

Senate Finance and Taxation Committee
Senator Jordan L. Kannianen, Chair

March 1, 2023

Rep. Scott Wagner, District 45

Testimony on HB1495

Good afternoon, Chairman Kannianen and members of the Senate Finance and Taxation Committee.

My name is Scott Wagner and I represent district 45 in our North Dakota House of Representatives.

I'm also the prime sponsor on HB1495.

HB1495 seeks to amend and reenact subsection 4 of section 40-05-24 of the North Dakota Century Code. Relating to requirements for cities granting tax incentives.

For background, the existing section of code referenced in this bill was passed during the 2017 legislative session. It states in line 7, **"...the governing body of an affected county or school district may negotiate the terms of participating in the tax incentive, including the duration of the tax incentive and the taxable value selected for the base year for the purpose of computing tax increments"**.

This requires cities to allow counties and school districts to have a say on their portion of property taxes used for a city's tax incentive project. Prior to this law, a city could capture the increase in property taxes, resulting from new development, and diverts that revenue to subsidize a development, including the county and school district's portion of property taxes without their consent.

In effect HB1495 is a clean-up bill. It adds line 11 in subsection 4(b). It states, **"Property tax incentive" includes a tax increment finance district used to offset public or private costs for urban renewal"**.

Tax Increment Financing (TIF), is a geographically targeted economic development tool commonly referred to as a "TIF district". It captures the increase in property taxes, resulting from new or re/development, and diverts

that revenue to subsidize that development. This means local political sub-divisions, including cities, counties and school districts, do not get the new property tax revenue they would normally receive with new or re/development. A TIF diverts and mortgages future tax revenues. This diverted tax revenue can be used to fund public infrastructure, compensate private developers for their investments, or provide collateral for bonds

HB1495 seeks to clarify existing law. If a city makes the decision to use Tax Increment Financing it requires the city to get the consent of the county and school district on their portion of the property taxes that would be used for the proposed new or re/development project. Just like they are required to with any other property tax incentive involving a county and school district's taxing authority.

One political sub-division should not have the right to use the taxing authority of another political sub-division without their consent. I would urge this committee to give HB1495 a **do pass recommendation**.

Thank you, Chairman Kannianen and Senate Finance and Taxation members. I would be glad to answer any questions.

Respectfully,

Rep. Scott Wagner, District 45