

April 24, 2023

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1158

That the Senate recede from its amendments as printed on pages 1468-1485 of the House Journal and pages 1076-1095 of the Senate Journal and that House Bill No. 1158 be amended as follows:

Page 1, line 1, after "Act" insert "to create and enact two new sections to chapter 57-02 of the North Dakota Century Code, relating to a property tax credit for property used as a primary residence;"

Page 1, line 1, after "reenact" insert "subsection 1 of section 57-02-08.1 and"

Page 1, line 2, replace "imposition of a flat" with "homestead tax credit and"

Page 1, line 2, replace "rate of one and one-half percent" with "rates"

Page 1, line 3, replace "and" with "to provide for a legislative management study; to provide for a legislative management report; to provide an appropriation;"

Page 1, line 3, after "date" insert "; and to provide an expiration date"

Page 1, after line 4, insert:

"SECTION 1. AMENDMENT. Subsection 1 of section 57-02-08.1 of the North Dakota Century Code is amended and reenacted as follows:

1. a. Any person sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied, with an income that does not exceed the limitations of subdivision c is entitled to receive a reduction in the assessment on the taxable valuation on the person's homestead. An exemption under this subsection applies regardless of whether the person is the head of a family.
- b. The exemption under this subsection continues to apply if the person does not reside in the homestead and the person's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the person is not rented to another person.
- c. The exemption must be determined according to the following schedule:
 - (1) If the person's income is not in excess of ~~twenty-two~~forty thousand dollars, a reduction of one hundred percent of the taxable valuation of the person's homestead up to a maximum reduction of ~~five~~nine thousand ~~six hundred twenty-five~~ dollars of taxable valuation.
 - (2) If the person's income is in excess of ~~twenty-two~~forty thousand dollars and not in excess of ~~twenty-six~~seventy thousand dollars, a reduction of ~~eighty~~fifty percent of the taxable valuation of the person's homestead up to a maximum reduction of four thousand five hundred dollars of taxable valuation.

- ~~(3) If the person's income is in excess of twenty-six thousand dollars and not in excess of thirty thousand dollars, a reduction of sixty percent of the taxable valuation of the person's homestead up to a maximum reduction of three thousand three hundred seventy-five dollars of taxable valuation.~~
 - ~~(4) If the person's income is in excess of thirty thousand dollars and not in excess of thirty-four thousand dollars, a reduction of forty percent of the taxable valuation of the person's homestead up to a maximum reduction of two thousand two hundred fifty dollars of taxable valuation.~~
 - ~~(5) If the person's income is in excess of thirty-four thousand dollars and not in excess of thirty-eight thousand dollars, a reduction of twenty percent of the taxable valuation of the person's homestead up to a maximum reduction of one thousand one hundred twenty-five dollars of taxable valuation.~~
 - ~~(6) If the person's income is in excess of thirty-eight thousand dollars and not in excess of forty-two thousand dollars, a reduction of ten percent of the taxable valuation of the person's homestead up to a maximum reduction of five hundred sixty-three dollars of taxable valuation.~~
- d. Persons residing together, as spouses or when one or more is a dependent of another, are entitled to only one exemption between or among them under this subsection. Persons residing together, who are not spouses or dependents, who are co-owners of the property are each entitled to a percentage of a full exemption under this subsection equal to their ownership interests in the property.
 - e. This subsection does not reduce the liability of any person for special assessments levied upon any property.
 - f. Any person claiming the exemption under this subsection shall sign a verified statement of facts establishing the person's eligibility. Any income information contained in the statement of facts is a confidential record.
 - ~~g. A person is ineligible for the exemption under this subsection if the value of the assets of the person and any dependent residing with the person exceeds five hundred thousand dollars, including the value of any assets divested within the last three years.~~
 - ~~h. The assessor shall attach the statement filed under subdivision f to the assessment sheet and shall show the reduction on the assessment sheet.~~
 - ~~i. An exemption under this subsection terminates at the end of the taxable year of the death of the applicant.~~

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

Primary residence credit - Qualification - Application.

1. An individual is entitled to a credit of five hundred dollars against the property tax due on the individual's primary residence. The credit may not exceed the amount of property tax due. The credit must be applied to reduce the property tax owed on the individual's primary residence after other exemptions or credits under this chapter have been applied.
2. For purposes of this section, "primary residence" means a dwelling in this state owned and occupied by an individual as that individual's primary place of residence and includes residences taxed under chapter 57-55. An individual may not have more than one primary residence.
3. An individual who does not reside in the primary residence in this state is eligible for the credit under this section if the individual's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the primary residence previously occupied by the individual is not rented to another individual.
4. Only one credit under this section may be applied against the property taxes levied against any primary residence.
5. An individual whose primary residence is a farm structure exempt from taxation under subsection 15 of section 57-02-08 is not eligible for a credit under this section.
6. The credit may not reduce the liability for special assessments levied upon any property.
7. To apply for a credit under this section, an applicant shall sign and file with the tax commissioner, by April first of each year, an application containing a verified statement of facts establishing the applicant's eligibility as of the date of the claim on a form and in the manner prescribed by the tax commissioner.
8. The tax commissioner, in consultation with the county auditors, shall prescribe, design, and make available all forms necessary to effectuate this section. The tax commissioner shall make these forms available upon request.

SECTION 3. A new section to chapter 57-02 of the North Dakota Century Code is created and enacted as follows:

Primary residence credit - Certification - Distribution.

1. By June first of each year, the tax commissioner shall:
 - a. Review the applications received under section 2 of this Act and determine which applicants qualify for the credit allowed under section 2 of this Act; and
 - b. Provide to each county auditor:
 - (1) A copy of each approved application under subdivision a which identifies a primary residence located in the county; and

- (2) The sum of the credits allowed under section 2 of this Act in the county for the current taxable year.
2. The county auditor shall apply the credit under section 2 of this Act to each primary residence identified by the tax commissioner as a qualifying primary residence on the corresponding property tax statement.
 3. By January first of each year, the county auditor shall certify to the tax commissioner the sum of the credits approved by the tax commissioner under subsection 1 which were applied toward property taxes owed on primary residences in the county for the preceding year.
 4. By June first of each year after 2024, the tax commissioner shall review a sampling of information provided by the county auditor to verify the accuracy of the application of the credit and certify to the state treasurer for payment to each county the aggregate dollar amount of credits allowed under section 2 of this Act in each county for the preceding year.
 5. Within fourteen days of receiving the payment from the state treasurer, but no later than June thirtieth of each year after 2024, the county treasurer shall apportion and distribute the payment to the county and to the taxing districts of the county on the same basis as property taxes for the preceding year were apportioned and distributed.
 6. Supplemental certifications by the county auditor and the tax commissioner and supplemental payments by the state treasurer may be made after the dates prescribed in this section to make corrections necessary because of errors.
 7. The county auditors shall provide information requested by the tax commissioner to effectuate this section.
 8. The tax commissioner shall prescribe, design, and make available all forms necessary to effectuate this section."

Page 1, line 16, remove the overstrike over "~~rates in the applicable~~"

Page 1, line 16, remove the overstrike over "~~schedule~~"

Page 1, line 17, remove the overstrike over "~~For~~"

Page 1, line 17, remove "The tax for"

Page 1, line 18, remove the overstrike over "~~, the schedule~~"

Page 1, line 18, remove "is equal to North Dakota taxable income multiplied by the"

Page 1, line 19, remove "rate"

Page 1, line 19, remove the overstrike over "~~must be used for purposes of this subsection~~"

Page 1, line 19, remove "The tax to be"

Page 1, remove line 20

Page 1, line 21, remove the overstrike over "~~surviving spouse~~"

Page 1, line 21, remove "qualifying widow or"

Page 1, remove line 22

Page 1, line 23, remove "forty-four thousand seven hundred twenty-five dollars"

Page 1, remove the overstrike over line 24

Page 2, remove the overstrike over line 1

Page 2, after line 6, insert:

<u>"\$0</u>	<u>\$44,725</u>	<u>\$0.00 + 0.00%</u>	<u>\$0</u>
<u>\$44,725</u>	<u>\$225,975</u>	<u>\$0.00 + 1.95%</u>	<u>\$44,725</u>
<u>\$225,975</u>		<u>\$3,534.38 + 2.50%</u>	<u>\$225,975"</u>

Page 2, line 7, remove the overstrike over "surviving spouse"

Page 2, line 7, remove "qualifying widow or widower is one and"

Page 2, remove line 8

Page 2, line 9, remove "thousand seven hundred fifty dollars"

Page 2, remove the overstrike over lines 10 and 11

Page 2, after line 16, insert:

<u>"\$0</u>	<u>\$74,750</u>	<u>\$0.00 + 0.00%</u>	<u>\$0</u>
<u>\$74,750</u>	<u>\$275,100</u>	<u>\$0.00 + 1.95%</u>	<u>\$74,750</u>
<u>\$275,100</u>		<u>\$3,906.83 + 2.50%</u>	<u>\$275,100"</u>

Page 2, line 17, remove "is one and one-half percent of North Dakota taxable"

Page 2, line 18, remove "income exceeding thirty-seven thousand three hundred seventy-five dollars"

Page 2, remove the overstrike over lines 19 and 20

Page 2, after line 25, insert:

<u>"\$0</u>	<u>\$37,375</u>	<u>\$0.00 + 0.00%</u>	<u>\$0</u>
<u>\$37,375</u>	<u>\$137,550</u>	<u>\$0.00 + 1.95%</u>	<u>\$37,375</u>
<u>\$137,550</u>		<u>\$1,953.41 + 2.50%</u>	<u>\$137,550"</u>

Page 2, line 26, remove "is one and one-half percent of North Dakota taxable income"

Page 2, line 27, remove "exceeding fifty-nine thousand nine hundred fifty dollars"

Page 2, remove the overstrike over lines 28 and 29

Page 3, after line 3, insert:

<u>"\$0</u>	<u>\$59,950</u>	<u>\$0.00 + 0.00%</u>	<u>\$0</u>
<u>\$59,950</u>	<u>\$250,550</u>	<u>\$0.00 + 1.95%</u>	<u>\$59,950</u>
<u>\$250,550</u>		<u>\$3,716.70 + 2.50%</u>	<u>\$250,550"</u>

Page 3, line 4, remove "is one and one-half percent of North Dakota taxable income"

Page 3, line 5, remove "exceeding three thousand dollars"

Page 3, remove the overstrike over lines 6 and 7

Page 3, after line 12, insert:

<u>"\$0</u>	<u>\$3,000</u>	<u>\$0.00 + 0.00%</u>	<u>\$0</u>
<u>\$3,000</u>	<u>\$10,750</u>	<u>\$0.00 + 1.95%</u>	<u>\$3,000</u>
<u>\$10,750</u>		<u>\$151.13 + 2.50%</u>	<u>\$10,750"</u>

Page 3, line 25, remove the overstrike over "rate-schedules"

Page 3, line 25, remove "rates"

Page 3, line 26, remove the overstrike over "schedules"

Page 3, line 26, remove "rates"

Page 3, line 27, remove the overstrike over "schedules"

Page 3, line 27, remove "rates"

Page 3, line 27, remove the overstrike over "minimum-and"

Page 3, line 28, remove the overstrike over "maximum"

Page 3, line 28, remove "North Dakota taxable income threshold"

Page 3, line 28, remove the overstrike over "for each income"

Page 3, line 29, remove the overstrike over "bracket for which a tax is imposed"

Page 4, line 1, remove the overstrike over "to each income bracket"

Page 4, after line 8, insert:

"SECTION 5. LEGISLATIVE TAX RELIEF ADVISORY COMMITTEE - TAX RELIEF STUDY - REPORT TO LEGISLATIVE MANAGEMENT.

1. During the 2023-24 interim, the legislative management shall appoint a legislative tax relief advisory committee.
2. The committee must consist of three members of the finance and taxation standing committee of the house of representatives and three members of the finance and taxation standing committee of the senate, appointed by the respective majority leaders of the house of representatives and senate. The legislative management shall designate the chairman of the committee. The committee shall operate according to the statutes and procedures governing the operation of other legislative management interim committees.

3. The committee shall study tax relief, including income and property tax relief.
 - a. Based on information provided by the tax department, the study must include consideration of:
 - (1) Historical income and property tax relief provided by the legislative assembly, including the estimated and actual fiscal impact of the tax relief;
 - (2) An analysis of the tax relief provided by the sixty-eighth legislative assembly through individual income tax rate changes, a primary residence credit, and an expansion of the homestead credit, including the estimated fiscal impact for each method of tax relief and the effect of the income tax rate changes on passthrough income related to income reported on K-1 forms and royalty income reported on 1099-MISC forms;
 - (3) Options to implement a flat individual income tax rate, including the estimated fiscal impact of the options;
 - (4) Options to adjust the individual income tax structure, including the estimated fiscal impact of the options; and
 - (5) An update on the progress of implementing the primary residence credit, including the status of information technology changes and the amount spent on advertising the credit.
 - b. The committee may consider input from local taxing districts regarding the administration of the primary residence credit and the homestead credit.
 - c. The committee shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-ninth legislative assembly.

SECTION 6. APPROPRIATION - TAX COMMISSIONER - PROPERTY TAX RELIEF - ONE-TIME FUNDING. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$158,225,000, or so much of the sum as may be necessary, to the tax commissioner for property tax relief programs during the biennium beginning July 1, 2023, and ending June 30, 2025, as follows:

1. \$103,225,000 for paying the state reimbursement under the primary residence credit;
2. \$53,500,000 for paying the state reimbursement under the homestead credit; and
3. \$1,500,000, which is considered a one-time funding item, for operating expenses related to information technology and advertising costs for the primary residence credit.

SECTION 7. EFFECTIVE DATE - EXPIRATION DATE. Section 2 of this Act is effective for the first two taxable years beginning after December 31, 2023, and after that date is ineffective."

Page 4, line 9, replace "This" with "Sections 1 and 4 of this"

Page 4, line 9, replace "is" with "are"

Page 4, line 10, after the period insert "Section 3 of this Act becomes effective on April 1, 2024."

SECTION 9. EXPIRATION DATE. Section 3 of this Act is effective through June 30, 2026, and after that date is ineffective."

Renumber accordingly