

OFFICE OF TAX EQUALIZATION

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2021 House Finance and Taxation Committee
Honorable Representative Craig Headland, Chairman
North Dakota State Capitol

Dear Representative Headland and Members of the House Finance and Taxation Committee:

My name is Don Flaherty and I am the Director of Tax Equalization for Dickey County. I am writing you today to speak against HB 1471. I believe that the proposed changes to subsection 9 of 57-02-08 to expand the property tax exemption for religious corporations or organizations is simply too far reaching and in direct conflict with the concept of equal taxation for all citizens of the State of North Dakota.

The most egregious portion of this bill is the introduction of a new letter "c" (Lines 22 & 23 on page 1 and Lines 1 & 2 on page 2). Profit is defined as the monetary surplus left to a producer or employer after deducting wages, rent, cost of raw materials, etc. In the case of a Hutterite Colony, there is no "producer or employer", it is a collective, i.e. a cooperative enterprise or communal settlement. There is no profit or loss, nor does any member of the colony benefit in any way. Only the colony benefits and since the colony is a religious organization whose mission is to further the religious purpose of the organization. What would prevent them from evoking this exemption on all of their property.

In 2017 I asked the State's Attorney for Dickey County to render an opinion on HB 1424, a bill very similar to this one, as to how it could affect the Hutterite Colonies located within Dickey County and he stated that if that bill were to become law in its present form then ALL PROPERTY owned by a Hutterite Colony would be exempt from ad valorem tax. I believe this bill would have the same effect as HB 1424 would have had in 2017.

Currently there are three active Hutterite Colonies within our county. If adopted, 23,040.00 acres of agricultural land with a True and Full Value of \$26,344,400 would become exempt. This would cause a tremendous shift in the property tax burden within my county and also increase the economic impact on the average farmer who now would have to compete against an organization in the sale of their agricultural products who by this exemption would have a much lower operating expense.

The aspects of this legislation have a much further reach than is commonly understood and would have a huge impact on a number of counties within the state.

Therefore, I would strongly urge each of you to vote against HB 1471 in its current form.

Respectfully Submitted,

A handwritten signature in blue ink that reads 'Donald W. Flaherty'.

Donald W. Flaherty
Dickey County Director of Tax Equalization