



North Dakota Legislative Council

Prepared by the Legislative Council staff
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Mike Nath
in favor

SUMMARY OF BILL DRAFT 25.1003.01000

This memorandum provides a summary of bill draft [25.1003.01000], which provides property tax reform and relief.

PRIMARY RESIDENCE CREDIT

Sections 7, 8, 9, and 10 of the bill draft 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 \$1,550 beginning in tax year 2025.
- Exclude voter-approved levies from the tax relief 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 align the credit for mobile homes with the real estate tax cycle.
- 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 5 and 6 of the bill draft, beginning in tax year 2025, expand the homestead credit program, which is available to qualifying homeowners and renters who are at least age 65, by increasing:

- The two income thresholds by \$10,000, from \$40,000 to \$50,000 and from \$70,000 to \$80,000.
- The maximum taxable value exemption from \$9,000 to \$11,250. (**NOTE:** A taxable valuation limit of \$9,000 relates to an exemption of \$200,000 of true and full value while a taxable valuation limit of \$11,250 relates to an exemption of \$250,000 of true and full value.)
- The maximum renters refund from \$400 to \$600.

PROPERTY CLASSIFICATIONS

Sections 4, 11, 12, and 13 of the bill draft create a new classification for primary residential property separate from other nonprimary residential property. Certification and eligibility for a primary residence is based on an application and approval process administered through the Tax Department.

LEVY LIMITS

Section 18 of the bill draft 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 limit, for 1 year only, if approved by a majority of the qualified electors of the taxing district at a regular or special election.
- Basing the 3 percent levy increase limit on 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 increase limit does not apply to certain levies, including an irrepealable tax to pay indebtedness, the constitutional 1-mill levy for the state medical center, and other specified levies.

PROPERTY TAX RELIEF FUNDING

Sections 1, 2, 3, and 21 of the bill draft 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.
- Providing intent to increase the primary residence credit in future bienniums using additional legacy earnings fund allocations.
- Providing intent to use legacy earnings fund allocations in future bienniums to replace general fund appropriations and oil and gas tax-related funding for other property tax relief programs.
- Appropriating \$483.4 million from the legacy property tax relief fund for the state reimbursement of the primary residence credit, which includes \$310 million transferred from the general fund and \$173.4 million allocated from the legacy earnings fund.

PROPERTY TAX NOTICES AND STATEMENTS

Sections 14, 15, 16, 17, and 19 of the bill draft modify the property tax notices and statements by:

- Requiring an assessor to provide information regarding the current property assessment, the date of the local and county board of equalization meetings, and information regarding the taxing districts' public budget hearings at least 15 days before the local board of equalization meeting.
- Removing required notices of assessment increases for certain property value increases by assessors and for certain property value increases by township, city, and county boards of equalization.
- 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 20 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 3 of the bill draft.
- The requirement to provide estimated property tax and budget hearing notices under Section 57-15-02.2.

ATTACH:1