

## **Property Tax**

Chairman Dockter and members of the committee, I am Representative Tom Kading from District 45 in Fargo.

A Fee Simple Absolute is the type of ownership most homeowners hold in real estate. There are a variety of other ownership types, but the fee simple is probably the basic one most people hold. What this means is that the owner has absolute title to land, free of any other claims against the title. There of course can be mortgages, liens, and so forth, but the owner ultimately has the right to the property. That's not necessarily true when you consider the effect of property tax.

### **Most Intrusive Tax**

In my opinion, property tax is the most intrusive tax. As you know if you don't pay your property tax, you lose your property. This is certainly adverse to the property owner's rights. But we as state government have decided that this intrusion upon a property owners rights is acceptable because taxes are needed. With income tax or sales tax, if you do nothing you just don't have to pay them. With property tax, if you do nothing you lose your property. For that reason, I consider property tax to be the most intrusive of taxes.

### **People care about property tax**

At the end of the day, it is property tax that people care about. When I went door to door I did not have one person complain about sales tax or income tax, but I had a ton of people tell me that they were frustrated by property tax. Property tax is by far the most important issue that people care about. Our constituents have been asking for property tax reform for years, if we fail to adopt some form of real property tax reform, such as this, we are not providing relief our constituents want.

### **Role of state**

Well if you consider property tax intrusive and you agree that the people of North Dakota care about this tax more than any other tax, you might still wonder whether it is the role of the state. And I would say yes it clearly is.

- The state defines what type of property can and cannot be taxed
- The state exempts property such as cemeteries, charities, public hospitals, farm structures, and so forth. The state has created 43 different property tax exemptions in NDCC 57-02-08 alone.
- The state provides credits for property taxes, such as the homestead credit.
- The state caps the mills which locals can levy.

So yes the state does have a role to play in local property taxation. The state sets the frame work for property tax. It sets the constraints as to when property tax is appropriate and to what extent. That said, the state has failed to set constraints on one portion of the property tax calculation. That is how quickly your assessment valuation can increase and therefore increase your property tax. The state needs to set the bounds as to how property tax can be levied, and assessment valuation increases is one factor in the equation that needs to be reformed and constrained.

### **What this bill does**

This bill is pretty simple. It freezes property tax where it is today.

Section 1- is clean up language to allow for such change in the funding formula

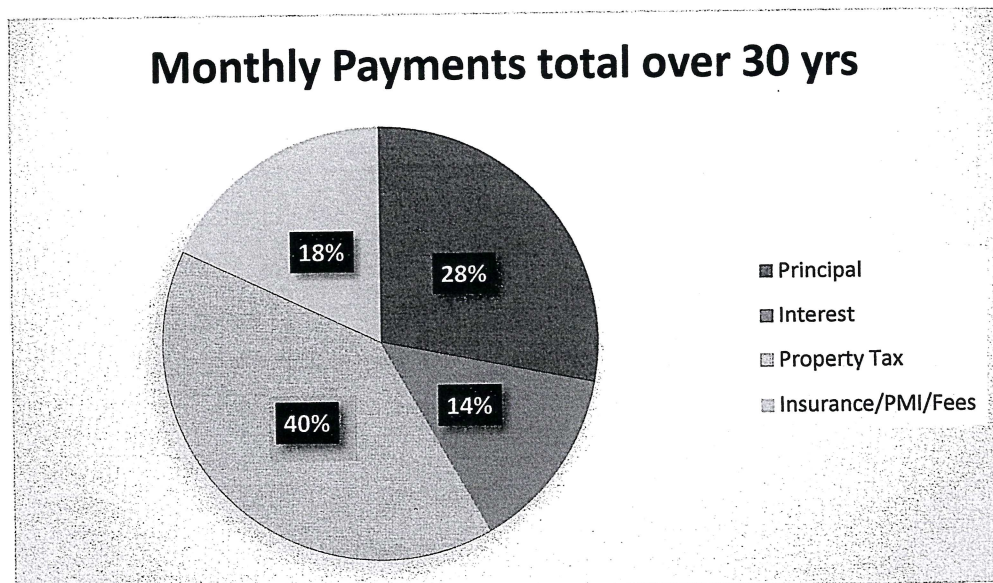
Section 2 – caps valuation except for improvements but allows for a vote to raise

Section 3 – Caps levy authority except but allows for a vote.

Section 3 also provides for exceptions for new or increased levy authority, bonds, the medical center mil, the Garrison Diversion mil, obligations, special improvements, and others.

### Conclusion

The median home price in North Dakota is somewhere between 190-226K. If someone bought a home for \$206,200, over 30 years you pay:



*Assuming 3% Interest over 30 years, 20% down, 3% increase in property tax each year.*

In this scenario your monthly payment starts \$1,134. If property tax merely increased 6% per year you are paying more in property tax at the end of year 30 than the price of the home. After 30 years at a rate of 6% increase you are paying \$1,3

In my opinion it is wrong when I am contacted by those in my district who have lived at their property for 30 years, paid off their home, but now pay more for property tax than their original note. There of course will be those who get up and say we can't implement this for some reason or another, but the reality is we can find a way. People bring this issue up more than any other issue I run across, and if we don't address it with real reform, we are doing a disservice to our constituents.

Thank you