Good afternoon, Chairman Bekkedahl and members of the Senate appropriations committee, for the record, my name is Mike Lefor, and I serve District 37 – Dickinson in the House of Representatives. I am here today to testify in support of HB 1176.

This bill puts forth a bold, sustainable approach to property tax reform while also allocating legacy fund earnings dollars to benefit present and future generations of North Dakotan's. First, the reform aspect includes a 3% cap on future spending on behalf of political sub-divisions while also giving these entities the ability to "bank" percentages not utilized in the cap.

For example, any political sub-division not using the full 3% increase in any given year have the amount not levied to be potentially be utilized in future years for a period of up to five years. If it is not used within the five-year time frame, that ability goes away.

Additionally, if the political sub-division believes that a 3% increase is not enough to fund their operations, they can go to a vote of their community to seek more funding.

Further, the bill provides for an increase of $950 per primary residence tax credit from the current level of $500.00 to $1450.00. The citizens of the state have responded well to this as an estimated 92% of those eligible have requested tax credit through the state tax department who did an outstanding job in making the people of the state know about the tax credit and be able to better recognize the primary residences of our citizens.

The dollars for this credit would be allocated from the general fund in the amount of $75 million and roughly $398 million from the legacy earnings fund. With the rapid growth of the principal of the legacy fund and a portion of the overall earnings being returned to the legacy fund principle allows for a faster acceleration of the principal and therefore, future earnings as well.

In a spreadsheet prepared by OMB, with the assumption of $60 oil, 1.1 million barrels of oil production per day and a 6.5% return on investment, the legacy fund could grow to over $30 billion in twelve years. In that scenario, the dollars available for distribution for future property tax credits would grow from $398 million to over $1.5 billion.

I believe it is important to make sure the property tax credits allocated come from a stable source. The citizens of this state have done things in a smart fashion since statehood, for example the common schools trust fund, which is a constitutional fund has now grown to $7.2 billion, and is now projected to provide approximately $500 million toward the cost of K-12 education. This amount has grown steadily over the years.

In 2010, the voters approved the Legacy Fund, which has shown tremendous growth in the time it has been in existence. The legacy earnings fund can be used in a similar fashion to provide long-term sustainable property tax credits to our citizens in perpetuity.

This bill allocates an additional $70 million toward the Homestead Tax Credit increasing the income threshold for those who can apply for this credit as well as increasing the threshold for the value of the home which can be considered for the tax credit. It is my understanding the average credit achieved through this credit is $1,300.00.

There is also a credit for renters which would increase from $400 to $600 if certain income thresholds are met. Chairman Bekkedahl, and members of the Senate appropriations committee HB 1176 provides for true property tax reform in limiting spending on behalf of local political sub-divisions, providing for flexibility in those caps and the ability for the citizens of the community to vote for additional funding if they believe it is necessary.

I would ask the committee to consider a "do pass" recommendation to the Senate floor. Thank you.

Legislative Council

North Dakota Legislative Council

Prepared by the Legislative Council staff
LC# 25.9408.03000
February 2025

SUMMARY OF REENGROSSED HOUSE BILL NO. 1176

This memorandum provides a brief summary of Reengrossed House Bill No. 1176 [25.1003.04000], 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.
- Exclude voter-approved levies from the tax relief 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.

Section 10 amends North Dakota Century Code Section 57-02-08.9, as amended in Senate Bill No. 2201, as approved by the 69th Legislative Assembly. Senate Bill No. 2201 expanded the primary residence credit to include primary residences held in a trust.

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 4 years at a time, if approved by a majority of the qualified electors in a taxing district voting on the question at a statewide general election, beginning with the taxable year after the general election during which the ballot measure was approved.

- 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 irrepealable 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 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.

Legislative Council

North Dakota Legislative Council

Prepared by the Legislative Council staff
LC# 25.9237.01000
April 2024

PROPERTY TAX RELIEF PROGRAMS - 2007-09 THROUGH 2023-25 BIENNIUMS

The schedule below provides information on property tax relief programs provided by the Legislative Assembly for the 2007-09 biennium through the 2023-25 biennium.

	Estimated Fiscal Impact									
	2007-09 Biennium	**2009-11 Biennium**	**2011-13 Biennium**	**2013-15 Biennium**	**2015-17 Biennium**	**2017-19 Biennium**	**2019-21 Biennium**	**2021-23 Biennium**	**2023-25 Biennium**	**Total**
School-related mill levy reductions										
Mill levy reduction grants		$299,444,264	$341,790,000							$641,234,264
Mill levy reduction in integrated school formula payments				$656,473,838[1]	$988,000,000[2]	$1,081,000,000[2]	$1,166,000,000[2]	$1,240,000,000[2]	$1,331,000,000[2]	6,462,473,838
Total school-related mill levy reductions	$0	$299,444,264	$341,790,000	$656,473,838	$988,000,000	$1,081,000,000	$1,166,000,000	$1,240,000,000	$1,331,000,000	$7,103,708,102
Homestead and disabled veterans' tax credits										
Homestead and disabled veterans' property tax credit programs	$8,104,000	$10,774,000	$14,018,563	$27,678,000	$25,865,091	$24,820,200	$28,250,200	$34,300,000	$91,145,000	$264,955,054
Homestead income tax credit for property tax relief	112,000,000									112,000,000
Total homestead tax credits	$120,104,000	$10,774,000	$14,018,563	$27,678,000	$25,865,091	$24,820,200	$28,250,200	$34,300,000	$91,145,000	$376,955,054
Other property tax relief										
State-paid property tax relief credits (12 percent property tax credit)				$200,000,000	$241,525,000					$441,525,000
Primary residence property tax credit									$103,225,000	103,225,000
State funding of certain county costs of child welfare and service payments for elderly and disabled services					19,300,000	$23,300,000	$23,300,000[3]	$23,300,000[3]	23,300,000[3]	112,500,000
State grants to counties - Emergency human service levies					3,900,000					3,900,000
County economic assistance and social services financing pilot program						160,700,000				160,700,000
County social and human services project							173,700,000	189,917,386	226,787,642	590,405,028
State funding of clerk of court costs formerly paid by counties	$13,587,187	$15,253,306	$16,795,673	20,432,528	24,603,806	23,936,056	24,957,631	25,212,502	26,125,566	190,904,255
Total other property tax relief	$13,587,187	$15,253,306	$16,795,673	$220,432,528	$289,328,806	$207,936,056	$221,957,631	$238,429,888	$379,438,208	$1,603,159,283
Total property tax relief	$133,691,187	$325,471,570	$372,604,236	$904,584,366	$1,303,193,897	$1,313,756,256	$1,416,207,831	$1,512,729,888	$1,801,583,208	$9,083,822,439

[1]Prior to 2013, state school aid funding was based on a per-student formula payment. The state school aid funding included mill levy reduction grants, which provided a reduction in school district property tax levies. The 2013 Legislative Assembly approved the implementation of a new formula, which integrates property tax relief in the K-12 state school aid funding formula. Funding for the formula is provided through a combination of local tax sources, local revenue, and state school aid payments. The amount shown for the 2013-15 biennium reflects an estimate from the Department of Public Instruction, which was based on the per-student formula that was used prior to fiscal year 2013.

[2]This amount is an estimate based on the value of 115 mills statewide. In 2013 the Legislative Assembly approved the integration of property tax relief into the state school aid funding formula to provide for a mill levy buydown totaling 125 mills, 50 mills more than the previous biennium. The changes made in 2013 allow school districts to levy an additional 10 mills for general fund purposes; therefore, the mill levy reduction estimate used in the calculation above is 115 mills (125 mill buydown less the 10 mills of additional general fund levy authority).

[3]The Department of Health and Human Services is unable to determine the specific amount of general fund support in the department's legislative appropriation for paying the county costs of child welfare, service payments for elderly and disabled, and technology costs. The amount shown is the amount the department reported for the 2017-19 biennium.