

# MICROFILM DIVIDER

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ROLL NUMBER

DESCRIPTION

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10/2/03  
Date

2003 HOUSE POLITICAL SUBDIVISIONS

HB 1206

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1206

House Political Subdivisions Committee

Conference Committee

Hearing Date: January 23, 2003

Tape Number	Side A	Side B	Meter #
1	X		0.0- 43.0
Committee Clerk Signature <i>Micki Schmidt</i>			1-23-03

Minutes:

**(0.0) REP. GLEN FROSETH:** We will open the hearing on HB 1206. The clerk will take roll call: We have a quorum.

**(0.8) REP. GEORGE KEISER:** Testimony in support. This is a very important Bill. We had a special session a couple of years ago, in which we passed legislation, which involved this section as a code, and it was for pro golf plan in Whapeton. One of the conditions which the investors required as part of the passage is that we offer them a 10 year exemption on property taxes. We amended this section with the code and we went further than just the pro golf plan. We said for any agricultural project, we would enable local communities to consider or not to extend from what is the standard 5 year exemption to 10 years. Since that time, several other things have developed in our state, for example, the Renaissance zone. In addition to that, the world of economic development is a moving target, it is never the same. What this Bill attempts to do is to simply change that option, this is enabling legislatures to offer up to 10 year exemption.

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10/2/03  
Date

Page 2  
House Political Subdivisions Committee  
Bill/Resolution Number 1206  
Hearing Date January 23, 2003

**(5.1) REP. GLEN FROSETH:** Just to clarify the over stricken language on page 1, lines 12 to 16. I believe this is language you put into place back in pro golf plan. I don't think it's needed anymore.

**(5.5) REP. ALON WIELAND:** Then this would allow a local subdivision, either city or county that could offer from 1 to 10 years relief?

**(5.7) REP. GEORGE KEISER:** Correct. Currently they can offer 1 to 5.

**(6.0) REP. MARY EKSTROM:** Do we have some bench mark that says that we have accountability on anything?

**(6.3) REP. GEORGE KEISER:** We can document exactly how these jobs were created in our community, we can also document exactly how much we have spent in our local communities. Our communities do that on a regular basis. That data can be made available to you. The question is how often does that money roll over? How do we measure it? We can document in our community Unisys, US Healthcare, Sykes, etc... We can show what the trends are.

**(7.7) REP. BRUCE ECKRE:** Page 2, line 3; right now, is it correct under ND Law, if they sell within whatever you have, the municipality take away their exemption?

**(8.0) REP. GEORGE KEISER:** Those are called "claw backs".

**(8.6) REP. BRUCE ECKRE:** Also the local school district could be exempted from municipality if they so choose, couldn't they? This doesn't change that either?

**(8.7) REP. GEORGE KEISER:** That's true. One problem we always run into is the local school board says, hey, wait a second, we need that lunch.

**(9.6) REP. CAROL NEIMEIER:** Did the Renaissance measure include a 5 year tax exemption, and then would this Bill bump this up to 10?

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10/2/03  
Date

Page 3

House Political Subdivisions Committee

Bill/Resolution Number 1206

Hearing Date January 23, 2003

**(9.8) REP. GEORGE KEISER:** The Renaissance, it's too complicated. But I believe this is a separate tool in addition to what is available to the Renaissance Zone.

**(10.6) REP. ALON WIELAND:** I've always been under the impression that municipality refers only to cities and not to counties, is there a definition somewhere that includes counties as municipality and if not, it makes reference to municipalities so many times and not to counties. Can that be identified?

**(11.0) REP. GEORGE KEISER:** That's an interesting point. I haven't thought about it. Perhaps it should be addressed.

**(11.3) REP. BRUCE ECKRE:** Connie Sprynczatyk from the League of Cities said that it does include cities, counties, school districts, etc...

**(11.7) CONNIE SPRYNCZYNATYK; ND LEAGUE OF CITIES:** Testified in support of Bill.

**(12.8) REP. GLEN FROSETH:** If the city grants the exemption that counties, townships and school districts do not necessarily have to also grant the exemption?

**(13.1) CONNIE SPRYNCZYNATYK:** If the package includes the application to the county, then the county makes full decision that. If you grant the tax exemption, you are not taking dollars away from the school districts in the city of Bismarck. They budget in dollars. Anytime you grant any exemption by any political subdivision, what you're doing is concentrating the payment of the payors that are left in the pool.

**(15.4) REP. MARY EKSTROM:** What kind of general increase in value are you seeing?

**(15.9) CONNIE SPRYNCZYNATYK:** The County Assessors could give you that information.

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10/2/03  
Date

Page 4  
House Political Subdivisions Committee  
Bill/Resolution Number 1206  
Hearing Date January 23, 2003

**(18.2) REP. MIKE GROSZ:** These companies will come in and they'll eat up all of the incentives and then once they sensed that they're gone, then they'll move on to the next place.

**(18.5) CONNIE SPRYNCZYNATYK:** These companies do not come in, get an incentive package, and then move out. The reason is because of the cost. They're going to consolidate divisions from someplace else and bring them to Bismarck ND. There's a tremendous investment that the company is going to make. There has been a few instances around the state that I'm aware of where somebody has started a company, and even if it's a good idea, sometimes they don't make it.

**(20.2) KEN WILL; VICE PRESIDENT OF BUSINESS DEVELOPMENT; OF BISMARCK/MANDAN DEVELOPMENT ASSOCIATION:** Testimony in support of HB 1206. (See attachment #1)

**(22.1) REP. NANCY JOHNSON:** What happens if the school district comes to that meeting?

**(22.7) KEN WILL:** This Bill allows that individual flexibility, so when those groups get together, those types of consideration are always taken into fact as our other infrastructure costs may be associated with that such as roads, waste water, water, Police, Fire, etc...

**(24.1) CLAU LEMBKE; BURLEIGH COUNTY COMMISSIONER & EXECUTIVE COMMITTEE FOR THE BISMARCK/MANDAN DEVELOPMENT CORPORATION:**

Testified in support. We had an elevator in Sterling with a tax free exemptions. The School Board gave that 2 year tax exemption and 2 years later it came back and wanted another two year extension. The School board opposed it for good reasons. It's working well to have the school board there.

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10/2/03  
Date

Page 5  
House Political Subdivisions Committee  
Bill/Resolution Number 1206  
Hearing Date January 23, 2003

**(25.4) TERRY TRAYNOR: ASSISTANT DIRECTOR OF ND ASSOCIATION OF**

**COUNTIES:** Testimony in opposition of HB 1206. During the Special Session, you might remember our annexed with the Bill at that time and that may have contributed to the language that's being struck out there. It was a rather limited expansion of the existing 5 year exemption at that time. Our concern isn't with the involvement when the city grants an exemption and the counties. I think that is working well.

**(27.5) REP. GLEN FROSETH:** In your experience in coming to the tables to negotiate tax exemptions, have you been successful in opting off the counties?

**(27.9) TERRY TRAYNOR:** The cities and counties work well together. I think the process is working.

**(28.2) REP. BRUCE ECKRE:** I understand what you're saying about rural community, they lose out but, do we want our cities to lose out too? We need to grow and the only part of ND that is growing is our top 10 cities.

**(28.6) TERRY TRAYNOR:** I agree with that, but my concern more is where does it stop?

**(28.8) REP. GLEN FROSETH:** What is the process to protest a tax exemption if a citizen or other municipality was not in favor of the tax exemptions that was granted?

**(28.9) TERRY TRAYNOR:** I don't know if I'm the one to answer this, but generally the governing board, city or county that's dealing with that holds public meetings and by law they bring in Representatives of the other taxing districts to sit at the table and take their comments. Also citizens are welcome to come in and voice their concerns or interests, but ultimately becomes the City Commissioner or the County Commissioner's decision on to grant or not to grant or how much to grant. One set decision is made.

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10/2/03  
Date

Page 6  
House Political Subdivisions Committee  
Bill/Resolution Number 1206  
Hearing Date January 23, 2003

**(29.9) BEV NEILSON: SCHOOL BOARD ASSOCIATION:** Testimony in opposition of HB# 1206. We talk about whether school districts are a municipality. I suspect we are political subdivisions, but we do not have the authority to gather and grant tax exemptions ourselves. We can't exempt the city or county taxes. We cannot participate in the proactive part of it but we are always included in the School District levy. We levy in dollars. The tax is shifted to those who aren't exempted for one of the reasons that people get exemptions for property taxes, and the pool of people who are not exempted from property taxes in one way or another, the burden falls to those people to support the school system. The concern we have is now you're talking about nearly 2 years, an entire generation of school children that these particular participants did not contribute to educate. Our dollars are included in exempted dollars but we are not considered a municipality to hold these exemption hearings ourselves, nor do we have a vote at the table. We still levy the same amount of dollars but we have to levy more mills in order to get them. Also, if the property we're talking about is currently under the tax hold, in a different manner, then it not only exempts them from 5 years but it takes them off the current role.

**(36.8-38.8)** There was committee discussion on HB 1206.

**(39.0) SANDY CLARK: REPRESENTS THE ND FARM BUREAU:** Testimony in opposition of HB 1206. (See attachment #2)

**(42.0) REP. ALON WIELAND:** Could you name and tell us of an instance where someone was here for the five year time frame and then pulled out?

**(42.3) SANDY CLARK:** ??

**(42.7) REP. GIL HERBEL:** That happened in Grafton at the K Mart.

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Date



Page 7  
House Political Subdivisions Committee  
Bill/Resolution Number 1206  
Hearing Date January 23, 2003

(43.0) REP. GLEN FROSETH: Any more testimony? Hearing none, I close the hearing on  
HB1206.

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1206

House Political Subdivisions Committee

Conference Committee

Hearing Date: January 23, 2003

Tape Number	Side A	Side B	Meter #
2	X		14.5-31.2
Committee Clerk Signature <i>Mickie Schmidt</i>			2-3-03

Minutes:

**TAPE 2: SIDE A:**

**(14.5) REP. GLEN FROSETH:** We will open the hearing on HB 1206.

**(15.5) REP. MARY EKSTROM:** I was just told upon coming up here that there are two other Bills that are dealing directly with this matter as well. One would allow the school board to in essence be excluded from these kinds of deals so everybody would always pay the schools no matter what. They'd get a reduction, but not the whole thing. Another one that I don't know much about yet. I'm not going to support this Bill. If we're going to spread the pain of property taxes, then it should be evenly distributed.

**(16.2) REP. GLEN FROSETH:** If there are other Bills that are generic to this, it does include a provision, at such it would be all incorporated into the Century Code.

**(16.5) REP. WILLIAM KRETSCHMAR:** On page 3 of the Bill, lines 5-9 gives some voice to other taxing districts. They put the townships in but, didn't put the counties.

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1/21/03  
Date

Page 2  
House Political Subdivisions Committee  
Bill/Resolution Number HB 1206  
Hearing Date: January 23, 2003

**(17.1) REP. NANCY JOHNSON:** Would you make them a nonvoting member also?

**(17.1) REP. WILLIAM KRETSCHMAR:** I think you would have to.

**(18.0) REP. ANDREW MARAGOS:** Right now, the city has the right to provide the exemption. The school district and the counties will just come to the table but will not have a say in it. When the county does that, does the city have any say what the county does? In reverse action?

**(18.7) REP. ALON WIELAND:** When the counties do it, the cities do not have any vote on it. If the elected body that does the voting, however anytime that there's an exemption proposed whether it be in the county or the city, there was always some communication between them.

**(19.3) REP. NANCY JOHNSON:** I don't mind allowing it to go to a ten year exemption. They always take the biggest reduction. You don't have a vote.

**(19.9) REP. BRUCE ECKRE:** I can think of all of the jobs it has created in Whapeton. They're all paying taxes to the school districts. If we wouldn't have brought those people in and gave them that, they wouldn't be there. They're not losing any money!

**(20.2) REP. NANCY JOHNSON:** Why can't the school district be part of making that decision?

**(20.5) REP. CAROL NIEMEIER:** Eventually, if the Economic Development is successful, it will impact the school district. I can't support the Bill the way it is written now.

**(20.9) REP. GLEN FROSETH:** It grants up to ten years. It's not exceeding ten years.

**(21.3) REP. RON IVERSON:** I think this is a great Bill. We've heard from the Bismarck Development Company that already other states are doing this.

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10/2/03  
Date

Page 3

House Political Subdivisions Committee

Bill/Resolution Number HB 1206

Hearing Date: January 23, 2003

**(21.8) REP. SALLY SANDVIG:** I have a real problem with this Bill also. I see what's going on in Fargo, like in the Renaissance Bill, you got people that are coming in a getting a tax break, and then when we were campaigning, we heard from the owners that they're taxes just keep going up and up and up, and they're paying to compensate for what these people are getting the breaks for.

**(22.1) REP. ALON WIELAND:** There have been exemptions offered for real estate properties on housing as well as businesses, and I remember the school districts were all in opposition to the two year exemption that the houses brought in. Now, the houses that they didn't think that they should get an exemption are now paying three, four, five and sometimes six thousand dollars annual taxes. So they're getting three times the amount of the normal house. Many of those houses are quite expensive homes and they're coming out. Just because it says ten years doesn't mean that they're going to do 10 years.

**(23.6) REP. BRUCE ECKRE:** I can see very few times that we've given the ten years though.

**(24.1) REP. CAROL NIEMEIER:** The exempt entities would shift the burden of the tax to the non exempt, and I think of that out in the country here. The remark that was made earlier that the cities is what's driving our economy in the state. I think with the agricultural community still contributes over 50% of the revenues into the state profit. So those are the people that are paying significant property taxes. I can't see adding to their burden.

**(24.7 - 27.8) COMMITTEE DISCUSSION:**

**(28.1) REP. DALE SEVERSON:** This is a good Bill. I look in my own community and in five years, one time has been given out and I've been there 33 years. I'm going to go for it.

**(29.2) REP. GLEN FROSETH:** What are the committees wishes?

**(29.3) REP. DALE SEVERSON:** I MOVE A DO PASS AS AMENDED.

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1/23/03  
Date

Page 4  
House Political Subdivisions Committee  
Bill/Resolution Number HB 1206  
Hearing Date: January 23, 2003

**(29.3) REP. ANDREW MARAGOS: I SECOND IT.**

**(29.5) REP. GLEN FROSETH: Any further discussion? The clerk will take the roll. Roll Call**

**Vote: 10-yes; 4- no, 0 absent; Rep. Severson will carry the HB 1206.**

**We will close the hearing on HB 1206.**

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Operator's Signature

*10/2/03*  
Date

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/13/2003

Bill/Resolution No.: HB 1206

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

HB 1206 has no fiscal effect through the 2007-2009 biennium. It extends the maximum length of property tax exemptions for new or expanding businesses from five to ten years. The Act is effective for exemptions granted after June 30, 2003. The first exemptions granted after enactment would be for 2004. Therefore, the first additional year of exemption available under the provisions of this bill would be 2009, payable in January 2010.

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	01/21/2003

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Date: 1-23-03  
Roll Call Vote #:

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1206

House POLITICAL SUBDIVISION Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DO PASS

Motion Made By Rep. Severson Seconded By Rep. Maragos

Representatives	Yes	No	Representatives	Yes	No
Chairman Glen Froese	✓				
Vice-Chairman Nancy Johnson	✓				
Rep. Mike Groez	✓				
Rep. Gil Herbel	✓				
Rep. Ron Iverson	✓				
Rep. William Kretschmar		✓			
Rep. Andrew Maragos	✓				
Rep. Dale Severson	✓				
Rep. Alon Wieland	✓				
Rep. Bruce Eckre	✓				
Rep. Mary Ekstrom		✓			
Rep. Carol Niemeler		✓			
Rep. Sally Sandvig		✓			
Rep. Vonnie Pletsch	✓				

Total (Yes) 10 No 4

Absent 0

Floor Assignment Rep. Severson

If the vote is on an amendment, briefly indicate intent:

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**REPORT OF STANDING COMMITTEE (410)**  
February 4, 2003 3:34 p.m.

Module No: HR-21-1647  
Carrier: Severson  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**  
HB 1206: Political Subdivisions Committee (Rep. Froseth, Chairman) recommends **DO PASS** (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). HB 1206 was placed on the Eleventh order on the calendar.

(2) DESK, (3) COMM

Page No. 1

HR-21-1647

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2003 SENATE POLITICAL SUBDIVISIONS

HB 1206

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1206

Senate Political Subdivisions Committee

Conference Committee

Hearing Date February 27, 2003

Tape Number	Side A	Side B	Meter #
1	X		0 - 3834

Committee Clerk Signature

*Shirley Borg*

Minutes:

**CHAIRMAN COOK** called the Political Subdivisions Committee to order. All Senators (6) were present.

**CHAIRMAN COOK** opened the hearing on HB 1206 relating to the duration of city or county property tax exemptions for new or expanding businesses.

**Testimony in support of HB 1206:**

**Russel Staiger**, President of Bismarck Mandan Development Association, appeared in support of HB1206. (See attached testimony)

**Bill Wocken**, City Administrator, City of Bismarck, appeared in support of HB 1206. (See attached testimony)

Discussion on SB 1206; Tape 1, Side A, Meter # 574 - 1834

**Connie Sprynczynatyk**, League of Cities, appeared in support of SB 1206. She said the league supported the optional extension from zero to ten years because sometimes you might need six

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10/2/03  
Date

Page 2

Senate Political Subdivisions Committee

Bill/Resolution Number HB 1206

Hearing Date : February 27, 2003

years in order to make the job creation effort work in the community and the current law doesn't allow that. If you look at economic development efforts especially in some of the smaller communities, primary sector might be defined differently by a smaller community than it would be in a large community. For instance Bismarck it is very clear about what primary sector means but in a smaller community having a convenience store that has groceries available because the grocery store has closed might be a very different definition than what we would consider clearly secondary or service sector jobs. She does not think you will find a clear definition in respect to this particular exemption in terms of primary verses service sector jobs because that would be defined differently community by community. This is an option for both the county and the city and there is a requirement for a school district member to be involved. Our community has pretty strong intergovernmental efforts that have a strong awareness that when you do something like create an exemption out of this chapter, there will be an impact. It is a shift of burden. You take payers out of the pool and it causes the rest of the payers in the pool to pay a little bit more. The school district still gets its money for its budget. It does not literally take the money away from the school district, it is a shift of burden. This has been a really tough concept to get acceptance and understanding of across the state.

**Testimony in opposition of HB 1206:**

Terry Traynor, Association of Counties, appeared in opposition and concern for HB 1206 to be consistent with past positions with association of counties. They like a lot of things involved in this section of law that they like, the fact that it is optional, the fact that there is some flexibility, and the county is also in agreement with the section that brings the other entities to table for discussion. The counties concern is that they are always trying to respond to when other people

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Date

10/2/03

Page 3  
Senate Political Subdivisions Committee  
Bill/Resolution Number HB 1206  
Hearing Date : February 27, 2003

move the bar. The special session when the language that was being struck out was added for the plan we testified against that because it changes the thresh hold for everybody. It is very difficult particularly for the smaller counties and cities to do anything but go to the max because that is really what becomes the standard. When we change it in state law we end up changing it for everybody and it is a struggle for small counties and cities.

Ken Yantes, representing the townships, appeared in opposition of HB 1206. The township officers association held a poll on this bill and their direction was that maybe five years was enough for picking up slack and to find out whether the business will succeed or not..


Sandy Clark, representing ND Farm Bureau appeared in opposition of HB 1206. (See attached testimony)

#### Neutral Testimony

Marcy Dickerson, State Supervisor of Assessments, provided information. She does not think this bill will really have as much effect as it sounds like because under the existing law there is the availability for a twenty year payment in lieu of taxes and there is no floor as to what that payment must be. What is happening at least in some of the smaller jurisdictions is they will send in a copy of their exemption and it will show a ten year property tax exemption. We inform them that they can not do that, five years is the maximum. They go back and change it to a five year property tax exemption and give another five years payment in lieu of taxes one dollar a year. In effect that is a ten year exemption because there is no floor in lieu of taxes that the payment must be.

**CHAIRMAN COOK** closed the hearing on HB 1206.

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Operator's signature

10/2/03  
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1206

Senate Political Subdivisions Committee

Conference Committee

Hearing Date March 13, 2003

Tape Number	Side A	Side B	Meter #
2	X		5680 -End
2		X	0 - 840
Committee Clerk Signature <i>Shelley Berg</i>			

Minutes:

**CHAIRMAN COOK** told the committee that HB 1206 is very close to HB 1107. He asked John Walstad a question? When a city or county gives out a property tax exemption that is not related to a renaissance zone, it can be anywhere, it has the same effect as what we just talked about in the renaissance zone. Correct?

**John Walstad** answered correct. Look back at HB 1107 on page 2, Line 4 & 5, exempt from taxation as new or expanding businesses under chapter 40-57.1. So what we are going to do is that when these exemptions are granted by a city or county they are going to get subtracted out also like the provision that was currently made for renaissance zone. So if the city grants a new business exemption and that new business paid one hundred thousand dollars a year, the taxpayers in the district are not going to pick up the one hundred thousand dollars it is going to drop and only nine hundred thousand will be available from property taxes for the tax.

**SENATOR COOK** handed out amendments to the committee.

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*Dorinda Ball*  
Operator's Signature

*10/2/03*  
Date

Page 2  
Senate Political Subdivisions Committee  
Bill/Resolution Number HB 1206  
Hearing Date March 13, 2003

**SENATOR COOK** said that what is happening with HB 1107 is what he was trying to make sure would happen with HB1206. Trying to catch any loop holes.

**John Walstad** in HB 1107 we provide that any property exempted from taxation under 40-57.1 has to be subtracted out. 40-57.1 allows two ways to reduce property taxes, one is an exemption and the other is payments in lieu of taxes. To the extent that someone is real clever and sneaky: instead of granting an exemption they would grant an option to make payments in lieu of taxes. The value of that property and the taxes on that property then would not have to be subtracted from their levy authority but the same result could be achieved. This amendment would close that option to be sneaky.

**SENATOR COOK** asked if this amendment would address the payment in lieu of taxes. In HB 1206 the bill is not changing anything to do with payment in lieu of taxes, the bill is increasing the exemption from five to ten. So the affect that that change would have on other taxpayer in the district is already protected in existing code.

**SENATOR POLOVITZ**, asked with payment in lieu of taxes if they could get by with one dollar a year.

**John Walstad** answered exactly. This chapter of law contemplates that that is all negotiable between the county or the city depending whether the property is within or outside the city limits. Instead of saying your property is exempt, the city may say we want to help you out but your project is going to have an impact on street or whatever so we want you instead of paying a million dollars in property taxes to pay us fifty thousand dollars in lieu of taxes and we can use that in our street funder. It all negotiable.

**SENATOR COOK** asked if the committee understood the amendments.

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*Donna Walstad*  
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12/2/03  
Date

Page 3  
Senate Political Subdivisions Committee  
Bill/Resolution Number HB 1206  
Hearing Date March 13, 2003

**SENATOR JUDY LEE** answered no. She thought the question to Mr Walstad was whether or not this was necessary and I am not sure what the answer is.

**John Walstad** the one thing this amendment would have that is not in current law is it limits the way taxes are granted instead of an exemption. Then that levy amount has to be adjusted accordingly.

**CHAIRMAN COOK** could we do this neater by putting it in HB 1107.

**John Walstad** answered yes it would be not nearly such a labor to read.

**CHAIRMAN COOK** asked the committee if they supported these amendments.

**CHAIRMAN COOK** handed out amendments to HB 1206 for the committee to study.

**CHAIRMAN COOK** Adjourned the meeting.

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1206

Senate Political Subdivisions Committee

Conference Committee

Hearing Date March 21, 2003

Tape Number	Side A	Side B	Meter #
1		X	2610 - 3300
1		X	3642 - 4439
Committee Clerk Signature <i>Shelley Borg</i>			

Minutes:

**CHAIRMAN COOK** asked the committee to look a HB 1206. There are amendments on this bill but personally he is not interested in putting them on the bill. This bill raises the time the political subdivisions can offer a property tax exemption from five years to ten years.

**SENATOR SYVERSON** said he did not like the idea of ten years.

**SENATOR CHRISTENSON** moved a DO NOT PASS on HB 1206.

**SENATOR SYVERSON** seconded the motion.

Roll call vote: Yes 6 No 0 Absent 0

Carrier: **SENATOR CHRISTENSON**

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*Dorinda Ball...*  
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10/2/03  
Date



30393.0101  
Title.

Prepared by the Legislative Council staff for  
Senator Cook  
March 4, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1206

Page 1, line 2, after "exemptions" insert "and payments in lieu of taxes"

Page 1, line 22, overstrike "twentieth" and insert immediately thereafter "tenth"

Page 3, line 24, after "exemptions" insert "and payments in lieu of taxes"

Renumber accordingly

Page No. 1

30393.0101

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10/2/03  
Date

30393.0102  
Title.

Prepared by the Legislative Council staff for  
Senator Cook  
March 4, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1206

Page 1, line 1, after "Act" insert "to create and enact a new section to chapter 40-57.1 of the North Dakota Century Code, relating to reports of city or county property tax exemptions and payments in lieu of taxes for new or expanding businesses;"

Page 3, after line 23, insert:

"SECTION 3. A new section to chapter 40-57.1 of the North Dakota Century Code is created and enacted as follows:

City or county reports of exemptions and payments in lieu of taxes. A municipality that has granted an exemption or the option to make payments in lieu of taxes under this chapter which is in effect for a taxable year shall file a report with the tax commissioner by September first of that taxable year. The report must show for each parcel of property receiving an exemption or the option to make payments in lieu of taxes the name of the owner of the property, the true and full value of the property, the value in dollars for the taxable year of the exemption or option to make payments in lieu of taxes, and the ending taxable year for which the exemption or option to make payments in lieu of taxes has been granted."

Page 3, line 24, replace "This" with "Sections 1 and 2 of this" and replace "is" with "are"

Page 3, line 25, after the period insert "Section 3 of this Act is effective for exemptions or the option to make payments in lieu of taxes that are in effect after June 30, 2003."

Renumber accordingly

30393.0103  
Title.

Prepared by the Legislative Council staff for  
Senator Cook

March 4, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1206

Page 1, line 2, remove "the duration of"

Page 3, after line 9, insert:

"The maximum levy allowed by section 57-15-01.1 or any comparable provision of law must be reduced for any taxing district containing property subject to an exemption or the option to make payments in lieu of taxes under this chapter for a taxable year. The amount of the reduction under this section is determined by multiplying the taxing district's mill rate for the most recent taxable year in which the property was not subject to an exemption or the option to make payments in lieu of taxes under this chapter times the taxable valuation of that property in that taxable year minus the taxable valuation of that property for the current taxable year."

Renumber accordingly

Date: 3-21-03  
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1206

Senate Political Subdivisions Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Not Pass

Motion Made By Senator Christenson Seconded By Senator Syverson

Senators	Yes	No	Senators	Yes	No
Senator Dwight Cook, Chairman	X				
Senator John O. Syverson, V C	X				
Senator Gary A. Lee	X				
Senator Judy Lee	X				
Senator Linda Christenson	X				
Senator Michael Polovitz	X				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Senator Christenson

If the vote is on an amendment, briefly indicate intent:

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Deanna Baller Operator's Signature 10/2/03 Date

**REPORT OF STANDING COMMITTEE (410)**  
March 21, 2003 2:47 p.m.

Module No: SR-51-5479  
Carrier: Christenson  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**  
**HB 1206: Political Subdivisions Committee (Sen. Cook, Chairman) recommends DO NOT**  
**PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1206 was placed on the**  
**Fourteenth order on the calendar.**

(2) DESK, (3) COMM

Page No. 1

SR-51-5479

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*10/2/03*  
Date

2003 TESTIMONY

HB 1206

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*Dennis Hall*  
Operator's Signature

10/2/03  
Date

#1

1-23-03

Testimony before the House Political Subcommittee

HB 1206

Ken Will  
Vice President of Business Development  
Bismarck Mandan Development Association  
701-222-5530

On behalf of the Bismarck Mandan Development Association, its Board of Directors and members.

Chairman: Rep. Glen Froseth, Kenmare.

Committee members:

Nancy Johnson, Vice Chair	Mike Grosz	Gil Herbel
Ron Iverson	William E. Kretschmar	Andrew Maragos
Dale Severson	Alon Severson	Bruce Eckre
Mary Ekstrom	Carol A. Niemeier	Sally M. Sandvig

Chairman Froseth and committee members.

The requested amendment to NDCC 40-57.1.03 and 40-57.1.04 is asking that all other primary sector manufacturing or processing projects be allowed the same exemption that the Legislature granted to agricultural processing projects during the Special Session that was held for the Pro Gold project, and extend that exemption from a possible five years to a possible ten years.

The efforts to assist existing businesses and also the efforts to attract new business from out of state is becoming increasingly competitive. This is especially true in the past several years with the national economy struggling as it has been.

Increasingly we are seeing states extend the property tax exemption available to new business expansion or business relocation. As a result we are seeing more negotiations with businesses where the availability of the property tax exemption is no longer considered a possible option--it is an absolute necessity. Either you are able to assure the company they will be getting the property tax exemption or the negotiations are over.

In addition, an increasing number of businesses are asking for more than a five-year exemption in order to consider the expansion or relocation.

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*Dorena Haldrup*  
Operator's Signature

10/2/03  
Date

In September of 2002 the BMDA dealt with an international steel fabricator in a national site competition against 28 other states. Bismarck-Mandan made the short list against the States of Mississippi, South Carolina and Pennsylvania. South Carolina was bumped off the short list because of work force limitations, leaving Bismarck-Mandan against Mississippi and Pennsylvania. At that point, we were eliminated because of the lack of a ten-year property tax exemption. Both Pennsylvania and Mississippi can provide ten-year exemptions and had offered them to the company.

Total front end investment on this project would have been about \$25.0 million and would have initially employed 150 people in good solid skilled trade positions paying \$14 to \$20 per hour. In addition, the company's projections were that by the time they had built the new fabricating facility, they would have had to build a second facility that would double its size and work force.

Bottom line is that offering property tax exemptions is a relatively painless, non-cash way of helping attract solid employment. If you do not offer it and they do not come, not only are you out the property taxes entirely and forever, but also the new payroll and capitol investment of any building or plant. Municipalities could, assuming passage of HB 1206, examine each project, on project-by-project bases, to determine their respective impacts on the existing infrastructure of water, wastewater, streets, fire, police, schools and so forth. They could then adjust their level of exemption accordingly.

This would be one more tool to help keep us competitive in our efforts to keep North Dakota's communities growing.

Thank you for your time.

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Date



#2

HB 1206



**Administration:**  
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Fargo, ND 58107  
701-298-2200 • 1-800-387-9088  
Fax: 701-298-2210

**State Headquarters:**  
4023 State St  
P.O. Box 2793  
Bismarck, ND 58502  
701-224-0330 • 1-800-932-8869  
Fax: 701-224-9485

**North Dakota Farm Bureau**

[www.ndfb.org](http://www.ndfb.org)

**House Political Subdivisions Committee**

*January 23, 2003*

**Testimony by North Dakota Farm Bureau**

*presented by Sandy Clark, public policy team*

Good morning, Mr. Chairman and members of the committee. For the record my name is Sandy Clark and I represent the 26,000 members of North Dakota Farm Bureau.

North Dakota Farm Bureau certainly supports economic development in North Dakota. Our rural communities benefit from job creation and diversity of the economy.

However, these property tax exemptions can create a catch-22 for political subdivisions and taxpayers. Everyone benefits from business growth in a community, but in the meantime, the other taxpayers are paying the tax for the property that received the exemption. Even when companies pay in lieu of taxes, it often doesn't cover the full taxable amount.

We also find many companies who stay in a city or community until the tax exemption runs out and then they move to another location.

You might want to consider a 33% exemption over 15 years. The total exemption would be the same, but it isn't such a big hit for political subdivisions and taxpayers over a short time.

Again, North Dakota Farm Bureau supports economic development, but respectfully requests that you remain cognizant of the impact these tax exemptions have on other taxpayers. Farm Bureau could support a one-third per year exemption for 15 years, but opposes extending a 100% property tax exemption for ten years.

Thank you for your consideration.

*One future. One voice.*

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*Dorinda Baller*  
Operator's Signature

*1/23/03*  
Date

Senate Political Subdivisions Committee  
February 27, 2003 9:00 a.m.

Testimony in Support of HB 1206

On behalf of the Bismarck Mandan Development Association, its Board of Directors, and members.

Chairman: Dwight Cook  
Vice Chairman: John O. Syverson  
Members: Gary A. Lee  
Judy Lee  
Linda Christenson  
Michael Polovitz

Chairman Cook and committee members.

The requested amendment to NDCC 40-57.1.03 and 40-57.1.04 is asking that all other primary sector manufacturing or processing projects be allowed the same exemption that the Legislature granted to agricultural processing projects during the Special Session that was held for the Pro Gold project, and extend that exemption from a possible five years to a possible ten years.

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Increasingly we are seeing states extend the property tax exemption available to new business expansion or business relocation. As a result we are seeing more negotiations with businesses where the availability of the property tax exemption is no longer considered a possible option- it is an absolute necessity. Either you are able to assure the company they will be getting the property tax exemption or the negotiations are over.

In addition, an increasing number of businesses are asking for more than a five-year exemption in order to consider the expansion or relocation.

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exemption. Both Pennsylvania and Mississippi can provide ten-year exemptions and had offered them to the company.

Total front end investment on this project would have been about \$25.0 million and would have initially employed 150 people in good solid skilled trade positions paying \$14 to \$20 per hour. In addition, the company's projections were that by the time they had built the new fabricating facility, they would have had to build a second facility that would doubled its size and work force.

Bottom line is that offering property tax exemptions is a relatively painless, non-cash way of helping attract solid employment. If you do not offer it and they do not come, not only are you out the property taxes entirely and forever, but also the new payroll and capital investment of any building or plant. Municipalities could, assuming passage of HB 1206, examine each project, on project-by-project bases, to determine their respective impacts on the existing infrastructure of water, wastewater, streets, fire, police, schools and so forth. They could then adjust their level of exemption accordingly.

This would be one more tool to help keep us competitive in our efforts to keep North Dakota's communities growing.

Thank you for your time.

Russ Staiger  
President  
Bismarck-Mandan Development Association

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Deanna Ballerich  
Operator's Signature

10/2/03  
Date

HOUSE BILL 1206  
Senate Political Subdivisions Committee  
February 27, 2003  
Testimony of Bill Wocken in support

Good Morning Mr. Chairman and committee members. My name is Bill Wocken. I am City Administrator for the City of Bismarck and I am testifying in favor of House Bill 1206 this morning on the city's behalf.

House Bill 1206 is an uncomplicated bill. It simply allows the present 5 year property tax exemption for new and expanding businesses to be extended to 10 years at the option of the municipality.

This bill enhances a tool often used by local government in its attempt to enhance the business climate of our state. Real estate property tax exemptions are a very common part of a new or expanding business incentive package. They allow local government to forgive a part of the future property taxes on an establishment to incent the business to relocate or expand. The current 5 year exemption is used extensively but there is a need for a stronger package when dealing in competition with other states in today's marketplace.

Expansion of this exemption to 10 years should be a local option; one local elected officials will need to consider in light of the intensity of development of the new or expanding enterprise. In Bismarck, we often require production of new jobs before the exemption can be employed to ensure a judicious use of this tool. For large projects a 5 year exemption is just not competitive in the market.

The City of Bismarck endorses this bill and asks for a Do Pass recommendation.

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Fax: 701-224-9485

**North Dakota Farm Bureau**

www.ndfb.org

**Senate Political Subdivisions Committee**

February 27, 2003

**Testimony by North Dakota Farm Bureau**  
presented by Sandy Clark, public policy team

HB 1206

Good morning, Mr. Chairman and members of the committee. For the record my name is Sandy Clark and I represent the 26,000 members of North Dakota Farm Bureau.

North Dakota Farm Bureau certainly supports economic development in North Dakota. Our rural communities benefit from job creation and diversity of the economy.

However, these property tax exemptions can create a catch-22 for political subdivisions and taxpayers. Everyone benefits from business growth in a community, but in the meantime, the other taxpayers are paying the tax for the property that received the exemption. Even when companies pay in lieu of taxes, it often doesn't cover the full taxable amount.

We also find many companies who stay in a city or community until the tax exemption runs out and then they move to another location.

You might want to consider a 33% exemption over 15 years. The total exemption would be the same, but it isn't such a big hit for political subdivisions and taxpayers over a short time.

Again, North Dakota Farm Bureau supports economic development, but respectfully requests that you remain cognizant of the impact these tax exemptions have on other taxpayers. Farm Bureau could support a one-third per year exemption for 15 years, but opposes extending a 100% property tax exemption for ten years.

Thank you for your consideration.

*One future. One voice.*

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Dorena Holmquist  
Operator's Signature

10/2/03  
Date