



North Dakota House of Representatives

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COMMITTEES:

Finance and Taxation
Political Subdivisions

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Thank you, Chairman Kannianen and members of the Senate Finance and Tax committee. For the record, my name is Mike Motschenbacher, District 47 representative. HB 1248 is to consider a study to change the property tax formula and to consider removing the variables of valuation and mills, and instead change it to a tax based on size of a business or residential lot and size of the structure on that lot. The bill I had drafted that I agreed to turn into a study would have taken the entire tax base of a county, and then divided it by the total square footage of all the property in that county, separated into two categories, commercial and residential. Once that is determined it would be split commercial and residential based on the same split you have today under current formulas. It would then take the entire square footage of all commercial property, take all the square footage of all residential property, and then determine what total dollar amount would be needed from both commercial and residential property to equal the entire current tax base of the county in the current year. That would determine the per square foot cost of both residential and commercial property. It sounds complicated, but the counties have all that information already, and all it would take would be a little math to determine what that square footage cost would be. As you can see in the testimony, I've included Bismarck and Mandan who already have provided this information for me using the formulas. After this is determined, each taxing entity, cities, counties, parks, and schools would get an automatic 3% increase annually. Not only does this allow taxpayers to know a decade in advance what their property tax will be in ten years, it also allows taxing entities to easily determine their budgets for years to come. They also would benefit from any growth in the city. I believe this is a win-win situation for everyone. In addition to changing the formula and having an automatic increase each year, the bill would have allowed the voters by initiated measure to adjust the 3% annual increase up or down. Granted, the citizens would have to know that by reducing that number, they run the risk of losing services. I'm assuming that every single one of us elected officials in this room has been approached by constituents stating we need to do something about property taxes. We have spent over 7 billion dollars over the past several years buying down property taxes, and if you look at your property tax statements, I think we all have to agree that all the property tax relief the legislature has passed over the past several years has not accomplished what we all had hoped it would, and it's time to provide true property tax reform for our citizens. I have attached an excel spreadsheet to my online testimony and have passed it out to the committee. This is an example of the problem we are facing.

It is a three-year history of property taxes in one neighborhood in Bismarck. Of the 25 homes on this spreadsheet, 24 of the 25 received a valuation decrease between 2019 and 2020. The 25th home did not make any improvements to their property in 2019. So why did 24 of the 25 homes receive a decrease in valuation and only one did not? Between 2020-2021, 17 of the homes had a valuation increase, while 8 had a valuation decrease. In speaking to some of the owners of these homes, I asked if they had made any improvements to affect their valuations. Most said no. However, two of the homes that had valuation decreases made significant improvements. My point behind this is that there is no uniformity in our current valuation process. I did this same research in another neighborhood in Bismarck and found comparable results. We must face the fact that our system is broken, and we owe it to the taxpayers to at least study property taxes and see if changing the formula of taxation will benefit everyone. I would ask you to support HB 1248 and would stand for any questions.