

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1298

2005 HOUSE FINANCE AND TAXATION

HB 1298

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1298**

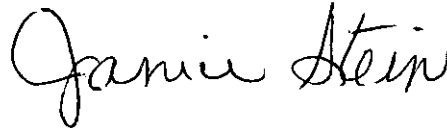
House Finance and Taxation Committee

Conference Committee

Hearing Date **January 19, 2005**

Tape Number	Side A	Side B	Meter #
2	X		35.1

Committee Clerk Signature



Minutes:

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

REP. BILL KRETSCHMAR, DIST. 28 Introduced the bill. He stated he introduced the bill at the request of a constituent. He is in a position where he is farming, but not on a full time basis, as he has a job in town too, so he does not qualify, under current law, for the exemption for his residence, which is out in the country. The bill before you, would provide for a person who receives at least twenty five percent of their income from farming, up to the fifty percent, that they would receive a comparable percent of an exemption on the taxable evaluation of their prime residence. If someone received thirty five percent of their income from farming, they would get a thirty five percent reduction in the assessed evaluation of their farm residence. The bill does not speak to the question of the amount of income they had. Those provisions in the law, would remain in effect. The figures which we put in the bill, are kind of arbitrary. Right now the law says if you are over fifty percent, you are O.K. You get the full exemption. This

bill would allow fractional farmers to receive the exemption for a percent of their house evaluation.

SEN. ROBERT ERBELE, DIST. 28 Testified in support of the bill. Reiterated what Rep.

Kretshmar said. Both were approached by the same individual to submit the bill. Since farming has changed, it has become an economy of scale, larger and larger farms, and more investment in equipment, and yet, there are people out there who cannot afford to take that step into the larger farm operation. There are still farmers at heart, but are needing to subsidize that farm with off farm labor, his income kept flip flopping with forty nine and fifty one percent of his income.

This bill would prorate the rate. A lot of that non farm income, because of the higher machinery cost and land cost, is going back into that farm.

REP. MICHAEL BRANDENBURG, DIST. 28 Testified in support of the bill. The thing we have to understand is that a lot of people look at this and think these are rich farmers, that is not really what we have out there. We have a lot of farmers who are struggling to make ends meet.

This bill would address some of those people.

REP. DROVDAL We do know that we all like to help, young farmers, the elderly, but isn't the truth of the matter that, this exemption is helping the rich?

REP. BRANDENBURG I think the perception is that, but it is not helping the rich.

MARCY DICKERSON, STATE TAX DEPARTMENT Testified in opposition of the bill.

See attached written testimony.

ERIC AASMUNDSTAD, REPRESENTING NORTH DAKOTA FARM BUREAU

Testified in opposition of the bill. See attached written testimony.

JERRY HJELMSTAD, REPRESENTING NORTH DAKOTA LEAGUE OF CITIES

Testified in opposition of the bill.

ARDEN HANOR, DOUGLAS, ND. Testified in opposition of the bill. The commentary here today has been very educational. I wonder why doesn't someone speak to the investment made by the farmer in land and equipment in relation to income. You define the farmer in your law, based on income. Nobody said anything about investment. I have planted fifty crops. I lost more money than I made. I raised four children and gave them a college education, and I still own the land, I don't have much money, but I'm still there. My question about investment, my banker tells me I have a million dollar investment, last year I made nine thousand dollars and health insurance took eight thousand of that. How do you suppose I am able to eat, I'm an old guy. I have to keep working to survive, because I never made enough money. Too me, some place it should say how much a farmer invests. The wages for people in town, they go up all the time. That's why they go there.

With no further testimony, the hearing was closed.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1298**

House Finance and Taxation Committee

Conference Committee

Hearing Date **January 26, 2005**

Tape Number	Side A	Side B	Meter #
2		X	0

Committee Clerk Signature

Minutes:

Committee Action

REP. BRANDENBURG Made a motion for a **do not pass**.

REP. HEADLAND Second the motion. **Motion carried.**

13 Yes 0 No 1 Absent

REP. IVERSON Was given the floor assignment.

FISCAL NOTE
Requested by Legislative Council
01/12/2005

Bill/Resolution No.: HB 1298

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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 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.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 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 1298 provides a partial farm residence exemption to persons whose farm income is between 25 and 50 percent of annual income, if they meet the other qualifications. The percentage of exemption would be equal to the percentage of their annual net income from farming activities. It is not possible to estimate how many persons would qualify, nor how many presently taxable residences would qualify for exemption or partial exemption.

This bill would reduce tax revenue to the state medical center by an indeterminable amount. It would not affect tax revenue for any political subdivision that levies under NDCC Section 57-15-01.1, but it would shift the tax burden from newly exempted or partially exempted farm residences to 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
Phone Number: 328-3402

Agency: Office of Tax Commissioner
Date Prepared: 01/18/2005

Date: 1-26-05
Roll Call Vote #:

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1298

House FINANCE & TAXATION

Committee

Check here for Conference Committee

Legislative Council Amendment Number

Action Taken **Do Not Pass**

Motion Made By **Rep. Brandenburg** Seconded By **Rep. Headland**

Representatives	Yes	No	Representatives	Yes	No
BELTER, WES, CHAIRMAN	✓				
DROVDAL, DAVID, V-CHAIR	✓				
BRANDENBURG, MICHAEL	✓				
CONRAD, KARI	✓				
FROELICH, ROD	✓				
GRANDE, BETTE	✓				
HEADLAND, CRAIG	✓				
IVERSON, RONALD	✓				
KELSH, SCOT	✓				
NICHOLAS, EUGENE	✓				
OWENS, MARK	✓				
SCHMIDT, ARLO	✓				
WEILER, DAVE	✓				
WRANGHAM, DWIGHT	✓				

Total (Yes) **13** No **0**

Absent

Floor Assignment **Rep. Iverson**

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

REPORT OF STANDING COMMITTEE (410)
January 26, 2005 4:23 p.m.

Module No: HR-17-1141
Carrier: Iverson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1298: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1298 was placed on the Eleventh order on the calendar.

2005 TESTIMONY

HB 1298

HOUSE FINANCE AND TAXATION COMMITTEE

January 19, 2005

Testimony of Marcy Dickerson, State Supervisor of Assessments

HOUSE BILL 1298

Mr. Chairman, Members of the Committee, for the record my name is Marcy Dickerson and I am employed as State Supervisor of Assessments and Director of the Property Tax Division by the State Tax Commissioner. My testimony concerns House Bill 1298.

House Bill 1298 provides for a partial farm residence exemption for an individual whose annual net income from farming activities is at least 25 percent but less than 50 percent of annual net income, so long as that person meets the other qualifications for the farm residence exemption. The percentage of reduction of the taxable valuation would be equal to the percentage of net annual income from farming activities.

As presently drafted, it is not clear to me whether the partial exemption is available only to a farmer who meets the 25 to 50 percent requirement in the immediately preceding year, or if the one-out-of-three-years provision is intended to apply. If the one-out-of-three-years provision is intended to apply, this new wording might be better placed beginning on line 25 of page 2 following the word "years." It would then be clear that the farmer could qualify for the partial exemption if the income requirements were met in any one of the three preceding years. However, that would create another problem. If the farmer's percentages of farm income differed in each of the three preceding years, what percentage would be used for the current year assessment?

This bill creates a problem for assessing both the residence and the land on which it is located. A residential property cannot have a farm residence exemption, and there is no such

thing as a taxable farm building. A building cannot be exempt as a farm building or farm residence unless it is located on agricultural land, and the land on which a taxable residential building is located must be assessed as residential land. To comply with the provisions of this bill, the assessor would have to list two land values, one at market value and one at agricultural value, for parts of the parcel and a partial residential value for the structure.

Whenever property is exempted, the tax burden from that property is shifted onto other properties – residential, commercial, agricultural land, and centrally assessed. Political subdivisions have the option of levying more mills to collect the required amount of revenue or, if they are at the maximum allowed mill rates, they can levy under N.D.C.C. § 57-15-01.1 which allows them to levy the same number of dollars as they did in the previous year, no matter what happens to the taxable value. Either way, other property picks up the taxes that are not paid by the exempt property.

This concludes my prepared testimony. I will be glad to try to answer any questions.



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North Dakota Farm Bureau

www.ndfb.org

**Testimony of North Dakota Farm Bureau
House Bill 1298
House Finance and Tax Committee
January 19, 2005
Eric Aasmundstad, President**

Good Morning Mr. Chairman. My name is Eric Aasmundstad. I am representing the 27,500 member families of North Dakota Farm Bureau.

North Dakota Farm Bureau is a strong supporter of the farm home exemption. We believe HB 1298 will corrupt the integrity of the exemption possibly leading to wholesale changes adversely affecting our members.

While the system proposed in this bill of prorating farm homes may seem more equitable, we believe it would be an administrative nightmare. Local assessors and county tax directors will be forced to change percentages every year as farm and non-farm income percentage levels change. HB 1298 will put more burden on local assessors that are paid little if anything to do a thankless job.

Therefore, while North Dakota Farm Bureau supports the farm home exemption we would respectfully request a "Do Not Pass" recommendation on HB 1298.