

To: Chairman Kannianen & Finance and Taxation Committee members

From: Katie Paulson, McKenzie County Recorder/Tax Director

Re: SB 2361

Chairman Kannianen and Committee Members:

My name is Katie Paulson and I serve as McKenzie County Recorder/Tax Director. I am writing to oppose SB 2361 that proposes a valuation freeze on a primary residence.

As Tax Director, it is my duty to ensure that the properties in McKenzie County are valued at market value and remain equalized in relation to the other properties within my county. The purpose of this process is to spread the property tax burden to our property owners in fair and equitable manner. I believe strongly in this process as I have spent many hours training, analyzing, and executing models that support where the valuation from each property comes from. Counties do sales ratio studies annually to analyze the market value of properties within our jurisdiction to determine what fair property valuations will look like for the upcoming year. Going through this process on a regular basis allows us to make timely adjustments to the valuations that set the base for all of the taxing districts that levy taxes.

I see a number of negative impacts that would result in this sort of legislation. Number one, properties that do not qualify would bear a heavier burden of the taxes in our county. If we have a large percentage of properties that could potentially not change in valuation for up to 30 years, there would be a group that stayed at market value, and some that could be decades behind the market value, so it would be possible to have 2 similar houses with vastly

different tax implications. That doesn't seem fair and equalized. Part of the sales ratio study measures the accuracy of our pricing models we employ, so if there is a market sale of a house that has been a part of this property valuation freeze, we would likely see a trend of sales ratios that indicate that the majority of our properties are grossly undervalued, which could trigger an overall increase needed to achieve tolerance guidelines set by the state law. Many counties would not have the ability to not use those sales in their study as some jurisdictions struggle to have 30 sales that they can use in the sales ratio study and it is an arms-length transaction that shows a consumer market value. Again, this would increase the tax burden on any properties not involved with the valuation freeze. Our ag land and commercial properties would feel this burden as well because they do not qualify for this freeze.

Tracking whether or not the property still would qualify for the freeze would be difficult as well. It would mean that someone would have to run title on all the properties to check to see if there were new mortgage documents recorded. In my other role as county recorder at the county, I know that this would be a labor-intensive task that would take a large amount of time. Who is responsible for that piece of this law?

Valuation freezes, exemptions, and concepts like that are continuing to shift the tax burden to others. It doesn't take away the taxes needed, it just takes the portion that qualifies for the exemption and shifts it to groups that don't qualify. That is not tax relief for all. This change would undermine the process of equalizing values for every city and county. Truly the role of tax equalization is to be fair and equitable. Providing escape clauses for a portion of the property owners is not what we should do for the citizens of North Dakota. I strongly urge you to **DO NOT PASS SB 2361**.

Thank you for your time and consideration.

Katie Paulson

McKenzie County Recorder/Tax Equalization Director