Legislative Council
600 East Boulevard Avenue, Bismarck, ND 58505

North Dakota Legislative Management
Meeting Minutes
27.5152.03000

TAX REFORM AND RELIEF ADVISORY COMMITTEE

Tuesday, June 23, 2026
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 Jason Dockter, Ty Dressler, Jim Grueneich, Craig Headland, Don Vigesaa

Members absent: None

Others present: Nathan Anderson, Department of Mineral Resources; Charles Gorecki,* Energy and Environmental Research Center; Adam Tescher, Department of Public Instruction
See Appendix A for additional persons present.
**Attended remotely*

It was moved by Senator Rummel, seconded by Representative Vigesaa, and carried on a voice vote that the minutes of the March 17, 2026, meeting be approved as distributed.

PROPERTY TAX REFORM AND RELIEF STUDY

Property Tax Credit Information

Mr. Brian Kroshus, Tax Commissioner, presented an overview (Appendix B) of property tax information in the 2023-25 biennial report, including a review of the qualification criteria for the homestead credit, disabled veterans' credit, and primary residence credit, and historical trends in the credits. He noted:

- The dollar amount of homestead tax credits allocated and number of recipients has increased significantly each fiscal year between 2023 and 2025.
- The dollar amount of disabled veterans' tax credits allocated and number of recipients has increased each fiscal year between 2015 and 2025.
- The total primary residence credit state reimbursement payment is estimated to be $232 million for tax year 2026.

In response to questions from committee members, Mr. Kroshus noted:

- The homestead tax credit income brackets are not annually adjusted for inflation, which may cause some Social Security income recipients to lose eligibility for the credit. The cost of indexing the income brackets is estimated at $2 million per biennium.
- A detailed analysis of available primary residence credit data will be provided to the committee in September.

Mr. Kroshus presented information (Appendix C) regarding the primary residence certification application review process, including processes to verify eligibility and any instances of fraud or concerns related to fraud. He noted:

- The department has incorporated stringent compliance safeguards in the primary residence credit review process, including cross-referencing user-provided information with internal data sources and applying multiple layers of technological and human review.
- Approximately 97 percent of primary residence credits are immediately preapproved, and the remaining 3 percent require individual review, including phone calls or other followup to resolve discrepancies.
- The list of preapproved credit recipients is sent to the counties for review, and final approval is made after the counties return the list with any discrepancies identified.
- The department's fiscal division audits county reimbursement requests using a random sample to confirm that distribution amounts are consistent with the credit amounts received by homeowners.
- No noncompliance issues have been identified.

In response to questions from committee members, Mr. Kroshus noted:

- Each county is responsible for notifying primary residence certification applicants of approval or denial, and the department is required to prescribe the form of the notification letter.
- The credit review and verification process is important to prevent instances of fraud or errors.
- About 1,000 applications were denied during the 2026 application cycle.

Property Tax Increase Report

Ms. Shelli Myers, State Supervisor of Assessments, Property Tax Division, Tax Department, presented information (Appendix D) regarding a statewide property tax increase report (Appendix E) as required by North Dakota Century Code 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, sorted by taxable value, 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. She noted 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 2024 to 2025:

- Countywide levy changes ranged from a decrease of 61.24 percent in Steele County to an increase of 15.71 percent in Renville County.
- Citywide levy changes ranged from a decrease of 18.07 percent in Minot to an increase of 77.43 percent in Beulah.
- School district levy changes ranged from a decrease of 14.32 percent in the Carrington School District to an increase of 22.23 percent in the Oakes School District.
- Park district levy changes ranged from a decrease of 63.35 percent in the Harwood City Park District to an increase of 53.33 percent in the New Town City Park District.

Property Tax Statistical Report

Ms. Myers presented information (Appendix F) regarding the *2025 Property Tax Statistical Report*, including recent trends in the property values and property tax collections by property classification. She noted:

- Assessors use one or more of three approaches to property valuation, including the sales comparison approach, cost approach, and income approach.
- The annual increase in taxable value over the past 5 years averaged 0.65 percent for agricultural property, 6.35 percent for residential property, 5.07 percent for commercial property, and 2.68 percent for centrally assessed property.
- For property taxes levied in 2025, 17.96 percent was levied on agricultural property, 43.88 percent on residential property, 31.13 percent on commercial property, and 7.03 percent on centrally assessed property.

- The average statewide percentage increase in property taxes levied decreased from 5 percent in 2024 to 3 percent in 2025.

Taxing District Levy Limitation

Ms. Myers presented information (Appendix G) regarding the Tax Commissioner's findings and analysis of information submitted by local taxing districts related to the levy limitation under Section 57-15-01.2. Based on data collected from select taxing districts, she noted:

- Actions taken by taxing districts to meet taxing district levy limitation requirements include conservative budgeting, lowering the percentages of employee salary and cost-of-living increases, delaying capital improvement and other asset purchases, and use of cash reserves to meet budget requirements.
- Taxing districts indicated complying with the taxing district levy limitation may be more challenging in future years when reserve funds are not available.
- Counties reported just over $2.17 billion of new growth for the 2025 tax year.

Mr. Adam Mathiak, Senior Fiscal Analyst, Legislative Council, presented a memorandum entitled *Taxing District Levy Limitation - Summary of Suggested Changes*.

Integrated Formula Gap Funding Program

Mr. Adam Tescher, School Finance Officer, Department of Public Instruction, provided an update (Appendix H) on the Integrated Formula Gap Funding Program. He noted:

- 33 school districts applied for gap funding for the 2025-26 school year and 24 were approved, for a total of $1.8 million in funding.
- Gap funding levels varied, ranging from just over $500,000 for the Bismarck School District to $170 for the Wing School District.
- Projections indicate an $8 million increase per biennium to fund the program.

In response to questions from committee members, Mr. Tescher noted estimated program costs for next school year will be $3.6 million.

Committee Discussion

Committee members noted:

- The statewide 3 percent taxing district levy limitation raises the question of whether levy limitations are necessary, but any consideration of changes to existing levy limits should be carefully approached.
- When considering whether to impose additional tax, it is important to ensure there is a specific and justified use for the revenue.
- It may be appropriate to consider extending property tax relief to property classifications other than primary residential property to broaden tax relief for taxpayers in the state.

STRIPPER WELL OIL EXTRACTION TAX EXEMPTION STUDY

Estimated Fiscal Impact and Alternative Tax Policies

Mr. Kroshus presented information (Appendix I) regarding the stripper well oil extraction tax exemption study. He noted in April 2026, 9,967 stripper wells produced just over 5.6 million barrels of oil at an average price of $92.47 per barrel. He presented estimated fiscal impacts for alternative tax policy scenarios for stripper wells, including the estimated biennial oil extraction tax revenue increases for the following scenarios:

- A 1 percent tax on the gross value of oil extracted for stripper wells certified after the 2025-27 biennium.
- An approach that keeps existing stripper wells in exempt status unless the wells are reworked, with incremental production above the stripper well threshold taxed at 2.5 percent of gross value.

Stripper Well Oil Production Analysis

Mr. Charles Gorecki, Chief Executive Officer, Energy and Environmental Research Center, presented an analysis (Appendix J) of oil well life cycles and oil production related to the stripper well oil extraction tax exemption. He noted:

- Once a well has been categorized as a stripper well, it remains in that status, even if production increases to greater levels than stripper well thresholds.
- In the first quarter of 2025, approximately 13.8 percent of the state's oil production came from wells in stripper well status, which, although exempt from the oil extraction tax, remain subject to the oil and gas gross production tax.
- 75 percent of the oil produced by a typical well in the Bakken Formation is produced within the first 7 years of the well's life, and 70 to 90 percent of estimated oil recovery is produced before production declines to the point of qualifying for stripper well status.
- Reinvestment in oil and gas operations can slow production decline and delay wells from entering stripper well status.

In response to questions from committee members, Mr. Gorecki noted:

- Initiating enhanced oil recovery efforts before a well reaches low bottom-hole pressure results in a more successful and cost-efficient recovery effort for the operator.
- Refracturing decisions appear to be influenced more by operational considerations and the probability of success than by potential tax benefits tied to stripper well status.

Comments by Interested Persons

Mr. Nathan Anderson, Director, Department of Mineral Resources, provided comments regarding the committee's study. He noted:

- An operator's primary goal is to optimize production regardless of the tax structure.
- Refracturing a well involves significant technical challenges, risks, and high costs.
- A well's economic limit varies based on the operating costs specific to each well.

Mr. Ron Ness, President, North Dakota Petroleum Council, provided comments regarding the committee's study. He noted:

- Keeping wells operating is particularly important for smaller operators in the state, and the stripper well exemption plays an important role in keeping wells active.
- The number of Bakken Formation well operators has declined from about 28 to roughly 8 to 14 over the past 5 years.
- Larger operators often view small wells as liabilities, while smaller operators often view them as opportunities.

Committee Discussion

Committee members noted:

- It is important to consider the level at which the oil and gas industry contributes to the state's tax base when evaluating proposals to modify the stripper well oil extraction tax exemption.
- The Tax Foundation often has ranked North Dakota poorly on a per capita tax basis because oil and gas tax collections have been treated as if they are collected from individual taxpayers.

ADMINISTRATIVE MATTERS

Chairman Bekkedahl noted he received correspondence from the Chairman of the Legislative Management to bring to the committee's attention a recommendation from the Legislative Audit and Fiscal Review Committee for the Tax Reform and Relief Advisory Committee to consider, as part of its property tax reform and relief study, issues related to political subdivision compliance with property tax levy limitations. He also noted the directive will be discussed further at upcoming meetings.

Chairman Bekkedahl distributed a memorandum entitled *Tax Reform and Relief Advisory Committee - Tentative Interim Schedule*. Mr. Mathiak provided an overview of the memorandum.

Ms. Megan J. Gordon, Code Revisor, Legislative Council, presented a memorandum entitled *Supplemental Information Received in Response to Committee Member Requests*.

No further business appearing, Chairman Bekkedahl adjourned the meeting at 2:20 p.m.

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Megan J. Gordon
Code Revisor

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Adam Mathiak
Senior Fiscal Analyst

ATTACH:10