



North Dakota Legislative Council

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LC# 25.9408.02000
February 2025

SUMMARY OF ENGROSSED HOUSE BILL NO. 1176

This memorandum provides a brief summary of Engrossed House Bill No. 1176 [[25.1003.03000](#)], which provides property tax reform and relief.

PRIMARY RESIDENCE CREDIT

Sections 10, 11, 12, and 13 of the bill amend the primary residence credit program to:

- Continue the program beyond tax year 2025 by removing the program expiration dates.
- Increase the credit from \$500 to \$1,450 beginning in tax year 2025.
- Include primary residences held in a trust beginning in tax year 2025.
- Provide for a transition year during tax year 2025 to apply the credit to the same tax cycle for property taxed as mobile homes and property taxed as real estate.
- Clarify the process for prorating property taxes if the primary residence is subject to a real estate transaction.
- Integrate the credit with the new primary residential property classification after the new classification becomes effective beginning in tax year 2026.

An emergency clause is included to authorize the changes to the primary residence credit for tax year 2025.

HOMESTEAD CREDIT PROGRAM

Sections 8, 9, and 26 of the bill, beginning in tax year 2025, expand the homestead credit program, which is available to qualifying homeowners and renters who are at least 65 years of age, by:

- Increasing the two income thresholds by \$10,000, from \$40,000 to \$50,000 and from \$70,000 to \$80,000.
- Increasing the maximum renters refund from \$400 to \$600.
- Appropriating \$5.45 million for the state reimbursement of the homestead tax credit.

PROPERTY CLASSIFICATIONS

Sections 7, 14, 15, and 16 of the bill create a new classification for primary residential property separate from other nonprimary residential property. Primary residence certification and eligibility for a primary residential property classification is based on an application and approval process administered through the Tax Department.

PROPERTY TAX LEVY LIMITATION

Section 22 of the bill provides a property tax levy limitation applicable to all taxing districts, beginning in tax year 2025, by:

- Limiting property tax levy increases to 3 percent each year, plus any unused excess percentage increase from the 5 preceding years, without requiring voter approval.
- Allowing a taxing district to increase the levy to an amount exceeding the limitation, for 2 years, if approved by a majority of the qualified electors in a taxing district at a statewide primary or general election, or 60 percent of the qualified electors in a taxing district at a special election of the taxing district.
- Providing an "opt-out" option for cities and counties, which would allow a majority of the qualified electors in a city or county at a statewide primary or general election to elect for the city or county to be excluded from the levy limitation for a period of 10 taxable years at a time.

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- Basing the 3 percent levy increase limitation on either the greater of the highest amount levied in the 3 preceding years or the amount levied in the preceding year with adjustments, including adjustments for new property.

The levy limitation does not apply to certain levies, including an irrevocable tax to pay indebtedness, the constitutional 1-mill levy for the state medical center, certain city and county emergency levies, the township general fund levy (up to 18 mills), and other specified levies. Language applicable only to taxable year 2025 also is included, which would allow a city to consolidate certain expiring mill levies into the city's general fund levy without including those dollars levied as part of the levy limitation.

PROPERTY TAX RELIEF FUNDING

Sections 2, 5, 6, and 25 of the bill provide state funding for the primary residence credit by:

- Clarifying the process for distributions from the legacy fund to the legacy earnings fund.
- Providing an allocation from the legacy earnings fund to a newly created legacy property tax relief fund.
- Appropriating \$473 million from the legacy property tax relief fund for the state reimbursement of the primary residence credit, which includes \$74.6 million transferred from the general fund and \$398.4 million allocated from the legacy earnings fund.

PROPERTY TAX NOTICES AND STATEMENTS

Sections 3, 17, 18, 19, 20, 21, and 23 of the bill modify the property tax notices and statements by:

- Requiring an assessor to deliver written notice of the true and full value of each parcel of taxable property for the current and previous year and the date, time, and location of the local and county board of equalization meetings at least 15 days before the local board of equalization meeting.
- Requiring the county treasurer to provide written notice to each owner of taxable property, by August 31st of each year, of the date, time, and location of each taxing district's budget hearing, the location at which each budget is available for review, and a statement that there will be an opportunity to submit comments regarding each taxing district's property tax levy.
- Requiring property tax statements to separately identify the amounts for voter-approved property tax levies in each taxing district and to identify the primary residence credit, including the portion of the credit derived from legacy fund earnings.

REPEALS

Section 24 repeals:

- Obsolete legacy fund definitions under North Dakota Century Code Section 21-10-12.
- The legacy earnings fund under Section 21-10-13 to move the fund and revise the allocations as provided in Section 5 of the bill.

Sections 1 and 4 update cross references to the repealed Section 21-10-13 to the new section created in Section 5 of the bill.