

SB 2136 presentation to House Finance and Tax Committee

March 15, 2023

SB 2136 improves the homestead tax credit, which is the most effective way to reduce the property tax burden to homeowners on fixed incomes whose homes are increasing in value, but their income is not growing enough to pay the increasing taxes.

SB 2136 was significantly improved from my original proposal, and I do support the manner in which they approached this issue.

A person 65 years of age or older or permanently and totally disabled, with an income of \$100,000 or less, is entitled to a reduction in the assessment on the taxable valuation on the person's homestead.

The exemption continues to apply, if the owner is in a skilled care facility or hospital, as long as the home is not rented to another person.

The exemption must be determined as a reduction of 100% of the taxable valuation up to a maximum reduction of \$9000 of taxable valuation.

Married couples are entitled to only one exemption. Persons unrelated who own a home are entitled to a proration of a full exemption equal to their ownership interest in the property.

This subsection does not reduce the owner's liability for special assessments levied upon the property.

A home owner claiming the exemption shall sign a verified statement of facts establishing his or her eligibility. Income information will be confidential.

Page 3's amendment spells out details of prorating the exemption, if property is owned for part of the year.

Section 2 appropriates \$135,000 000 to fund this exemption. There is no asset limit.

Section 3 implements this beginning with tax year 2023.

The original bill and the previous amendments were a graduated exemption, depending on the owner's income and the taxable valuation. There is an asset limit in the current law of \$500,000.

This amended bill has no asset limit, and I encourage your committee to revisit that provision. I think that people with significant assets can afford to pay the full tax bill.

The bill is not specific on defining income. Is it gross income or adjusted gross income? What income is included?

Should "person" be changed to "individual" throughout the bill? "Person" includes corporations and other entities, and I think we want to focus on people.

I checked a Cass county tax bill for an example of how this bill works.

For a home with a market value of \$491,200, the taxable valuation is \$22,104.

Taxable value of \$22,104 - \$9000 = \$13,104.

The full tax of \$7248.71 after discount of \$331.46 would be a net tax of \$6917.25.

The tax with exemption applied would be \$4102.

Even in the Fargo/West Fargo area, a nearly \$500,000 home is a pretty nice place. The owner may be able to pay full tax.

I absolutely support the homestead credit tax exemption, but I do encourage you to consider changes in one or more of the following:

1. Annual income, particularly stipulating exactly what that means
2. Perhaps graduating the income and taxable value adjustments
3. Exempt taxable value that now is \$9000
4. Returning the asset limit
5. Changing "person" to "individual"