

Good morning, Chairman Weber and members of the committee. My name is Kelly Armstrong, and I have the honor of serving as North Dakota's 34th governor. We've been meeting with legislators since June to listen to their ideas and develop a property tax plan that works, which is now reflected in House Bill 1176. But it only works if we have property tax relief and reform. This is the most aggressive, durable, and responsible plan to reduce property taxes. Several elements of the plan have been discussed extensively through the interim, but the overall framework is unique.

Our citizens are demanding property tax relief and reform. During my campaign, I visited with thousands of constituents from every corner of our state, and I can confidently say this is their top priority – so it should also be ours.

We know that what we've tried before hasn't worked as intended. The state has played an ever-expanding role in trying to reduce the property tax burden through mill buydowns, shifting the cost of social services from local to state, growing the funding share of K-12 education to 80%, and approving a \$500 primary residence property tax credit last session. We need a new approach – and in House Bill 1176, we have one.

Here are the three main components:

- It will provide a property tax credit of \$1,450 per year for each primary residence by using \$74.7 million from the general fund and \$398.4 million from the Legacy Earnings Fund. Using the Legacy Earnings Fund will grow the credit over time and, according to our conservative predictions, get us out of the general fund by next biennium.
- The reform piece is essential to this plan being sustainable and responsible. The bill caps future increases in local property tax budgets at 3% per year. They don't have to use the entire 3% increase every year. Whatever percentage they don't use each year, they can bank it for up to five years. This will encourage cities, counties, schools and park districts to budget prudently and plan ahead. If they have a big capital project looming but it won't be shovel-ready for three years, they can bank their increases for up to five years. We recognize there could be unintended consequences for smaller jurisdictions; in this bill, you will find a city or county can go to a vote of the people to remove the cap for four years at a time. This can only be done during a general election.
- The proposal will also expand eligibility for the homestead tax credit program to increase the income limit and the renter refund component of the program.

Homeowners will see a significant, immediate impact from this bill, and it will put the bulk of primary residences on a path to zero property taxes within the next decade. This will benefit our workforce recruitment efforts and make North Dakota an even better place to live, work and raise a family.

This bill provides real relief and real reform. It's responsible, achievable, and durable. It creates Legacy Fund buy-in. And it is the single most impactful thing we can do for our citizens this session. Thank you.