Written Testimony for the
Joint Policy Committee
September 2, 2026
Erica Johnsrud, McKenzie County Auditor/Treasurer

RE: SUPPORT for SB 2405

Good morning, Chairs Klein and Ruby, and members of the Joint Policy Committee. My name is Erica Johnsrud and I have the honor of serving as the Auditor/Treasurer for McKenzie County. I stand in support of SB 2405.

I apologize I am not able to join you in person today but hope this testimony will help outline some of the issues resulting from the passage of HB 1626 during the January 2026 Special Legislative Session. Property taxes are an intricate and difficult subject, with many moving parts. That alone makes it extremely challenging to properly understand and vet proposals during condensed timeframes, such as the past and current special sessions. Taxes also bring forward many emotions and policy decisions, adding an additional layer of complexity to an already multifaceted topic.

The intent of SB 2405 bill is to revert the law back to the status prior to the passage of HB 1626 in January 2026. Why is this needed? While changing where the discount for early payment of property taxes seems like a minor adjustment, it has created programming challenges for the county vendors. Simply, HB 1626 changed the application of the Primary Residence Credit (PRC) from a **CREDIT** to a **PAYMENT.** Payments are treated very differently during application to property parcels than credits. Payments are subject to possible discounts, as well as penalty and interest, and are tied to a specific point in time when the transaction is processed/received. Credits are simply subtracted off the top and easy to calculate with certainty regardless of the date of receipt of the funds once tax statements are generated, i.e. not time specific.

Prior to January 2026, the PRC was treated as a credit, very similar to how the Homestead Credit (HC) and Disabled Veteran Credit (DVC) are applied to property taxes. The only exception is that the PRC is being shown on the tax statement, whereas the HC and DVC may not be as those programs reduce the taxable value. But the dollars received for these three programs are all treated in the same fashion by county programs and apportioned out to the various taxing districts once the funds have been received at the County level.

The issue really came to light with the application of PRC to mobile homes and the retroactive ability of trust properties to qualify. As you all know, mobile home tax years are the same as the calendar year (2026 mobile home taxes are payable in 2026), whereas real property tax years are one year behind (2025 real property taxes are payable in 2026). As a result, mobile home and trust properties that applied for and received the PRC previously were directly provided refunds from the County offices once the PRC payment had been received. I want to take a moment and remind you this refund issue has been solved due to other provisions within HB 1176 when it was passed during the 2025 Legislative Session – no refunds will be issued moving forward.

However, these refunds caused some additional questions to be raised about the 5% discount, amounts paid, and amounts refunded. A reminder that during this refund time, the PRC amount was $500. Some believed that if your tax bill was $500 you should receive a refund of $500, <u>even if</u> you paid prior to February 15, resulting in a true tax payment of $475. Guidance to counties on this topic was varied, which resulted in counties differing in their interpretation and distribution methods. The issue was further complicated as counties are required to certify the amount of PRC utilized on all county parcels by January 15 of each year

(NDCC 57-02-08.10) – this is our certification to the State Tax Commissioner for the amount of PRC within the County and is essentially the amount of funds we receive from the State to be apportioned later in the spring (March 28, 2025, and April 15, 2026) to all taxing districts for the property taxes paid by the ND Legacy Fund. This caused additional true-up and return payments – further complicating the issue.

Based on questions raised and the interpretation of the refunds, HB 1626 was introduced at the January 2026 Special Session and subsequently passed. At that time, I didn't fully understand the implications of the change, which have since been identified by our tax software vendors when trying to program and implement the required adjustments. And in a short time frame, as special sessions typically are, there wasn't enough time to fully understand or digest any unintended consequences.

My ask to you to for this Special Session is to revert the law back to the way it was prior to January 2026 – the 5% discount is applied to the NET CONSOLIDATED TAX due on the parcel, which is the total taxes levied upon the parcel minus the PRC. Then take up the topic of any potential or future changes to the discount calculation during the next regular Session, now just a few short months away, which would allow for any proposals to be fully vetted with the software programmers in a thoughtful manner to ensure the policies and priorities of the Legislature are understood and possible to achieve. Property taxes would then be calculated in the same fashion as they were for this current year – clearly and with certainty. Every person entitled to the full $1600 PRC would see that amount directly subtracted from their total taxes due and receive a discount on the remaining balance should they opt to pay prior to February 15. My certification in January 2027 to the Tax Commissioner will be nearly absolute, as it will not depend on whether or not a PAYMENT was received by a date into the future.

Additional questions will need to be answered should SB 2405 not be passed. To date, those questions have been asked of the State Tax Commissioner, Legislative Management, legislators, and county state's attorneys with no clear consensus on what should be done. If a taxpayer opts to NOT pay their taxes by February 15, what is the amount they owe? What does the taxpayer owe on March 1, which is after the discount date, but before penalty and interest is applied? Is the penalty and interest calculated on the total tax due or just on the portion remaining after the PRC is subtracted? If the discount applies to the total balance, one could logically conclude penalty and interest applies as well, but HB 1626 is silent on this topic? How do I communicate with the taxpayer that information? Where does this leave the counties? If you ask me, it leaves lots of questions and the inability to provide clear answers to the taxpayers or others. Lots of questions and little guidance on how things are to be calculated and implements will almost certainly result in different processes and interpretations across all 53 counties.

Property tax reform is a difficult topic in which to please everyone. I want to express my gratitude to the Legislative Assembly for all their hard work on property tax reform. I am happy to sit down further with each and every one of you to discuss future possible changes to the tax statements, calculations, ideas, inserts, education, etc., as I fully understand this is a topic you hear much about from your taxpayers. I want to work cooperatively to ensure tax statements, payments, calculations, and education are easier to understand but also able to be implemented accurately.

I, respectfully, urge a **DO PASS** recommendation on SB 2405.