 ~~c. "Primary residence", for purposes of a residential property taxable valuation~~
4 ~~reduction under this section, means a dwelling in this state owned and occupied~~
5 ~~by the applicant as that applicant's primary residence as of the assessment date~~
6 ~~of the taxable year and which is not exempt from property taxes as a farm~~
7 ~~residence.~~

8 ~~16. Before April first of each year, the county auditor of each county shall certify to the tax~~
9 ~~commissioner, on forms prescribed by the tax commissioner, the full name, address,~~
10 ~~and social security or taxpayer identification number of each individual or entity for~~
11 ~~whom the reduction under this section was allowed for the preceding year, the legal~~
12 ~~description of the property, the taxable value of the property, the dollar amount of each~~
13 ~~reduction in taxable value allowed, and the total of the tax mill rates for the preceding~~
14 ~~year of all taxing districts in which the property was contained, exclusive of any state~~
15 ~~mill rates, and any other information prescribed by the tax commissioner.~~

16 ~~17. By June first of each year, the tax commissioner shall review the certifications under~~
17 ~~subsection 16, make any required corrections, and certify to the state treasurer for~~
18 ~~payment to each county the sum of the amounts computed by multiplying the~~
19 ~~reduction allowed for each qualifying property in the county for the preceding year by~~
20 ~~the total of the tax mill rates for the preceding year of all taxing districts in which the~~
21 ~~property was contained. In reviewing certifications, the tax commissioner may refer to~~
22 ~~any income tax return information or other information available to the tax~~
23 ~~commissioner.~~

24 ~~18. Upon receipt of the payment from the state treasurer, the county treasurer shall~~
25 ~~apportion and distribute it without delay to the county and to the taxing districts of the~~
26 ~~county on the same basis the general real estate tax for the preceding year is~~
27 ~~apportioned and distributed.~~

28 ~~19. The tax commissioner shall certify annually to the state treasurer for deposit in the~~
29 ~~state medical center fund the amount computed by multiplying one mill times the~~
30 ~~reduction allowed under this section for the preceding year for all eligible property in~~
31 ~~the state.~~

1 ~~20. Supplemental certifications by the county auditor and the tax commissioner and~~
2 ~~supplemental payments by the state treasurer may be made after the dates prescribed~~
3 ~~in this section to make any corrections necessary because of errors or approval of any~~
4 ~~application for equalization or abatement filed by an individual or entity because all or~~
5 ~~part of the reduction under this section was not allowed.~~

6 ~~SECTION 3. AMENDMENT.~~ Section 57-02-27 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 ~~57-02-27. Property to be valued at a percentage of assessed value - Classification of~~
9 ~~property - Limitation on valuation of annexed agricultural lands.~~

10 ~~All property subject to taxation based on the value thereof must be valued as follows:~~

11 ~~1. All residential property to be valued at nineeight percent of assessed value. If any~~
12 ~~property is used for both residential and nonresidential purposes, the valuation must~~
13 ~~be prorated accordingly.~~

14 ~~2. All agricultural property to be valued at teneight percent of assessed value as~~
15 ~~determined pursuant to section 57-02-27.2.~~

16 ~~3. All commercial property to be valued at tentwelve percent of assessed value.~~

17 ~~4. All centrally assessed property to be valued at tentwelve percent of assessed value~~
18 ~~except as provided in section 57-06-14.1.~~

19 ~~The resulting amounts must be known as the taxable valuation. In determining the assessed~~
20 ~~value of real and personal property, except agricultural property, the assessor may not adopt a~~
21 ~~lower or different standard of value because the same is to serve as a basis of taxation, nor~~
22 ~~may the assessor adopt as a criterion of value the price at which said property would sell at~~
23 ~~auction, or at forced sale, or in the aggregate with all the property in the town or district, but the~~
24 ~~assessor shall value each article or description by itself, and at such sum or price as the~~
25 ~~assessor believes the same to be fairly worth in money. In assessing any tract or lot of real~~
26 ~~property, there must be determined the value of the land, exclusive of improvements, and the~~
27 ~~value of all taxable improvements and structures thereon, and the aggregate value of the~~
28 ~~property, including all taxable structures and other improvements, excluding the value of crops~~
29 ~~growing upon cultivated lands. In valuing any real property upon which there is a coal or other~~
30 ~~mine, or stone or other quarry, the same must be valued at such a price as such property,~~
31 ~~including the mine or quarry, would sell for at a fair voluntary sale for cash. Agricultural lands~~

1 ~~within the corporate limits of a city which are not platted constitute agricultural property and~~
2 ~~must be so classified and valued for ad valorem property tax purposes until such lands are put~~
3 ~~to another use. Agricultural lands, whether within the corporate limits of a city or not, which were~~
4 ~~platted and assessed as agricultural property prior to March 30, 1981, must be assessed as~~
5 ~~agricultural property for ad valorem property tax purposes until put to another use. Such~~
6 ~~valuation must be uniform with the valuation of adjoining unannexed agricultural land.~~

7 **SECTION 2.** Section 57-15-01.2 of the North Dakota Century Code is created and enacted
8 as follows:

9 **57-15-01.2. ~~Cap~~Limit on property taxes levied by a taxing district ~~without voter~~**
10 **approval.**

- 11 1. Notwithstanding that a taxing district may have unused or excess levy authority under
12 any other provision of law, this section limits that authority. This section may not be
13 interpreted as authority to increase any levy limitation otherwise provided by law and
14 may be applied only to limit any levy authority that a taxing district may otherwise be
15 entitled to use.
- 16 2. Property taxes in dollars levied by a taxing district for ~~all purposes~~its consolidated tax
17 levy may not exceed by more than three percent the amount levied in dollars by that
18 taxing district for ~~all purposes~~its consolidated tax levy against taxable property in that
19 taxing district in the preceding taxable year ~~adjusted by a percentage equal to the~~
20 ~~percentage change in the consumer price index for urban consumers in the midwest~~
21 ~~region as compiled by the bureau of labor statistics for the most recently ended~~
22 ~~calendar year.~~ subject to the following:
 - 23 a. When a taxable improvement to property has been made or property has been
24 added to the taxing district which was not taxable in the previous taxable year,
25 ~~the additional taxable valuation attributable to the improvement or additional~~
26 ~~property is taxable and not subject to the limitation under this subsection~~the
27 amount of property taxes in dollars levied by the taxing district in the previous
28 taxable year for purposes of this section must be increased by an amount equal
29 to the sum determined by the application of the previous year's calculated mill
30 rate for that taxing district to the taxable valuation of that property.

1 b. When a property tax exemption that existed in the previous taxable year has
2 been reduced or no longer exists, ~~the portion of the taxable valuation of the~~
3 ~~property which is no longer exempt is taxable and not subject to the limitation in~~
4 ~~this subsection~~the amount of property taxes in dollars levied by the taxing district
5 in the previous taxable year for purposes of this section must be increased by an
6 amount equal to the sum determined by the application of the previous year's
7 calculated mill rate for that taxing district to the taxable valuation of that property.

8 c. When a property tax exemption exists for property that was taxable in the
9 previous year, the amount levied in dollars in the previous taxable year by the
10 taxing district in the previous year for purposes of this section must be reduced
11 by the amount determined by applying the previous year's calculated mill rate for
12 that taxing district to the previous year's taxable valuation of that property ~~before~~
13 ~~the increase allowable under this subsection is applied.~~

14 d. When temporary mill levy increases authorized by the electors of the taxing
15 district or mill levies authorized by state law existed in the previous taxable year
16 but are no longer applicable or have been reduced, the amount levied in dollars
17 in the previous taxable year by the taxing district must be adjusted to reflect the
18 expired temporary mill levy increases and the reduced or eliminated mill levies
19 authorized by state law before the increase allowable under this subsection is
20 applied.

21 e. A taxing district may consolidate any general or special fund mill levy authority to
22 which it is entitled under any other provision of law if its consolidated tax levy
23 remains within the limitations provided by this section.

24 3. The limitation under subsection 2 does not apply to:

25 a. New or increased mill levies authorized by state law or the electors of the taxing
26 district which did not exist in the previous taxable year.

27 b. Any irrevocable tax to pay bonded indebtedness levied under section 16 of
28 article X of the Constitution of North Dakota.

29 4. The mill rate applied to property that was not taxed in the previous taxable year may
30 not exceed the mill rate determined by law for the current taxable year for property that
31 was taxed in the previous taxable year.

- 1 5. The limitation under this section may not be superseded by a city or county under
2 home rule authority but:
- 3 a. The allowable percentage increase under subsection 2 may be doubled if the
4 governing body provides notice published one each week for two consecutive
5 weeks in the official newspaper or website, or both, of the taxing district and
6 states in that notice when a public hearing will be held at which the governing
7 body will hear and consider protests of the increase; and
- 8 b. The percentage increase limitations of this section may be suspended within a
9 taxing district by approval of at least fifty-five percent of electors of the taxing
10 district voting on the question at a regular or special election of the taxing district.
11 A ballot measure for levy increase authority under this subsection must state the
12 percentage rate of the proposed increase in levy authority in dollars and state for
13 which years the increase in levy authority would apply.
- 14 6. The limitation determined for a school district under this section is also subject to the
15 following adjustments:
- 16 a. The dollar amount levied in the base year must be increased by the amount the
17 school district's mill levy reduction grant under section 57-64-02 for the base year
18 exceeds the amount of the school district's mill levy reduction grant under section
19 57-64-02 for the budget year.
- 20 b. The dollar amount levied in the base year must be reduced by the amount the
21 school district's mill levy reduction grant under section 57-64-02 for the budget
22 year exceeds the amount of the school district's mill levy reduction grant under
23 section 57-64-02 for the base year.
- 24 7. The limitation under this section does not apply to the county human services levy
25 under chapter 50-03 if the board of county commissioners makes the finding that any
26 excess human services levy is attributable to an expenditure mandated by state or
27 federal law.

28 ~~SECTION 5. AMENDMENT. Section 57-39.2-26.1 of the North Dakota Century Code is~~
29 ~~amended and reenacted as follows:~~

1 ~~— **57-39.2-26.1. Allocation of revenues among political subdivisions.**~~

2 ~~— Notwithstanding any other provision of law, a portion of sales, gross receipts, use, and~~
3 ~~motor vehicle excise tax collections, equal to forty percent of an amount determined by~~
4 ~~multiplying the quotient of one percent divided by the general sales tax rate, that was in effect~~
5 ~~when the taxes were collected, times the net sales, gross receipts, use, and motor vehicle~~
6 ~~excise tax collections under chapters 57-39.2, 57-39.5, 57-39.6, 57-40.2, and 57-40.3 must be~~
7 ~~deposited by the state treasurer so the first twenty million dollars each month is deposited in the~~
8 ~~residential, agricultural, and commercial property tax credit fund and the remainder is deposited~~
9 ~~in the state aid distribution fund. The state tax commissioner shall certify to the state treasurer~~
10 ~~the portion of sales, gross receipts, use, and motor vehicle excise tax net revenues that must be~~
11 ~~deposited in the residential, agricultural, and commercial property tax credit fund and the state~~
12 ~~aid distribution fund as determined under this section. If the residential, agricultural, and~~
13 ~~commercial property tax credit fund ceases to be used for residential, agricultural, and~~
14 ~~commercial property tax credit allocations, any unexpended and unobligated balance in the~~
15 ~~fund must be transferred by the state treasurer to the state aid distribution fund. Revenues~~
16 ~~deposited in the state aid distribution fund are provided as a standing and continuing~~
17 ~~appropriation and must be allocated as follows:~~

18 ~~— 1. Fifty three and seven tenths percent of the revenues must be allocated to counties in~~
19 ~~the first month after each quarterly period as provided in this subsection.~~

20 ~~— a. Sixty four percent of the amount must be allocated among the seventeen~~
21 ~~counties with the greatest population, in the following manner:~~

22 ~~— (1) Thirty two percent of the amount must be allocated equally among the~~
23 ~~counties; and~~

24 ~~— (2) The remaining amount must be allocated based upon the proportion each~~
25 ~~such county's population bears to the total population of all such counties.~~

26 ~~— b. Thirty six percent of the amount must be allocated among all counties, excluding~~
27 ~~the seventeen counties with the greatest population, in the following manner:~~

28 ~~— (1) Forty percent of the amount must be allocated equally among the counties;~~
29 ~~and~~

30 ~~— (2) The remaining amount must be allocated based upon the proportion each~~
31 ~~such county's population bears to the total population of all such counties.~~

1 A county shall deposit all revenues received under this subsection in the county
2 general fund. Each county shall reserve a portion of its allocation under this
3 subsection for further distribution to, or expenditure on behalf of, townships, rural fire
4 protection districts, rural ambulance districts, soil conservation districts, county
5 recreation service districts, county hospital districts, the Garrison Diversion
6 Conservancy District, the southwest water authority, and other taxing districts within
7 the county, excluding school districts, cities, and taxing districts within cities. The share
8 of the county allocation under this subsection to be distributed to a township must be
9 equal to the percentage of the county share of state aid distribution fund allocations
10 that township received during calendar year 1996. The governing boards of the county
11 and township may agree to a different distribution.

12 —2.—Forty six and three-tenths percent of the revenues must be allocated to cities in the
13 first month after each quarterly period based upon the proportion each city's
14 population bears to the total population of all cities.

15 —A city shall deposit all revenues received under this subsection in the city general
16 fund. Each city shall reserve a portion of its allocation under this subsection for further
17 distribution to, or expenditure on behalf of, park districts and other taxing districts
18 within the city, excluding school districts. The share of the city allocation under this
19 subsection to be distributed to a park district must be equal to the percentage of the
20 city share of state aid distribution fund allocations that park district received during
21 calendar year 1996, up to a maximum of thirty percent. The governing boards of the
22 city and park district may agree to a different distribution.

23 **SECTION 3. REPEAL.** Section 57-15-01.1 of the North Dakota Century Code is repealed.

24 —**SECTION 5. APPROPRIATION.** There is appropriated out of any moneys in the general
25 fund in the state treasury, not otherwise appropriated, the sum of \$240,000,000, or so much of
26 the sum as may be necessary, to the tax commissioner for the purpose of residential,
27 agricultural, and commercial property tax credit allocations under section 2 of this Act, for the
28 biennium beginning July 1, 2013, and ending June 30, 2015.

29 **SECTION 4. EFFECTIVE DATE.** Sections 2, ~~3, 4,~~ and 6 of this Act are effective for taxable
30 years beginning after December 31, 2012. ~~Section 5 of this Act is effective for taxable events~~
31 ~~occurring after June 30, 2013.~~