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Deanna Hall
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10/22/03
Date

2003 SENATE FINANCE AND TAXATION

SB 2303

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10/22/03
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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2303

Senate Finance and Taxation Committee

Conference Committee

Hearing Date January 28, 2003

Tape Number	Side A	Side B	Meter #
1	X		1-2625

Committee Clerk Signature *Mary Kay [Signature]*

Minutes:

Senator Urlacher opened the hearing on SB2303. All committee members are present. This bill relates to income limitations under the farm residence and farm buildings property tax exemptions.

Committee turned over to Senator Wardner as Senator Urlacher presented the bill.

Senator Urlacher - This bill has been introduced because the farm income is currently low and there is a considerable amount of off-farm work. When off-farm income exceeds farm income their homestead become taxable. This bill would allow a working farmer to take a deduction for living expenses incurred because of working in town.

Senator Wardner - We will continue to take testimony on SB2303.

Brian Kramer, North Dakota Farm Bureau - Testified in support of SB2303. Expenses should not be counted against their farm income.

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Senate Finance and Taxation Committee

Bill/Resolution Number SB2303

Hearing Date January 28, 2003

Senator Syverson (mtr #304) - Curious about some of the circumstances or examples of people that would use this tax break. Could this be used for someone living in Turtle Lake and working in Fargo?

Mr. Kramer - Yes, that is a good example.

Senator Urlacher - For clarification, the farm homes on a farm indirectly pay taxes through the extra valuation on the quarter of land it sets on.

Mr. Kramer - That is how I understand it.

Senator Nichols (mtr #455) - With regard to farmers that own a semi truck and do local hauling, the income generated there, is that considered farm or non farm.

Mr. Kramer - I don't know.

Marcy Dickerson, State Supervisor of Assessments by the State Tax Commissioner (mtr #498) -

The Tax Department is neutral on the bill, I am here to explain the bill. Written testimony attached that explains the fiscal effect and outlines needed changes along with the proposed amendment. The proposed amendment would clarify this bill.

Ms. Dickerson (mtr #835) - In answer to Senator Nichols questions about truck driving income.

Income from truck driving would be considered non-farm income

Senator Nichols (mtr #835) - A question on the diversification of farm income, what if farm income is reclassified.

Ms. Dickerson (mtr #885) - The legislature could make any changes they wanted to.

Senator Wardner (mtr #919) - The quarter land with the homestead, does this effect the value?

Ms. Dickerson (mtr #939) - This has nothing to do with valuation. The bill talks about taxation.

A farmers income determines whether the home is taxable.

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Page 3
Senate Finance and Taxation Committee
Bill/Resolution Number SB2303
Hearing Date January 28, 2003

Senator Wardner (mtr # 999) - If the farm is a break-even operation and spouse works off of the farm, with minimal income, they would have to pay property tax?

Ms. Dickerson (mtr #1030) - That is correct.

Senator Syverson (mtr #1095) - Can ratios be established, of farm:nonfarm income to qualify?

Ms. Dickerson (mtr #1187) - In order to qualify, farmers have to have more than 50% of their income from farming activities in the past three years. Also can not have more than \$40,000 of non-farm income in all of past three years.

Senator Urlacher (mtr #1245) - If he lived in town he is paying taxes through rent.

Ms. Dickerson (mtr #1250) - The farm home is the only one exempt.

Senator Wardner - Question for Mr. Samuel, how do you find out who to collect the property tax from.

Leon Samuel, Director of Tax Equalization for Morton County (mtr #1317) - It is very tough. There are people out there being taxed because their income is more from non-farm than farm. In my county as we find them, we will check them out, of they qualify for farm exemption we give it or if they do not qualify we put them on the tax list.

Senator Urlacher - Can you request income verification?

Mr. Samuel - I do ask for tax records.

Senator Urlacher (mtr #1483) - Do you have access to a list of farms?

Mr. Samuel (mtr #1490) - I guess we would, I will interject, if someone does have .00 income, we look at schedule F, that lists all income and expenses, there are some expenses that we can add back in such as interest expense and depreciation.

Senator Urlacher - Closed the hearing on SB2303

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10/22/03

Date

Page 4

Senate Finance and Taxation Committee

Bill/Resolution Number SB2303

Hearing Date January 28, 2003

Senator Urlacher - We have a proposed amendment from the Tax Department.

Senator Wardner - I motion to amend as recommended by the Tax Department. 2nd by Senator Nichols.

Senator Syverson - I have reservations on the amendment, is it a necessity or optional. Or is it resolvable by inserting 'reasonable'. Or is it resolvable.

Senator Wardner (mtr #2091) - I am not too concerned about that, I don't think that scenario would fit.

Senator Syverson - My question is from the standpoint of net income.

Roll call on amendment. 6 yea, 0 nay, 0 absent.

Senator Tollefson - Not opposed to the bill, but it seems from testimony that the income is not identifiable.

Senator Nichols - The burden of proof is on the farmer.

Senator Wardner motioned Do Pass as amended. 2nd by Senator Seymour. Roll call 6 yea, 0 nay, 0 absent. Carrier is Senator Urlacher.

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Deanna D. Hall
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10/22/03
Date

FISCAL NOTE
 Requested by Legislative Council
 03/10/2003

Amendment to: SB 2303

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.

SB 2303 First Engrossment with House Amendments provides some language clarification, but does not alter the fiscal impact from previous versions of SB 2303. The bill may slightly reduce revenues generated by the one mill levy for the State Medical Center by slightly reducing the tax base for that levy. There will not necessarily be any change in revenues for any county, city or school district, because political subdivisions may raise the same amount regardless if the tax base is reduced. Any reduction in the tax base caused by the provisions of Engrossed SB 2303 with House Amendments that exempt additional farm residences will result in increased mill levies and shift the tax onto other taxpayers.

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 Department
Phone Number:	328-3402	Date Prepared:	03/10/2003

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Deanna Halliday 10/22/03
 Operator's Signature Date

FISCAL NOTE
 Requested by Legislative Council
 01/31/2003

Amendment to: SB 2303

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.

Engrossed SB 2303 may slightly reduce revenues generated by the one mill levy for the State Medical Center by slightly reducing the tax base for that levy. There will not necessarily be any change in revenues for any county, city or school district, because political subdivisions may raise the same amount regardless if the tax base is reduced. Any reduction in the tax base caused by the provisions of SB 2303 that exempt additional farm residences will result in increased mill levies and shift the tax onto other taxpayers.

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:	02/03/2003

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Dennis Walcott
 Operator's Signature

10/22/03

Date

FISCAL NOTE
 Requested by Legislative Council
 01/23/2003

Bill/Resolution No.: SB 2303

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.

SB 2303 may slightly reduce revenues generated by the one mill levy for the State Medical Center by slightly reducing the tax base for that levy. There will not necessarily be any change in revenues for any county, city or school district, because political subdivisions may raise the same amount regardless if the tax base is reduced. Any reduction in the tax base caused by the provisions of SB 2303 that exempt additional farm residences will result in increased mill levies and shift the tax onto other taxpayers.

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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:	01/27/2003

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Dennis Wallis
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10/22/03
 Date

January 28, 2003

JTB
1-29-03

PROPOSED AMENDMENTS TO SENATE BILL NO. 2303

Page 3, after line 4, insert:

"(3) "Net Income" means taxable income as computed for income tax purposes pursuant to chapter 57-38 adjusted:

- (a) To include the difference between gross sales price less expenses of sale and the amount reported for sales of agricultural products for which the farmer reported a capital gain.
- (b) To include interest expenses from farming activities which have been deducted in computing taxable income.
- (c) To include depreciation expenses from farming activities which have been deducted in computing taxable income.
- (d) To exclude unreimbursed travel and living expenses necessary to earn nonfarm income and which were not deducted in computing taxable income.

Page 3, line 5, overstrike "(3)" and insert immediately thereafter "(4)", remove the overstrike over "~~from farming activities~~", and remove the overstrike over "~~from these~~"

Page 3, line 6, remove the overstrike over "activities"

Page 3, line 7, remove the overstrike over "~~to include the following~~"

Page 3, line 8, remove the overstrike over "~~The~~" and remove "To include the"

Page 3, line 11, remove the overstrike over "~~interest~~" and remove "To include interest"

Page 3, line 13, remove the overstrike over "~~Depreciation~~" and remove "To include depreciation"

Page 3, remove lines 16 through 18

Page 3, line 19, overstrike "(4)" and insert immediately thereafter "(5)"

Page 3, line 26, overstrike "(5)" and insert immediately thereafter "(6)"

Page 4, line 3, overstrike "(6)" and insert immediately thereafter "(7)"

Page 4, line 5, overstrike "(7)" and insert immediately thereafter "(8)"

Renumber accordingly

REPORT OF STANDING COMMITTEE (410)
January 29, 2003 12:37 p.m.

Module No: SR-17-1252
Carrier: Urlacher
Insert LC: 30716.0101 Title: .0200

REPORT OF STANDING COMMITTEE

SB 2303: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2303 was placed on the Sixth order on the calendar.

Page 3, after line 4, insert:

- "(3) Net income means taxable income as computed for income tax purposes pursuant to chapter 57-38 adjusted:
- (a) To include the difference between gross sales price less expenses of sale and the amount reported for sales of agricultural products for which the farmer reported a capital gain.
 - (b) To include interest expenses from farming activities which have been deducted in computing taxable income.
 - (c) To include depreciation expenses from farming activities which have been deducted in computing taxable income.
 - (d) To exclude unreimbursed travel and living expenses necessary to earn nonfarm income and which were not deducted in computing taxable income.

Page 3, line 5, overstrike "(3)" and insert immediately thereafter "(4)", remove the overstrike over "~~from farming activities~~", and remove the overstrike over "~~from these~~"

Page 3, line 6, remove the overstrike over "activities"

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Page 3, line 19, overstrike "(4)" and insert immediately thereafter "(5)"

Page 3, line 26, overstrike "(5)" and insert immediately thereafter "(6)"

Page 4, line 3, overstrike "(6)" and insert immediately thereafter "(7)"

Page 4, line 5, overstrike "(7)" and insert immediately thereafter "(8)"

Renumber accordingly

2003 HOUSE FINANCE AND TAXATION
SB 2303

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10/22/03

Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2303

House Finance and Taxation Committee

Conference Committee

Hearing Date March 4, 2003

Tape Number	Side A	Side B	Meter #
2	X		2

Committee Clerk Signature *Janice Stein*

Minutes:

REP. WES BELTER, CHAIRMAN Called the hearing to order.

SEN. HERB URLACHER, DIST. 36 Introduced the bill. Stated he had the bill drafted primarily to put off farm labor on an even keel with other types of business. This relates to the limitations on property tax exemptions for residences. In some cases young farmers or their wives work off the farm, and in some cases, have to travel quite a bit, so they stay overnight to maintain that job, so it seemed fair that the cost at that point of off farm work, should be a deduction from their overall income. The way this bill is drafted, when it comes to computing your taxes, the way the farm income is computed, this would be quite ineffective. We probably have something that is not intended. He requested that the bill be amended to be more effective to the way he wanted the bill drafted.

REP. BELTER Is it your intent to have some amendments drafted?

SEN. URLACHER Stated he or Rep. Klein would have the amendments drafted.

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10/22/03
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Page 2
House Finance and Taxation Committee
Bill/Resolution Number SB 2303
Hearing Date March 4, 2003

REP. FRANK KLEIN, DIST. 36 Testified in support of the bill. He stated in analyzing the bill this past week-end, he discovered that the word "net" in the bill, will not do a whole lot. He stated there will be some situations where people will benefit if they have an auction sale, or they could benefit if they sold two crops in one year. He suggested amendments which would change the "net income" to "gross income".

MARCY DICKERSON, SUPERVISOR OF ASSESSMENTS FOR THE STATE TAX COMMISSIONER Testified in a neutral position. She stated this was the first she heard about amendments. She had a concern with the gross income, which may not be a workable term. She said the purpose of the bill is farm income versus non farm income. It is to provide a deduction from the non farm income for those people who have legitimate travel and business expenses. I am thinking the gross income, almost invariably, is going to be greater than the off farm income. If that is what you want, you are negating the whole part of the statute. The gross is not a workable choice.

SANDY CLARK, REPRESENTING THE NORTH DAKOTA FARM BUREAU Testified in support of the bill. I came forth to testify in support of this bill, but now I am a little confused. The concept of what you are trying to get at, is supported by the Farm Bureau.
With no further testimony, the hearing was closed.

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Operator's Signature

10/22/03
Date

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House Finance and Taxation Committee

Bill/Resolution Number SB 2303

Hearing Date March 4, 2003

COMMITTEE ACTION

JOHN WALSTAD, ATTORNEY WITH THE LEGISLATIVE COUNCIL Appeared

before the committee to explain the amendments which the legislative council had prepared. He also gave a background of how and why the bill was drafted. He stated "net income" is your combined farm income and non farm income, there is no definition of what non farm income is. Referred to page 4, line 6. If non farm net income is more than \$40,000, for three years running, you lose your farm buildings exemption. The amendment should make this clearer. Net income is just taxable income, grand total.

REP. BELTER The way this bill reads, you used the example with somebody commuting to Minneapolis, but, anybody going to any job, could technically, claim unreimbursed expenses?

JOHN WALSTAD That is correct, you drive a half mile to work, keep track of that, that is an expense from your non farm income.

REP. DROYDAL That is only true, if you are taxed separately on your farm house, it has nothing to do with filing your income tax?

JOHN WALSTAD Absolutely, it only has to do with whether you are or are not entitled to that farm building exemption. Only if you are a farmer, do you make these kinds of adjustments.

REP. KLEIN Made a motion to adopt the amendment #30716.0201 as presented.

REP. IVERSON Second the motion. Motion carried by voice vote.

REP. CLARK Made a motion for a **DO NOT PASS AS AMENDED.**

REP. GROSZ Second the motion. **MOTION CARRIED**

7 YES 5 NO 2 ABSENT

REP. CLARK Was given the floor assignment.

Date: 3-5-03
 Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2303

House FINANCE & TAXATION Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass as amended

Motion Made By Rep. Clark Seconded By Rep. Grosz

Representatives	Yes	No	Representatives	Yes	No
BELTER, CHAIRMAN	✓				
DROVDAL, VICE-CHAIR	✓				
CLARK	✓				
FROELICH	✓				
GROSZ	✓				
HEADLAND	✓				
IVERSON		✓			
KELSH		✓			
KLEIN		✓			
NICHOLAS	A				
SCHMIDT		✓			
WEILER	A				
WIKENHEISER		✓			
WINRICH	✓				

Total (Yes) 7 No 5

Absent 2

Floor Assignment Rep. Clark

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

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Deanna Ballantyne Date 10/22/03
 Operator's Signature

REPORT OF STANDING COMMITTEE (410)
March 6, 2003 8:56 a.m.

Module No: HR-40-4080
Carrier: Clark
Insert LC: 30716.0201 Title: .0300

REPORT OF STANDING COMMITTEE
SB 2303, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (7 YEARS, 5 DAYS, 2 ABSENT AND NOT VOTING). Engrossed SB 2303 was placed on the Sixth order on the calendar.

Page 3, line 6, replace "adjusted:" with an underscored period

Page 3, remove lines 7 through 16

Page 3, after line 26, insert:

"(5) "Nonfarm net income" means taxable income from other than farming activities as computed for income tax purposes pursuant to chapter 57-38 adjusted to exclude unreimbursed travel and living expenses necessary to earn nonfarm income which were not deducted in computing taxable income pursuant to chapter 57-38."

Page 3, line 27, replace "(5)" with "(6)"

Page 4, line 3, replace "(6)" with "(7)"

Page 4, line 10, replace "(7)" with "(8)"

Page 4, line 12, replace "(8)" with "(9)"

Renumber accordingly

2003 TESTIMONY

SB 2303

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10/22/03

Date

SENATE FINANCE AND TAXATION COMMITTEE

January 28, 2003

Testimony of Marcy Dickerson, State Supervisor of Assessments

SENATE BILL NO. 2303

Mr. Chairman, Members of the Committee, for the record my name is Marcy Dickerson and I am employed as State Supervisor of Assessments by the State Tax Commissioner. Senate Bill 2303 requires changes in order to be workable.

This bill does away with the definition of "net income from farming activities," which is necessary to carry out the provisions of section 57-02-08(15)(b)(1). The language on lines 5 through 15 on page 3 that currently defines "net income from farming activities" must be reinstated as it currently exists so it can be determined whether a person had "annual net income from farming activities" which is fifty percent or more of "annual net income." Addition of a new paragraph defining "annual net income" as it is defined in this bill will accomplish the purpose of this bill. I think proper order requires the new paragraph defining "net income" to appear as paragraph (3), and paragraph (3) in current law to be renumbered as paragraph (4). Subsequent paragraphs should be renumbered accordingly.

The new language beginning on line 16 of page 3 of this bill allows an applicant for the farm residence exemption to deduct work-related travel and living expenses when calculating nonfarm income, for the purpose of reducing nonfarm income below the \$40,000 maximum allowed by law. This includes travel expense to and from work, whether that travel is for a long distance or just down the road to a job in town. If you want to enact this provision, I suggest it be amended to exclude unreimbursed travel and living expenses.

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Demetrius Hall
Operator's Signature

10/22/03

Date

SB 2303
Testimony of Marcy Dickerson
January 28, 2003
Page 2

I have attached my suggested amendments to my testimony. What these amendments do is restore the definition of "net income from farming activities" and add the new definition of "net income" found in the original bill. The only other changes is the addition of the word "unreimbursed" before "travel and living expenses" and renumbering of the paragraphs.

This concludes my prepared testimony. I will be happy to try to answer any questions you may have.

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Deanna Dalko
Operator's Signature

10/22/03
Date

PROPOSED AMENDMENTS TO SENATE BILL NO. 2303

Page 3, after line 4, insert:

- (3) "Net income" means taxable income as computed for income tax purposes pursuant to chapter 57-38 adjusted:
- (a) To include the difference between gross sales price less expenses of sale and the amount reported for sales of agricultural products for which the farmer reported a capital gain.
 - (b) To include interest expenses from farming activities which have been deducted in computing taxable income.
 - (c) To include depreciation expenses from farming activities which have been deducted in computing taxable income.
 - (d) To exclude unreimbursed travel and living expenses necessary to earn nonfarm income and which were not deducted in computing taxable income.

Page 3, line 5, overstrike "3" and insert immediately thereafter "4" remove the overstrike over "from farming activities" and "from those"

Page 3, line 6, remove the overstrike over "activities"

Page 3, line 7, remove the overstrike over "to include the following"

Page 3, line 8, remove the overstrike over "The" and remove "To include the"

Page 3, line 11, remove the overstrike over "Interest" and remove "To include interest"

Page 3, line 13, remove the overstrike over "Depreciation" and remove "To include depreciation"

Page 3, remove lines 16 through 18

Page 3, line 19, overstrike "4" and insert immediately thereafter "5"

Page 3, line 26, overstrike "5" and insert immediately thereafter "6"

Page 4, line 3, overstrike "6" and insert immediately thereafter "7"

Page 4, line 5, overstrike "7" and insert immediately thereafter "8"

Renumber accordingly

SB 2303

August 25, 2002

Mr. Allan Skogen, President
North Dakota Grain Growers Association
4023 State Street
Bismarck, ND 58503

Dear Mr. Skogen,

With the upcoming legislation session, I thought now would be an appropriate time to address some concerns about small and mid-size farms in North Dakota.

Recently, we moved onto my folk's farm, returning from Minnesota, to eventually take over the family farm. At the time, we heard lots of talk encouraging people to move back to North Dakota. It would seem that local and state governments would do all they can to encourage people, especially farmers, to move back to the state. Unfortunately, there are very few incentives, other than nostalgia, to move back to North Dakota.

An additional farmer in the area means a lot to the local economy. I believe that incentives are needed to encourage people to move to rural areas. One thing that would be especially helpful is a property tax break. A full or partial tax break on a farmers' home would be very helpful. It doesn't seem right that if farmers cannot make enough on the farm, and need to have an off-farm income, that their house becomes taxable (if the net off-farm income exceeds the farm income). We pay about \$4,000 in property land tax. An extra \$1,200 tax on the house becomes a hardship. I don't think we can compare houses of farming families with nonfarmers who move into the rural area. If a farmer sells his house, a lot more is taken into consideration than just the house, i.e. the whole farming operation.

We want to keep people on the farm. I don't understand why everything possible is not done to try to keep a farmer on the land. North Dakota is proud of its rural heritage that is gradually being lost. I don't think we need to "give in" to thinking that mid-size farms and small communities no longer have a place in the ND economy. I think we can make a choice to try and preserve farms by creating incentives.

I believe that property tax is getting out of line and is a major expense for many farmers. If this is also a concern of people in your organization, I would appreciate hearing from you. Also, would it be possible for many of the Ag. organizations to come together and agree on some incentives for farmers, before the start of the next legislation session? I would very much appreciate a reply letter or phone call on this subject.

Thank you for your concern and time in responding to this request.

Grant and Sherilyn Johnson
4155 Co. Rd. 86
Almont, ND 58520
ph# 843-8785

cc: Landowners Association of ND
ND Cattlewomen
ND Beef Commission
ND Stockmen's Association
ND Farmers Union

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Deanna Waller
Operator's Signature

10/22/03

Date