TAX REFORM AND RELIEF ADVISORY COMMITTEE

Tuesday, March 17, 2026
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Brad Bekkedahl, Chairman, called the meeting to order at 9:30 a.m.

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

Members absent: None

Others present: Jill Beck and Ben Kappel, North Dakota Association of Realtors; Stephanie Dassinger Engebretson and Matt Gardner, North Dakota League of Cities; Amy De Kok, North Dakota School Boards Association; Brian Kroshus and Shelli Myers, Tax Department; Donnell Preskey and Linda Svihovec, North Dakota Association of Counties
See Appendix A for additional persons present.

It was moved by Representative Vigesaa, seconded by Senator Rummel, and carried on a voice vote that the minutes of the December 3, 2025, meeting be approved as distributed.

Chairman Bekkedahl noted a portion of the committee's tax reform and relief study related to the feasibility and desirability of revising the content of the real estate tax statements will be delegated to a subcommittee with Representative Headland as the subcommittee chairman and Senator Rummel as the subcommittee vice chairman.

ECONOMIC DEVELOPMENT TAX INCENTIVES STUDY

Ms. Rikki Roehrich, Deputy Director, Division of Community Services, Department of Commerce, presented information (Appendix B) regarding renaissance zone credits and exemptions and tax increment financing districts, including information on complementary or duplicative government programs available to taxpayers qualifying for the incentives, any improvements to the incentives, and the impact of the incentives on business behavior and the state's economy. She noted:

- The Renaissance Zone Program provides economic benefits for communities by increasing taxable values within the zone and provides other benefits like creating a more vibrant downtown.
- Taxpayers can access both a property tax exemption and a state income tax incentive under the Renaissance Zone Program.

In response to questions from committee members, Ms. Roehrich noted:

- The Department of Commerce uses multiple outreach methods to educate communities about the Renaissance Zone Program.
- The department tracks projects that could use both the Renaissance Zone Program and the Tax Increment Financing Program and has observed that most projects use one program or the other rather than both, likely to avoid the appearance of double dipping.

Mr. Matt Gardner, Executive Director, North Dakota League of Cities, introduced Mr. Daniel Nairn, Planning Director, City of Bismarck, to present information (Appendix C) regarding renaissance zone credits and exemptions as a financing tool for economic development in cities. He noted:

- Since the creation of the renaissance zone in the city of Bismarck in 2005, approximately $109 million has been invested in redevelopment within the zone.
- For one example property, the city recovered the foregone property tax collections within the 1st year after the 5-year exemption period ended, but for another example property, the foregone property tax collections will be recovered within about 5 years after the 5-year exemption period ends.
- The Renaissance Zone Program serves as the city's primary tool to help ensure the downtown area remains healthy and attractive to investors.
- Exit interviews with Renaissance Zone Program participants indicate a mixed assessment of whether the program was a decisive factor in the participants' investment decisions.

Mr. Gardner introduced Mr. Don Flaherty, Mayor, City of Ellendale and Director of Tax Equalization, Dickey County, to present information (Appendix D) regarding tax increment financing districts as a financing tool for economic development in cities. He noted:

- A tax increment financing district established in the city of Oakes in 2003 and retired in 2025 provided $5.1 million of financing for road, water, and other infrastructure projects and resulted in the creation of 75 to 100 jobs.
- A tax increment financing district created in the city of Ellendale in 2025 provided financing for infrastructure to support new affordable housing, removing the need to apply special assessments to the new homes.

In response to a question from a committee member, Mr. Flaherty noted smaller communities may face unique challenges related to use of the Renaissance Zone Program, particularly because blighted areas tend to be scattered throughout the community rather than concentrated in defined areas, as is more common in larger metropolitan areas.

STRIPPER WELL OIL EXTRACTION TAX EXEMPTION STUDY

Tax Department

Ms. Shailyn Hieb, Revenue Analyst, Tax Department, presented information (Appendix E) regarding stripper well taxation structures in other selected states. She noted stripper well taxation in other states applies to marginal wells, stripper wells, and low-producing wells and reflects the following:

State	Stripper Well Taxation Structure
Montana	Variable rate applied to the gross taxable value based on the type of well and type of production
Alaska	No specific provisions
Oklahoma	An exemption from 6/7 of the tax if the tax rate is 7 percent or an exemption from 4/5 of the tax if the tax rate is 5 percent
Wyoming	Reduced tax rate of 4 percent
Texas	Credits for low-producing wells ranging from 25 to 100 percent of the tax due
New Mexico	Reduced tax rate of 1.875 or 2.8125 percent

Department of Mineral Resources

Mr. Nathan Anderson, Director, Department of Mineral Resources, presented information (Appendix F) regarding the number of stripper wells and oil production from stripper wells. He noted:

- Approximately 54 percent of oil wells are classified as stripper wells and account for approximately 16 percent of the state's oil production.

- The stripper well tax exemption may extend the economic life of marginal oil wells but decreases the state's oil tax collections.
- As oil production from an oil well declines, an oil well qualifies for the stripper well tax exemption within an average of 10 years after initial production based on historical data from the department.
- A study conducted by the Energy and Environmental Research Center concluded an oil well qualifies for the stripper well exemption within 7 years after initial production unless the oil well is refractured, which delays the qualification for the exemption by 3 to 7 years.

In response to a question from a committee member, Mr. Stephen Fried, Petroleum Engineer, Oil and Gas Division, Department of Mineral Resources, noted the stripper well determination is based on a well's average daily production over a period of 12 consecutive months, with nonproducing days excluded from the calculation.

In response to a question from a committee member, Mr. Anderson noted once a well attains stripper well status, there is no avenue for removing the designation as a stripper well and it continues to be treated as a stripper well for taxation purposes even if its daily production later rises above the threshold.

Comments by Interested Persons

Mr. Ron Ness, President, North Dakota Petroleum Council, noted determining the economic viability of a stripper well after it is refractured requires consideration of the cost associated with the refracturing.

PROPERTY TAX REFORM AND RELIEF STUDY

Property Tax Exemptions

Ms. Shelli Myers, State Supervisor of Assessments, Property Tax Division, Tax Department, presented information (Appendix G) regarding the estimated value of parcels exempt from property tax pursuant to House Bill No. 1176 (2025). She noted an estimated $28.5 billion is exempt from property tax based on responses from 37 counties, including $11.6 billion of exempt school property; $7.4 billion of exempt church property, charitable organization property, government buildings, and daycare facilities; $4.7 billion of farm structures; $2.1 billion of hospital property; $1.1 billion of new construction; and $1.6 billion of other property.

Primary Residence Credit

Mr. Brian Kroshus, Tax Commissioner, provided comments regarding the primary residence credit, including the timing and amount of local reimbursement payments for tax year 2025 and an update on tax year 2026 primary residence certification applications. He noted:

- Approximately $207.5 million will be distributed to counties in April 2026 for the 2025 primary residence credit cycle.
- He anticipates an increased number of applications for the 2026 credit cycle compared to the previous credit cycle, estimating roughly 160,000 applications.
- The estimated reimbursement for the 2026 credit cycle, paid in 2027, is $220 million, which may result in a need for a deficiency appropriation request in the 2027 legislative session.

In response to questions from committee members, Mr. Kroshus noted the Tax Department will provide information at a future meeting regarding:

- The number of properties in each county with no property tax liability after application of the disabled veterans' credit, homestead credit, and primary residence credit; and
- The estimated cost of removing the farmstead property tax exemption and replacing it with the primary residence credit.

Ms. Jill Beck, Chief Executive Officer, North Dakota Association of Realtors, presented information (Appendix H) regarding concerns from the real estate industry related to the primary residence credit. She noted:

- Industry concerns related to transferring the credit have been alleviated since the transfer provisions were limited to tax year 2025.
- The association is waiting for responses from the Tax Department regarding frequently asked questions encountered by the industry.

Mr. Ben Kappel, Vice President, North Dakota Association of Realtors, provided comments regarding concerns from the real estate industry related to the primary residence credit. He noted realtors are seeking clarity on certain provisions of the primary residence credit to better answer questions from home buyers and sellers and to alleviate confusion during real estate transactions.

Chairman Bekkedahl encouraged the North Dakota Association of Realtors representatives to work with the Tax Department to identify concerns and recommend changes related to the primary residence credit.

In response to a question from a committee member, Mr. Kappel noted the primary residence credit may play a role in determining the level of financing for which a home buyer may qualify.

Taxing District Levy Limitation

North Dakota League of Cities

Ms. Stephanie Dassinger Engebretson, Deputy Director and Staff Attorney, North Dakota League of Cities, presented information (Appendix I) regarding the taxing district levy limitation. Based on survey responses from 70 cities, she noted:

- The dollar amount representing 3 percent growth in property taxes levied ranged from $145 in the city of Hanes, which had a population of 16 in 2024, to $1,466,398 in the city of Fargo, which had a population of 136,285 in 2024.
- 40 percent of the cities will carry forward all or a portion of the excess percentage increase while 60 percent used the entire 3-percent increase.
- Approximately 34 percent of the cities included reserve funds for budgeted expenses in 2026, and approximately 33 percent deferred equipment purchases or infrastructure projects.
- Suggested changes to the taxing district levy limitation include adjusting the limitation based on an index or city populations and exempting certain expenditures from the levy limitation.

In response to questions from committee members, Ms. Dassinger Engebretson noted it is unclear whether any cities intend to request approval from the voters at a future general election to exceed the levy limitation, but cities understand the option is available and should be mindful of restrictions to a city's ability to advocate for or against a ballot measure under the Corrupt Practices Act.

Chairman Bekkedahl noted taxing districts may regularly include reserve funds for budgeted expenses and suggested the North Dakota League of Cities and North Dakota Association of Counties also gather information on the use of reserve funds in budgets from the past 3 years for comparison purposes.

Committee members noted it is important to monitor the implementation of the taxing district levy limitation to understand its performance before determining whether adjustments are warranted.

North Dakota Association of Counties

Ms. Donnell Preskey, Government and Public Relations Specialist, North Dakota Association of Counties, presented information (Appendices J and K) regarding the taxing district levy limitation. Based on survey responses from 51 counties, she noted:

- 67 percent of the counties will carry forward all or a portion of the excess percentage increase while 33 percent used the entire 3-percent increase.
- Approximately 34 percent of the counties included reserve funds for budgeted expenses in 2026, and some counties may experience a decrease in state grant funding for township roads or other grant programs because the counties may not meet the requirements of the grant criteria due to the property tax levy limitation.
- Suggested changes to the taxing district levy limitation include increasing the allowable percentage limit, providing additional state funding, and exempting certain expenditures from the levy limitation.

In response to questions from committee members, Ms. Preskey noted:

- The association is developing a process to use email addresses from the primary residence credit certification application to allow for electronic notification to applicants of their certification status.
- Based on survey feedback, responding counties have not expressed interest in pursuing voter approval to exceed the levy limitation at a future general election.

In response to questions from committee members, Ms. Linda Svihovec, Research Analyst, North Dakota Association of Counties, noted:

- There is no statutory process that would allow a county auditor to make administrative corrections to a levy once the levy has been certified and submitted to the county auditor, but establishing this type of process would be beneficial.
- Certain voter-approved mill levy authorities are exempt from the taxing district levy limitation if the new or increased authority becomes available to the taxing district in the current taxable year as a result of approval by the electors of the taxing district.

North Dakota School Boards Association

Ms. Amy De Kok, Executive Director, North Dakota School Boards Association, presented information (Appendix L) regarding the taxing district levy limitation. She noted:

- The taxing district levy limitation increases predictability and transparency for taxpayers.
- Some costs, such as health insurance and salaries, may increase at a rate exceeding the limitation which may result in reductions to other areas of school district budgets.
- Some school districts applied for gap funding from the Department of Public Instruction because the school districts were required to reduce property tax levies to comply with the levy limitation.
- Suggested changes to the levy limitation include exempting building fund levies from the levy limitation and allowing exceptions for certain extraordinary circumstances.

In response to questions from committee members, Ms. De Kok noted:

- It would be prudent to exempt the school district building fund levy from the taxing district levy limitation because the building fund levy is a voter-approved levy authority with limited uses outlined in statute.
- Categories of voter-approved levy authorities for schools include the building fund, safety plan, and excess general fund levy authority.

North Dakota Township Officers Association

Mr. Larry Syverson, Executive Director, North Dakota Township Officers Association, presented information (Appendix M) regarding the taxing district levy limitation and the township budgeting cycle. He noted:

- Organized townships are required to hold an annual meeting in March to approve the budget and township tax levies.

- Based on changes approved during the 2025 legislative session, organized townships are required to levy at least 18 mills to be eligible for state funding for township road and bridge projects from the Flexible Transportation Fund and the County and Township Infrastructure Fund.
- Of 1,431 organized townships, 385 levy less than 18 mills, 505 levy 18 mills, and 541 levy more than 18 mills.

In response to questions from committee members, Mr. Syverson noted he does not believe the timing of township annual meetings caused any townships to lose eligibility for state road and bridge funding; rather, the ineligibility resulted from an unwillingness to levy the amount required to qualify for the funding.

Comments by Interested Persons

Mr. Kory Peterson, Horace, provided comments regarding the committee's study of property tax reform and relief. He noted if a taxing district uses too much funding from reserves, the taxing district's credit rating may be negatively affected which increases borrowing costs for projects.

No further business appearing, Chairman Bekkedahl adjourned the meeting at 3:55 p.m.

____

Megan J. Gordon
Code Revisor

____

Adam Mathiak
Senior Fiscal Analyst

ATTACH:13