



TAX REFORM AND RELIEF ADVISORY COMMITTEE

Tuesday, September 23, 2025
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Brad Bekkedahl, Chairman, called the meeting to order at 10:00 a.m.

Members present: Senators Brad Bekkedahl, Dale Patten*, Michelle Powers, Dean Rummel, Mark F. Weber; Representatives Ty Dressler, Jim Grueneich, Craig Headland, Don Vigesaa

Member absent: Representative Jason Dockter

Others present: Representative Jared C. Hagert, Emerado, member of the Legislative Management Brian Kroshus and Matt Peyerl, Tax Department; Donnell Preskey, North Dakota Association of Counties

See [Appendix A](#) for additional persons present.

**Attended remotely*

Chairman Bekkedahl distributed a memorandum entitled [Tax Reform and Relief Advisory Committee - Tentative Interim Schedule](#).

It was moved by Senator Weber, seconded by Senator Rummel, and carried on a roll call vote that the Tax Reform and Relief Advisory Committee encourage the Tax Department to coordinate with the North Dakota Association of Counties and taxing districts to gather and analyze property tax and levy limit information pursuant to Section 27 of House Bill No. 1176 (2025) to be provided to the committee periodically, including:

- Valuation information related to tax exempt real property based on actual true and full value or uniform estimates if the actual true and full value is not available for the property types identified by the committee;
- Information on the content of property tax statements and administrative costs associated with updates to the statements; and
- Information on the impact of the property tax levy limitation based on an analysis of information from local taxing districts and any suggestions for improvements.

Senators Bekkedahl, Patten, Powers, Rummel, and Weber and Representatives Dressler, Grueneich, Headland, and Vigesaa voted "aye." No negative votes were cast.

Ms. Megan J. Gordon, Code Revisor, Legislative Council, reviewed the [Supplementary Rules of Operation and Procedure of the North Dakota Legislative Management](#).

ECONOMIC DEVELOPMENT TAX INCENTIVES STUDY AND REPORTS

Background Information

Ms. Gordon presented a memorandum entitled [Economic Development Tax Incentives Review - Background Memorandum](#) regarding the committee's duty to review economic tax incentives, including incentives scheduled for review during the 2025-26 interim.

It was moved by Representative Dressler, seconded by Representative Headland, and carried on a roll call vote that the committee select the following seven economic development tax incentives provided under North Dakota Century Code Section 54-35-26 for analysis during the 2025-26 interim:

- Renaissance zone credits and exemptions;
- Angel investor tax credit;
- Development or renewal area incentives;
- Sales and use tax exemption for materials used to construct a fertilizer or chemical processing facility;
- Sales and use tax exemption for enterprise information technology equipment and computer software used in a qualified data center;
- Sales and use tax exemption for raw materials, single-use product contact systems, and reagents used for biologic manufacturing; and
- Sales and use tax exemption for materials used to construct or expand a coal processing facility that utilizes coal as a feedstock.

Senators Bekkedahl, Patten, Powers, Rummel, and Weber and Representatives Dressler, Grueneich, Headland, and Vigesaa voted "aye." No negative votes were cast.

Chairman Bekkedahl noted a letter from the Chairman of the Legislative Management was sent to the Tax Commissioner to request information regarding the number of claimants and amount claimed for the tax incentives scheduled for review pursuant to Section 57-01-02(17).

Ms. Gordon presented background information related to the seven economic development tax incentives selected for analysis in the following memorandums:

- [Economic Development Tax Incentive Study - Renaissance Zone Credits and Exemptions;](#)
- [Economic Development Tax Incentive Study - Angel Investor Tax Credit;](#)
- [Economic Development Tax Incentive Study - Tax Increment Financing Districts;](#)
- [Economic Development Tax Incentive Study - Fertilizer or Chemical Processing Facility Sales Tax Exemption;](#)
- [Economic Development Tax Incentive Study - Qualified Data Center Sales Tax Exemption;](#)
- [Economic Development Tax Incentive Study - Biologic Manufacturing Sales Tax Exemption;](#) and
- [Economic Development Tax Incentive Study - Coal Processing Facility that Utilizes Coal as a Feedstock Sales Tax Exemption.](#)

The committee expressed support for the suggested data collection and testimony solicitation identified in the memorandums. Chairman Bekkedahl noted the committee may wish to solicit testimony from the North Dakota League of Cities related to the renaissance zone credits and exemptions.

In response to a question from a committee member, Mr. Brian Kroshus, Tax Commissioner, noted the sales tax exemption for a fertilizer or chemical processing facility and the sales tax exemption for a coal processing facility that uses coal as a feedstock have not had any claims.

Renaissance Zone Report

Ms. Rikki Roehrich, Deputy Director, Division of Community Services, Department of Commerce, presented information ([Appendix B](#)) regarding the annual report pertaining to renaissance zone progress as required by Section 40-63-03(2), and the summary of reports provided by cities that have renaissance zone property included in a tax increment financing (TIF) district as required by Section 40-63-03(10). She noted:

- The benefits realized by the 41 projects completed in 2024 amounted to \$437,591 in income tax exemptions and \$2,148,022 in property tax exemptions.
- Since the inception of the Renaissance Zone Program, 2,177 projects have been approved and 1,684 projects have been completed.
- A survey of renaissance zone communities conducted in 2024 indicated renaissance zones created 7 new businesses, 13 business expansions, and 63 new jobs.
- The Renaissance Zone Program is functioning as intended and is serving as a tool for economic development and revitalizing communities.

In response to a question from a committee member, Ms. Roehrich noted:

- To apply for a renaissance zone extension, a city must provide the department with the rationale for the request.
- Because both renaissance zone and TIF district incentives are locally driven, communities seem to avoid allowing taxpayers to benefit from both programs at the same time.
- A significant barrier to broader program implementation is the limited availability of resources and staff support to help communities complete the work required to participate.

After the meeting adjourned, Ms. Roehrich provided a fact sheet ([Appendix C](#)) containing information regarding the Renaissance Zone Program and renaissance zone participation in the state.

Biologic Manufacturing Sales Tax Exemption Report

Ms. Shailyn Hieb, Revenue Analyst, Tax Department, provided information ([Appendix D](#)) summarizing the information provided by taxpayers that received a sales or use tax exemption for raw materials, single-use product contact systems, and reagents used for biologic manufacturing, as required by Section 57-39.2-04.19. She noted, as reported by taxpayers:

- The total sales and use tax liability exempted was \$1,792,476 in tax year 2023 and \$4,400,673 in tax year 2024.
- The total gross payroll for taxpayers receiving the exemption, which includes payroll and taxes paid in multiple states, was \$89,010,581 in tax year 2023 and \$96,528,257 in tax year 2024.
- The total state income tax withheld by the taxpayers, which includes payroll and taxes paid in multiple states, was \$2,232,085 in tax year 2023 and \$2,285,769 in tax year 2024.

Fiscal Impact of Economic Development Tax Incentives

Ms. Hieb provided fiscal information ([Appendix E](#)) pertaining to the economic development tax incentives scheduled for study. She noted:

- The sales tax exemption for a fertilizer or chemical processing facility and the sales tax exemption for a coal processing facility that uses coal as a feedstock have not been claimed to date.
- The reported tax for the sales tax exemption for technology equipment and computer software used in a qualified data center totaled \$12,359,395 in tax years 2021 and 2022 combined, \$9,147,273 in tax year 2023, and \$19,390,865 in tax year 2024. From 2021 to date, the exemption has been claimed by 18 taxpayers, including tenants and owners.
- The angel investor tax credit was claimed by 76 taxpayers over the last 5 tax years, with credits totaling \$1,315,530.
- The renaissance zone income tax exemption was claimed by 9 corporate income taxpayers and 241 individual income taxpayers over the last 5 tax years, with credits totaling \$2,687,424 and \$18,668,631, respectively.
- The renaissance zone income tax credit was claimed by 1 corporate income taxpayer and 361 individual income taxpayers over the last 5 tax years, with credits totaling \$308,101 and \$4,141,750, respectively.

In response to questions from committee members, Mr. Kroshus noted the Tax Department declined to disclose certain incentive claimant data, including the number of claimants in a particular taxable year for the biologic manufacturing sales tax exemption and the qualified data center sales tax exemption, citing a Tax Department policy and state law that prohibited the department from disclosing certain exemption-related data. He noted additional information will be available in future years due to the recent change to Section 57-01-02(17) in Senate Bill No. 2038 (2025).

In response to a question from a committee member, Mr. Matt Peyerl, Associate Director, Tax Administration, Tax Department, noted contributions to an angel fund are eligible for an income tax credit only if the angel fund meets the requirements in law, including a requirement for the fund to be headquartered in North Dakota.

FEDERAL LEGISLATION IMPACT

Mr. Peyerl presented information ([Appendix F](#)) regarding the potential fiscal impact of the federal "One Big Beautiful Bill Act" on state individual and corporate income tax revenue collections. He noted:

- State income tax collections are anticipated to decrease by \$77 million in fiscal year 2026 compared to the 2025 legislative forecast due to the federal changes, including \$51 million related to business income and \$26 million related to personal income.
- State income tax collections are anticipated to decrease by \$52 million in fiscal year 2027 compared to the 2025 legislative forecast due to the federal changes, including \$23 million related to business income and \$29 million related to personal income.
- The largest decrease for business income is related to allowable depreciation expenses, which is estimated to total \$30 million in fiscal year 2026 and \$19 million in fiscal year 2027.
- The largest decrease for personal income is estimated to be \$13 million per fiscal year related to an exemption for eligible overtime pay.

PROPERTY TAX REFORM AND RELIEF STUDY AND REPORTS

Background Information

Ms. Gordon presented a memorandum entitled [Property Tax Reform and Relief - Background Memorandum](#) regarding the committee's study of property tax reform and relief, including an overview of property taxation, recent property tax reform and relief legislation, and recent property tax related studies.

Property Tax Increase Report

Ms. Shelli Myers, State Supervisor of Assessments, Property Tax Division, Tax Department, presented information ([Appendix G](#)) regarding a statewide property tax increase report as required by Section 57-20-04. She noted the report contains the annual increase or decrease in property taxes levied by the 50 largest school districts, city parks, cities, and counties after adjusting for property that was not taxable in the preceding year and property that is no longer taxable which was taxable in the preceding year, and clarified the report does not reflect levy changes due to exemptions or assessment adjustments on existing property. The report indicated the following changes from tax year 2023 to 2024:

- Countywide levy changes ranged from a decrease of 33.38 percent in Benson County to an increase of 93.64 percent in Nelson County.
- Citywide levy changes ranged from a decrease of 35.21 percent in Berthold to an increase of 160.85 percent in Richardton.
- School district levy changes ranged from a decrease of 15.9 percent in the Beulah School District to an increase of 35.1 percent in the Dickinson School District.
- Park district levy changes ranged from a decrease of 27.67 percent in the Lisbon City Park District to an increase of 37.99 percent in the Parshall City Park District.

Historical Property Tax Relief

Ms. Myers presented information ([Appendix H](#)) regarding historical property tax relief provided by the Legislative Assembly, including the estimated and actual fiscal impact of the tax relief. She noted:

- The homestead credit provided \$26,644,499 of property tax relief to 19,490 taxpayers in tax year 2024.
- The renters refund provided \$844,293 of reimbursements to 2,697 renters in tax year 2024.
- The disabled veterans' credit provided \$10,598,340 of property tax relief to 6,767 disabled veterans in tax year 2024.
- The primary residence credit, which began in tax year 2024, provided \$65,859,732 of tax relief to 134,899 taxpayers related to their primary residence.
- The department received 145,264 applications for the primary residence credit for tax year 2025, an increase of 10,365 or 7.68 percent compared to tax year 2024.

In response to a question from a committee member, Ms. Myers noted the department will provide available data to the committee at a future meeting regarding the number of properties with no property tax liability after applying the primary residence credit.

Property Tax Data Limitations

Ms. Myers presented information ([Appendix I](#)) regarding limitations on property tax data available to the Tax Department and suggestions for how the department can collect more comprehensive data to provide to the Legislative Assembly. She noted the department collects aggregate property tax data from counties to prepare annual property tax statistical reports regarding property values and classifications, mill rates, and taxes levied.

Chairman Bekkedahl noted the data collection process is important for developing uniform tax statements which may be part of a tax reform initiative.

Property Tax Statements and Notices

Ms. Myers presented information ([Appendix J](#)) regarding property tax statements and notices prescribed by the Tax Department, including sample statements and notices. She noted:

- House Bill No. 1176 (2025) required a separate line on the tax statement for the property tax associated with certain voter approved bonds and a conspicuous statement regarding the amount of the primary residence credit derived from Legacy Fund distributions.
- The notice of increase was replaced by a notice of assessment, which identifies the true and full value for the current and prior year and the date, time, and location of board of equalization meetings.
- The estimated property tax and budget hearing notice was replaced by a notice of budget hearing, eliminating the requirement to include the estimated property tax for the upcoming year.

In response to a question from a committee member, Ms. Myers noted limitations for changing the property tax statements include space constraints, variations in software, and a lack of color printing capabilities.

Committee members noted:

- Changing the description for the statewide medical school levy on the property tax statement may clarify the purpose of the levy for taxpayers.
- Mixed opinions regarding whether and how best to include property tax relief provided by the Legislative Assembly on the property tax statement, with some committee members favoring removal to simplify the statement and others supporting retention of the information, either in its current form or communicated differently.

Primary Residence Credit - Tax Department

Ms. Myers presented information ([Appendix K](#)) regarding the primary residence credit. She noted:

- The primary residence credit cycle includes an application process, review of applications, transmission of data to counties to adjust property tax statements, and payments to counties.
- Mobile homeowner special primary residence credit applications, which were due by September 1, 2025, will apply to 2026 mobile home taxes to align mobile home and real estate credits within the same tax cycle.
- The primary residence credit may be prorated when a property is sold as agreed upon in the sales contract.
- The Tax Department provided a memorandum to the North Dakota Land Title Association and the North Dakota Association of Realtors regarding primary residence credit administration.
- Primary residences owned through a cooperative ownership structure are not eligible for the primary residence credit under current law, in part because cooperative units do not have individual parcels to which the credit can be applied.

In response to a question from a committee member, Ms. Myers noted property taxes levied against cooperative-owned property are levied on the entire property and typically apportioned based on ownership shares, while condominium properties are taxed individually, with each unit assessed and taxed as a separate parcel.

Primary Residence Credit - North Dakota Association of Counties

Ms. Donnell Preskey, Government and Public Relations Specialist, North Dakota Association of Counties, provided comments regarding the primary residence credit. She noted:

- County auditors support a review of property tax statements, including consideration of comprehensive updates and the cost of changes to the statements.
- The changes to the primary residence credit for mobile homeowners improved the administration process for counties.
- Potential changes to clarify the administration of the credit and primary residence certification process include allowing the Tax Department to notify applicants of approval or denial of the primary residence certification application rather than the county director of tax equalization.

In response to a question from a committee member, Ms. Preskey noted the North Dakota Association of Counties is surveying counties to assess the impact of the taxing district property tax levy limitation. She shared preliminary findings from the first week of data collection and noted she plans to provide more comprehensive results from the survey to the committee at a future meeting.

Comments from Interested Persons

Mr. Larry Syverson, Executive Director and Director of Governmental Relations, North Dakota Township Officers Association, provided comments regarding the committee's study of property tax reform and relief. He noted certain provisions of House Bill No. 1176 created challenges with the township budgeting process since townships approve their annual budgets at the townships' annual meetings held in March.

Ms. Preskey noted Senate Bill No. 2012 (2025) requires a township to levy at least 18 mills to be eligible for certain state road funding, and the 18-mill requirement also applies to county-levied mills for unorganized townships.

Senator Rummel distributed information ([Appendix L](#)) regarding property tax data prepared by the Stark County auditor as a supplement to the property tax statement provided to property taxpayers in the county.

No further business appearing, Chairman Bekkedahl adjourned the meeting at 4:15 p.m.

Megan J. Gordon
Code Revisor

Adam Mathiak
Senior Fiscal Analyst

ATTACH:12