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City of Ellendale

2025 Senate Finance and Taxation Committee
Honorable Senator Mark F. Weber, Chairman
North Dakota State Capitol

March 17, 2025

Dear Senator Weber and Members of the Senate Finance and Taxation Committee:

My name is Don Flaherty and I am the Mayor of Ellendale. For the record I am also the Director of Tax Equalization for Dickey County. I am writing to you today to provide neutral testimony to HB 1176.

I would like to focus my testimony of Section 22, Number 6 which starts on page 37, line 18 of the currently amended bill. This area deals with definitions for this section. I appreciate that the legislature is attempting to make sure that political subdivisions' property tax levying ability takes into account the changes that happen from year to year with regard to growth and contraction. My concern is that there is another area of property changes that is not being addressed. That area is the change in classification from one class of property to another.

Presently the proposed legislation only accounts for changes that happen due to a property being taxable/non-taxable, now construction/demolition and annexation/de-annexation. There are times when a property that undergoes this type of change also experiences a change in class between Agricultural or Residential or Commercial. When that type of change happens, there can be a drastic difference in valuation from one class to another. Two good examples are then a property becomes eligible or ineligible for a Farm Residence Exemption (FRE) and when a property, usually Ag Land, becomes developed because of an annexation.

For example, the average True & Full Value (T&F) per acre of Ag Land in my county is approximately \$850/ac. Assuming this property sits on approximately 2 ac of land, and it is no longer eligible for the FRE, the structure would become taxable and therefore accounted for in the levy adjustment, but the land would have a change in class from Ag to Residential go from approximately \$1,700 of T&F to \$12,500. This is because commercial and residential land must have a T&F that is comparable to market value, whereas Ag land has a T&F that is based on productivity as currently outline in the Century Code. In my county that value is approximately 25% of the market value.

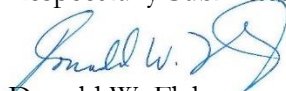
A similar situation occurs when Ag Land is annexed into a political subdivision. In that case, a property may be annexed but not immediately developed. The current value transfers and the levy is adjusted but the land must still be assessed in accordance with NDCC § 57-02-01 (1).

After a year or two the developer may start development of that land and now a class change is required. This will result in a substantial valuation change like my previous example that will result in a loss of levy adjustment for all of the political subdivisions involved.

Therefore, I would recommend that Section 22 of HB 1176 be amended by inserting the following on page 38, line 21 as a new number 6 a (4) with the remainder of the section being renumbered:

“When property has a change in classification from the preceding taxable year compared to the current taxable year, the net amount levied in dollars must be applied as an increase or reduction, as the case maybe, by the amount of taxes that were imposed against the net taxable valuation of that property in the preceding year.”

Respectfully Submitted,


Donald W. Flaherty
Mayor of Ellendale

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