

Testimony of Tracy Potter to Senate Finance and Tax Committee in favor of SB 2357, January 30, 2023

Mister Chairman Kannianen and Honorable Members,

For the record my name is Tracy Potter. I am a former Senator from District 35.

I rise in support of Senator Piepkorn's SB 2357. This simple bill aims to alleviate 10% of the property tax burden of homeowners in North Dakota. It does NOT aim to reduce property taxes but only to directly reduce their burden to your constituents.

That's the one feature which distinguishes this approach from every other attempt to deal with the public's demand for property tax relief which has been tried for the last 16 years. Other plans either rely on trickle-down or restrictions on the authority of local elected officials.

The trickle-down plans provide increased funding to schools or have the state assume costs like funding county social services in hopes that the school boards or the county commissions will lower taxes. If those plans have worked, it is not apparent to homeowners. The perception to them and consequently to you is that they have not.

The other way to promise relief is to place caps or restrictions in place on the authority of elected parks commissioners, school board members, city councils and county commissioners. That idea runs into two harsh realities. The first is that it is very difficult for 145 legislators who meet for 80 days every two years to design plans to run hundreds of local parks, schools, cities and counties better than the people elected to run those jurisdictions for 730 or 731 days every two years. The second is the resistance the legislature faces when the North Dakota Association of Counties, the North Dakota School Board Association and the North Dakota League of Cities get wind of the proposals to cap their budgets or tell them how to do their jobs.

That's the basic story of what happened in 2007. A lot of legislators were elected in 2006 after running on property tax relief. Holdover legislators said that since the legislature doesn't collect property tax it wasn't an issue for the legislature to solve. But if the legislature was going to do anything about it, it would choke off spending by local jurisdictions who rely almost exclusively on property tax. The counties and cities opposed that, while the legislators who had knocked on doors and heard from their constituents in 2006 wanted something to deliver to their constituents. The debate continued to the last day of the Session when a conference committee found a compromise and passed a bill to deliver 10% relief through an income tax credit somewhat like in this bill, but wider in application and more complicated. It included farmland and commercial property. And the relief was delivered through county auditors presenting bills to the state for the relief in many cases.

The plan worked to deliver about \$100 million in relief, but only lasted the biennium because in 2009, Governor Hoeven proposed a \$200 million plan for school aid with the premise it would reduce property taxes. A trickle-down plan that replaced the direct relief.

Your interim tax committee heard from legislative council a series of concerns about the 2007 plan. Without going into detail, the concerns were in complexity of implementation and the relief

delivery being aimed at North Dakotans. Though never tested, it was felt that out-of-state landowners and property management companies may have had a constitutional complaint under interstate commerce.

This bill avoids that infirmity. By making it only on a primary residence, 100% of the relief goes to a North Dakotan or a North Dakota family. It does not provide help for farmland or for big property management companies. Help for farmers will need another vehicle.

This vehicle answers the complaints of homeowners, who make up 63% of North Dakota. It is as simple as a line on our state income tax forms for a resident to claim a credit of 10% for his property taxes and specials. It would reduce the filer's income tax liability by the amount of the credit. Filers whose credit exceeds their income tax liability would get a refund in the same method as a filer who had more withheld than taxes owed.

I urge a do-pass recommendation by your committee.