

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2188

2005 SENATE FINANCE AND TAXATION

SB 2188

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2188

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 31, 2005

Tape Number	Side A	Side B	Meter #
#1	X		14.9 - 61.6
		X	0.0 - 20.8
Committee Clerk Signature <i>Sharon Ruyra</i>			

Minutes: **All members present, except for Sen. Every for the hearing on SB 2188**

SEN. URLACHER: called the committee to order and opened the hearing on SB 2188

SEN. COOK: appeared as prime sponsor with written testimony stating this was introduced so that we might revisit the decision made last session to cap the capitalization rates used for evaluation and assessment of agricultural land for property tax purposes. This bill simply removes that cap.

DWIGHT AAKRE: Dept. of Agri Business appeared in support of the bill with written testimony.

SEN. COOK: I see 22.9%, that's the percentage of the change over a 2-year period, is that not correct?

ANSWER: no, that would be the change over what we calculated would be the new values for 2005 using the minimum cap rate. This is a just a change for one year then.

SEN. WARDNER: someone brought forward that one of the counties went to soil types and they were concerned that the crop land and non-crop land were the same, is that the way that works when they go to soil types, crop land and non-crop land were no longer a part of the factor?

ANSWER: Soil types should be a reflection of the quality and should differentiate the value of the land within the classification of cropland and within non-crop land.

SEN. URLACHER: The intent was to equalize the method of assessment over the entire state, but that hasn't really been fully utilized. So there is a difference in county to county so there would be a difference in the shift as well, is that right?

ANSWER: I think because of the way the capitalization rates affect the model, it would be identical percentage wise in every county, dollar wise it would be considerable different.

SEN. WARDNER: on the 22.9%, the percent of change, you said we should subtract the 5.4, wasn't that also a decrease in valuation as well as the 22.9?

ANSWER: the 5.4% was a decrease in value last year over the previous year, now if we change the formula to use the lower cap rate, the values will increase.

SANDY CLARK: ND Farm Bureau appeared neutral stating she agrees with Sen. Cook with regard to the high property taxes on all classes. Also mentioning the shift in taxes which affects education funding. On the question of soil type, when using productivity formula, that formula is based on land use. Then when you get into the counties that equalize, using soil types. When beginning to tally their acres in the county based on soil type instead of land use, then they turn around and use that computer number to send to Mr. Aakre. So he using cropland soil type that's really used for rangeland and plugging it into his formula as this wonderful crop land. That's

supposed to land use and within the county its supposed to soil type, so I believe we need to find a system that will instruct county tax assessors and local tax assessors that you need to the township and the county based on soil type, you can calculate those acres, but what your report to Mr. Aakre I believe needs to be land use acres.

SEN. WARDNER: So what you feel that this soil typing thing is kind of been something that has been just happening, just current the last couple of years, that the law with capping it is the reason for 22.9%

SANDY: I personally think that's an education process in order to get that corrected more than the need for a law and a clarification that that productivity formula is based on land use. One of the reasons we think the productivity formula works because it's a method to equalize Ag land on a statewide basis. That's what its all about, that you have more consistency between counties based on productivity.

DAVID MUNSCH: A Morton county resident on behalf of himself appeared in support of the bill stating he would like to see something a 4th grader could understand. This is not equalized, this homestead business, I got a \$5,000 trailer I'm living in and I'm taxed like living in Bismarck/Mandan, the guy next to me his house burned down and moved in a new house, suppose a \$70,000 house and he's paying four hundred and some dollars on that quarter of land and I'm paying over \$500. We need equalization.

SEN. WARDNER: How do you feel about the cap being removed?

DAVID: I suppose it may work, and I could support that.

DENNIS DANIEL: on behalf of himself appeared neutral on the bill stating his concern with needing equalization also.

ALAN ERICKSON: Township Officers Assoc. appeared in opposition of the bill with written testimony stating they do not think the capitalization rate should come out or be lowered.

SEN. URLACHER: It appears as those that a lack of using soil tests adds a value tool, is creating the problem or a lot of problems.

SEN. COOK: when you make reference to single digit Ag property tax inflation, your talking about a single inflation in the amount of dollars you pay, not inflation in the value of the land, is that correct? Yes.

ARVID WINKLER: Township Assessor in Barnes County appeared in opposition of the bill and submitted a calculation sheet. We need to clear up some things. Mr. Aakre does not care what the soil type is in his mathematical mark. He gathers information on what 1-acre of crop land will produce in that county and 1 acre of non-crop land will produce. It is up to the county personnel to determine the number of those acres that will be put on the assessment books for the year. In 2003, I testified on the house side and I said I have limited enthusiasm for this bill, but what had occurred in the 2002 interim tax committee, they had considered a proposal to base this model on cash rents rather than the shared rents which Mr. Aakre currently uses and which is part of the current bill. My feeling is, you need to look at capitalizing these cash rents things because today with higher fuel prices, that's an energy product that also relates to fertilizer prices that also relates to chemical prices, and people can only pay. These quickly arising prices prolong, I think will be reflected in cash rents. I would feel better if you were capitalizing cash rents and your not going to do that too quickly. One problem I have with the legislation, the last line says the effective date is to be after 12-31-04, now what happens is if you approve this legislation, Mr. Aakre will have to turn on his computer again, plug in the difference in the interest rate,

recalculate all these values, we have a meeting in April and sometime in May, I would presume, we will get new numbers and would like to change the effective date to after 12-31-05, then you got time for the thing to blend into the NDSU formulas and it just works with a whole lot less hassle.

SEN. COOK: If we changed the effective date to 12-31-05, will you support the bill?

ANSWER: You might as well go and do it now.

NO FURTHER TESTIMONY. Closed the hearing.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2188**

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date **February 1, 2005**

Tape Number	Side A	Side B	Meter #
# 2		X	17.7 - 28.1
Committee Clerk Signature <i>Sharon Senfrow</i>			

Minutes: AFTERNOON COMMITTEE WORK

SEN. COOK: one thing said during testimony and I can support is that we need to change that effective date to December 31, 2005 and I make that MOTION, seconded by Sen. Wardner.

SEN. WARDNER: The reason is because the assessors processing property taxes, they are already starting now and by the time this bill would take effect, then they'd have to go back and do it over.

VOICE VOTE: 6-0-0

SEN. COOK: made a **MOTION FOR DO PASS AS AMENDED**, seconded by Sen. Tollefson

SEN. URLACHER: As I recall, its going to create quite a disruption, shifting, shift taxation.

SEN. COOK: the amount of shift is going to be exactly equal to the amount of the shift that occurred from rural to urban when we passed this 2 years ago. But now its just going to go back the other way. The benefit then of rural ND would have been the benefit they received by enjoying that shift for either 2 or 3 years. The shift was rather painful on the last 2 years on

urban property owners. It had a heck of an affect on property taxes in urban ND and you see now that state wide that was about a 22.9% shift.

SEN. WARDNER: where your gonna see it is in Cass County, Grand Forks County, Starck, Ward, Burleigh, Morton and Stutsman, those counties is where this shift if gonna take place.

SEN. COOK: the point is that as property taxes go down, they still get the same amount of money and the mill levy goes up, but that's when the property taxes start coming back up, now you've got more assessed value, they do not have to lower the mill levy. They can keep that mill levy the same. If we pass this bill the way it is now, its going to raise the assessed valuation at reg property, I guarantee you they will not have to use the condition where they are guaranteed the highest amount of dollars that they had in previous years. They will just simply keep the mill levy the same and they will have more assessed property and they will get more money, so what we need to do is somehow amend this so that any increased revenue because of this shift again, has to lower the mill levy. I'd like to remove my DP Amendment. Withdrew motion.

SEN. TOLLEFSON also withdraws his second to the motion.

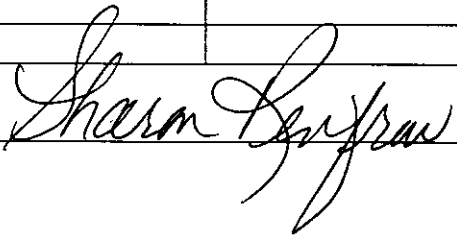
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2188**

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date **February 8, 2005**

Tape Number	Side A	Side B	Meter #
# 3	X		0.2 -31.3
Committee Clerk Signature 			

Minutes:

SEN. COOK: This bill is what we did the last session when we capped the capitalization rate and if you can remember we had, the reason I brought it back of course is so we could identify to what degree we got a shift in, the property tax burden from rural to urban and Dwight Aakre's testimony indicated that it was 2 or 2.9% valuation. There's another side to that coin I think got to hear from, we got to have Marcy here to explain that as far as how that probably equates out into property tax. I think it varies from county to county.

MARCY DICKERSON: State Supervisor of Assessments appeared to explain property tax and handed out a sheet to that.

SEN. COOK: the dollar per acre increase

MARCY: that the difference between 2.5% and 7.5%, the dollar per acre difference on all agricultural land in each county.

SEN. COOK: if we were to pass SB 2188, the average value per acre of land in Morton County would go from \$135 to \$166 with the passage of this bill

ANSWER: that's correct.

SEN. COOK: during the last 2 yrs because the cap rate was put in place, that caused the ag land in Morton County to go down in valuation, which decreased probably for whatever that amount it went down, the total valuation for land in the county and so then as the county built its budget starting with dollars and divided that assessed value and they came up with their mill rate. If we pass this now, all of a sudden now the increase the valuation of all the property in Morton County and were going to increase it considerably. Morton County or any other county will just leave the mill rate the same and they will have a whole lot more dollars for to spend.

ANSWER: that is possible, if you have any ideas as to what to do about it, you did ask me if I had any ideas on what to do about that and the only idea I could come up with is in the other handout I gave you, which is a proposed amendment. That would be to require all taxing districts to use 57-15-01.1 for all calculations for either one year or two years or whatever you see fit. That is the base year calculation where the taxing district can raise the same number of dollars regardless of what mills it takes. The same number of dollars as they raised the previous year. There are adjustments for new property and there are adjustments for any property that's been removed from the district, but basically they've got to raise no more in dollars, so in this case where you have a whole lot more valuation, that would make the mill rate go down because if they have the same number of mills they'd be raising more dollars and under 57-15-01.1 they are not allowed to do that. I suggest here that you might allow an increase of whatever percent you thought appropriate in the first year or the second year or not at all.

SEN. COOK: we just passed on the floor another piece of legislation that creates a commercial classification of Ag property. Were going to have no idea how much of this ag property is going to get moved from its present classification into commercial if that bill was to continue through and get signed by the governor. That right there will also have the same affect on a counties budget and a school's districts budget as this one will and the passing of that bill too, unless we just want to see the dollar sign of these budgets to balloon without no pressure to remove to put the mill levy down, that should fall under this also.

ANSWER: yes, I think again your way out of that is 57-15-01.1 is the only one I can think of.

SEN. COOK: in Morton County, go back to 1981 and you can see the valuation of land and this is without the capitalization rate cap, this is just a result of a production formula, you can see its gone from 145 down steadily to 1991 its 115, 1992 its down, 1993 it bottomed out at \$109.65. Then it started coming up again to 1998 where it peeked at \$144 and then went down, came back up and now it's started its trend down again in 2003 and continued down because of the capitalization rate. As we've gone through this cycle and when we look at what's causing property taxes and metropolitan areas to go up, this condition we are talking about her has been going on for the last 20 years. That is just the one issue here, property tax and how this whole works, what we assess it at, it's not just the put the capitalization rate is or the mill rate ends up being. It goes back to how political subdivisions can build their budget and these 2 options that they have, they were both passed the same year we made this production formula. Before we go home I hope we will certainly cap this capitalization rate, but we also have to address that problem and this is a step in the right direction.

SEN. URLACHER: as the interest rates fluctuate, will this level out again at some point?

ANSWER: at some point, it will level out with the way the formula is but it's a moving target and if interest rates go up, yes, the formula eventually will change.

SEN. EVERY: if you look at the last 20 years, if you took all those and averaged them, it would probably be right around \$145 mark and if this is a rural vs. urban thing, which it is, I think that all were doing is, we didn't give it a long enough shot for one thing, 2 yrs isn't long enough to determine whether it was successful or not in my mind, and number 2 we are taking and shifting the burden back to folks that are paying the biggest share of it. I'm not going to support it.

SEN. COOK: first off, I think your missing the point, the fact that it averages out has nothing to do with it and its not an urban vs. rural, its all the taxes are going up, we have a system there, if its anything its all the tax payers trying to find a sensible restraint in the political subs from having the ability to grow their budgets tremendously without any voice from the taxpayers. This will lower the property taxes of all people, not just rural or urban.

SEN. EVERY: the township officers for one were opposed to it and it will take money away from those, its not going to anything to fix the equity with schools issue, its going to take money away from the townships and the political subdivisions and I don't see one rural name from the top of that bill. To me they look like they are all from metropolitan biggest areas in the state.

SEN. WARDNER: valuation is done, when its coming back up does it have to get up here before it starts getting, raising the dollars or the minute it starts up does, can they start moving up with that, that's the question.

MARCY DICKERSON: under the existing option where they can use either the mill levy limitations or the base year calculation, as soon as value goes up they can start raising more money.

SEN. COOK: if you have because of some legislation that we pass here, for example this bill or example the creation of commercial ag property, just because we create that legislation we are creating increasing the valuation of a school district, the valuation of a county and we have to take into consideration the other things out there that are going to be affected by that and that's the point I want to make. The other thing is Sen. Wardner when you, mills are always going to be a variable and it's very seldom when the mills are not going to be a variable. The other thing that plays into this is the different makeups of all our different counties.

SEN. WARDNER: when the ag land values went down, the urban property didn't go up in valuation, they just had to pay more in taxes because they used the base year calculations, am I not correct?

ANSWER: that is correct, if they did not use the base year calculation and they were maxed out on their mills then it just would have shifted the burden and they wouldn't have raised as many dollars as they were able to if they used the base year calculation.

SEN. URLACHER: are we really fixing something or will it fix itself in time?

ANSWER: I think that somebody like some taxpayers are going to get a shot that they probably don't need or don't deserve unless something is fixed.

SEN. WARDNER: I am not convinced that when Ag property values go down and then they start to increase that a political subdivision can take and receive more tax dollars because of that action, sure they can because of added valuation in the district from outside, they can do it because somebody raised the mills. I'm getting the perception that Sen. Cook's concern that when it comes up it gives them a windfall and I'm not sure that it does.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2188**

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date **February 9, 2005**

Tape Number	Side A	Side B	Meter #
#1	X		0.3 - 27.5
Committee Clerk Signature			

Minutes:

SEN. WARDNER: yesterday when I was doing all these hand things and stuff, I forgot one thing that when they take this money and the valuation goes down, the mills do go up to get this amount of money and so then when this comes back up, they can the mills can stay up there, because their already up there. It causes an increase; it will increase valuation, so Sen. Cook was right. In general, if we were to pass the bill just the way it is, what would happen, instead of being a shift from the ag to the urban, so that the urban would go down a little bit and the ag would come up. No, what will happen the urbans going to stay up and the ag will come up, so unless we put an amendment in there to keep them from doing that, we won't get this coming down and going up in the shift, plus they should have got a little bit of relief but they won't get any. Its gonna increase their overall valuation in their district is what's its going to do. Instead of the urban coming down and this coming up to here, so they shouldn't get anymore. This is gonna stay and as this comes up that's full increase to the political sub.

SEN. COOK: if we could just go back to the big picture of what started 2 yrs ago when we capped this rate. First off, what that cost 2 yrs ago then is for ag value, actual value of property come down, what we've seen now as we look back and heard the testimony that that's 22% basically, that put a shift on all of the urban tax payers in ND and they basically picked up those dollars. So now then if we adjust it, remove the cap rate out and adjust it, the benefit that was received by rural ND of course is the reduced property taxes they were able to enjoy for 2 yrs at the expense of the urban, but if we don't amend it the urban will see no relief whatsoever, theirs will continue to stay high and that's not what we are intending to do, we gotta have a mechanism that requires the mill rate to come down. Now the other confusing part is we bring in the mill caps and (went to the black board and showed the committee)

SEN. WARDNER: when it went down, they grabbed onto the dollars on the base year, when it comes up they leave that horse and they go over to the mills, so they gain by jumping to mills

SEN. TOLLEFSON: the mill levy goes down, the evaluation goes up, so it doesn't help the taxpayer at all.

SEN. EVERY: I think what you are saying is that it will help the urban areas but it's going to do little or nothing for the ag area.

SEN. WARDNER: we amend it so that they can't get a windfall. Don't get the cap and this bill confused with the mill cap he's talking about. Remember that counties have about 30 different other little mill levies that have their caps. Sen. Cook talks about mill caps he's not talking about capping the capitalization rate.

SEN. COOK: explained his chart on the board.

SEN. EVERY: does providing necessary services, would you consider that protecting the taxpayers?

SEN. COOK: providing necessary services is what we have political subdivisions there, therefore there has to be a balance between what those services are and the price that the taxpayers who pay for em, pay. That's what the whole political system is about, to allow some say in people who are paying the bill and creating some balance.

SEN. URLACHER: this isn't looked at the shift of ag moving into urban or urban into ag or anything, it's an equalizer.

SEN. TOLLEFSON: Sen. Cook would you be able to break out urban vs. rural in taxable evaluation in Morton County? That's really what we're talking about here.

SEN. COOK: drew on black board again and gave explanation on all rural. If you have a county that is largely rural, the relief they got was minimal and it was intended to give relief.

SEN. URLACHER: how is this going to play in with the amendment?

SEN. COOK: the amendment will guarantee those largely rural __ counties that saw no relief when the capitalization rate was frozen, at least they won't see a large tax increase when its taken off. They will not see a large tax increase when it's taken off with the amendments.

SEN. URLACHER: how about in the mix, urban and rural?

SEN. COOK: in the mix it will be a combination of both, in the mix, they will see a tax increase to a certain degree in rural ND in those situations and it will basically be the tax increase that is realized from removing that shift. But they will not see the tax increase as large as without the amendment.

SEN. EVERY: your saying that the rural areas with the cap got limited relief or no relief.

SEN. COOK: the amount of relief that they got was relative to the amount of urban property in the county. If there was no urban property, they got zero.

SEN. EVERY: so I should vote for this, if my constituents got limited relief by the cap, I should vote to take away whatever relief that was now. Because that's what it would do, I mean a little is better than nothing.

SEN. COOK: we are all going to have to make our minds how we vote for this, to me, and I've said many times, property taxes in ND are too high, we have to address property taxes, the first step I think is a fairness issue and the second step is to lower them for all. We all gotta get under the same bandwagon that we're trying to lower property taxes.

SEN. TOLLEFSON: the whole key is the budget, that's what built the mill levy in, if your gonna have an increased budget every year, your gonna have an increased mill levy, now its distributed to something else.

SEN. URLACHER: lets get to this service demands of the, how will they handle any increase in demands? Is there flexibility there?

SEN. COOK: this is a very important issue, we need to look at these amendments in a way, a political subdivision whether it's a school or whatever it is, that are above the cap because they are the only ones who would be affected here. But still be able to have a percentage of growth in their budget

SEN. EVERY; doesn't feel this is the avenue to take, this isn't going to fix it, its just a shift in my mind. How much time are we going to spend on this?

SEN. URLACHER: we are trying to build fairness, we didn't know what was happening until it happened in the shift, we want to get things down to where people can vote on it with all the information they can get to build in fairness and address property tax increases.

SEN. WARDNER: what if we did nothing, if we left the cap rate in, is it going to shift, if we just killed the bill and just left the cap rate in, what's it going to mean to the urban, are we going to get that shift back?

SEN. TOLLEFSON: there are so many other factors I think to begin with. Taxable evaluation on property in urban areas is considerably different than the rural areas and I think that it's caused a problem. In urban areas, your evaluation is based to a great degree on market value, that's not true in the rural areas, so I think that's where you get this tilt a little bit and then of course you cap it, put a cap on the capitalization rate, then you got another factor that really fowls up the machinery I think. We aren't consistent.

SEN. EVERY: if it's this difficult for all of us to get our arms around, maybe this is one of those that we say we need to study. What could be the damage to study this thing and let everyone get their arms around it so the urban folks are comfortable, the rural folks are comfortable, I'm not comfortable with the shift that's going to take place and if it does to go back to my constituents and tell them that I support this.

SEN. WARDNER: if Sen. Cook puts amendments on it will cause a shift back from the urban to the ag minimal, it will bring it back somewhat of what it was before the capitalization cap was on.

SEN. URLACHER: I don't know what minimal means but what happened when we shifted, a larger movement than anticipated. So minimal comes into play to justify it.

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Senate Finance and Taxation Committee
Bill/Resolution Number SB 2188
Hearing Date February 9, 2005

SEN. WARDNER: the way the bill is now, I can't support it. It has to be amended to make sure they can't raise it and if we do that.

SEN. URLACHER: I will allow the amendments to come in for review, we cannot pass amendments, and address the bill or we can address the amendment and the bill.

End of discussion.

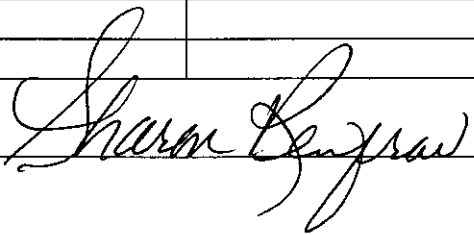
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2188

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date February 14, 2005

Tape Number	Side A	Side B	Meter #
1	X		0.7-6.0
Committee Clerk Signature 			

Minutes:

Chairman Urlacher opened the committee meeting to discuss SB 2188. All Senators were present, with the exception of Senator Bercier and Senator Tollefson.

Senator Cook presented amendments for SB 2188. The amendments remove the cap on the bill over the course of the next 2 years.

Action taken:

Senator Cook moved a Do Pass recommendation for the amendment (50478.0102).

Seconded by Senator Wardner. The amendment passed, 3-1-2.

Senator Cook moved a Do Pass as Amended recommendation for SB 2188. Seconded by Senator Wardner. The bill passed, 3-1-2. Senator Cook is the carrier of the bill.

FISCAL NOTE STATEMENT

Senate Bill or Resolution No. 2188

This bill or resolution appears to affect revenues, expenditures, or fiscal liability of counties, cities, or school districts. However, no state agency has primary responsibility for compiling and maintaining the information necessary for the proper preparation of a fiscal note regarding this bill or resolution. Pursuant to Joint Rule 502, this statement meets the fiscal note requirement.

John Walstad
Code Revisor

Date: 2-1-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2188

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Amendment to Chg 12-31-04 to 12-31-05

Motion Made By Cook Seconded By Wardner

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher			Sen. Bercier		
Sen. Wardner			Sen. Every		
Sen. Cook					
Sen. Tollefson					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Chg effective date to 12-31-05

Date: 2-1-05
Roll Call Vote #: 2

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2188

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass as Amended

Motion Made By Cook Seconded By Tollefson

[illegible]

Total **(Yes)** _____ **No** _____

Absent _____

Floor Assignment

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

PROPOSED AMENDMENTS TO SENATE BILL NO. 2188

Page 1, line 9, remove the overstrike over "~~but the rate used for~~"

Page 1, line 10, remove the overstrike over "~~capitalization under this section may not be less than~~", after "~~one-half~~" insert "eight and six-tenths", and remove the overstrike over "~~percent~~" and insert immediately thereafter "for taxable year 2005"

Renumber accordingly

Date: 2-4-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2188

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 50478.0102

Action Taken Adopt Amendments

Motion Made By Cook Seconded By Wardner

[illegible]

Total	(Yes)	3	No	1
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Absent 2 Bernier & Tollefsen

Floor Assignment

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

Date: 2-14-05
Roll Call Vote #: 2

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2188

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass As Amended

Motion Made By Cook Seconded By Wardner

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher	✓		Sen. Bercier		✓
Sen. Wardner	✓		Sen. Every		✓
Sen. Cook	✓				
Sen. Tollefson	✓				

Total (Yes) 4 No 2

Absent 0

Floor Assignment Cook

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

REPORT OF STANDING COMMITTEE

SB 2188: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS** (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2188 was placed on the Sixth order on the calendar.

Page 1, line 9, remove the overstrike over "~~but the rate used for~~"

Page 1, line 10, remove the overstrike over "~~capitalization under this section may not be less than~~", after "~~one-half~~" insert "eight and six-tenths", and remove the overstrike over "~~percent~~" and insert immediately thereafter "for taxable year 2005"

Renumber accordingly

2005 HOUSE FINANCE AND TAXATION

SB 2188

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2188**

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date **March 1, 2005**

Tape Number	Side A	Side B	Meter #
1	X		0.4
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

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

SEN. DWIGHT COOK, DIST. 34, MANDAN Introduced the bill. See attached written testimony together with a copy of interest rates on North Dakota farmland loans and the calculated capitalization rate.

REP. BELTER Did you say the actual shift from agricultural to urban was about nine percent?

SEN. COOK In dollars and tax burden, that will vary all over the state. I believe it would be about nine percent in Morton County in tax dollars. The residential tax burden went up nine percent while the agricultural property went down. It will be different upon the makeup of the county.

REP. CONRAD Does that mean that rural counties are having to raise their mill levies?

SEN. COOK That could be the case.

MARCY DICKERSON, STATE TAX DEPARTMENT Submitted a handout to committee

members which gave the effect of going from minimum cap rate to cap rate proposed in the bill

for the 2005 agricultural values. She stated her second page duplicated Sen. Cook's handout.

She stated she supported the bill.

SANDY CLARK, REPRESENTING THE NORTH DAKOTA FARM BUREAU Testified

in support of the bill. See attached written testimony.

REP. BELTER Was there any discussion in your organization to the fact that here we are

tinkering again with the formula, and maybe it is flawed and needs to be overhauled?

SANDY CLARK We don't think the formula is flawed. We think that it still flows. Referred

to Sen. Cook's handout relating to the historical rates of the capitalization rate, back in 1980, 81,

and 82, this is not the first time this has ever been done. In the early 80's interest rates were at

16, 17, and 18%. At that time, property taxes would have been unrealistically low. A couple of

the folks who were the authors of this productivity formula indicated to me that that was done at

that time. We have done this twice now, once when interest rates were high, and once when they

were historically low.

REP. SCHMIDT Do you recall, in 1997, the land values rose about 18%, and the produce coming off the land at that time was about 20% less, we were trying to correlate the value of land

according to the produce coming off of it, I thought it worked pretty good. How do you justify saying that now prices are getting better?

SANDY CLARK This was before my time, I believe the production costs of this formula were implemented in about 1996, and it is going to take some time for that to have an immediate

impact. In 1997, you weren't seeing that impact by including the production costs. I think now we are seeing that impact.

ARVID WINKLER, TOWNSHIP ASSESSOR Testified in support of the bill. When this capitalization rate was first proposed, I testified against it. In the 2003 session, it came through the Senate first, capping the 9.5%, at that time, I compared what was coming out of the productivity formula, against the study by NDSU by Dwight Ackre and a graduate student, and the effect of what would happen if we capitalized the cash rents, which is in the current model. I noticed that capitalizing cash rents would produce lower ag values, on that basis, I testified in this committee, in support of then SB2390 to put in a 9.5% cap. Dwight Ackre testified on the Senate side this session. Related to the handout he submitted. See attached copy.

KEN YANTES, NORTH DAKOTA TOWNSHIP OFFICER'S ASSN. Testified in a neutral position. Stated their organization requests that the status quo be maintained.

With no further testimony, the committee hearing was closed.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2188**

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date **March 9, 2005**

Tape Number	Side A	Side B	Meter #
2	x		35
Committee Clerk Signature			

Minutes:

COMMITTEE ACTION

Rep. Belter stated he didn't want to act on the bill yet, but wanted discussion as to everyone's thoughts on the bill.

An amendment presented by the Farm Bureau was discussed.

REP. BELTER Suggested an amendment that he was thinking about, which would relate to actual use of the property and not the soil type and the soil classification data. The idea of the amendment is that there are situations where, you may own ranchland which is in grass, because of the soil classification, you graze it, but it happens to be some river bottom, so the soil classifier comes along and says, this is rich soil, and instead of grazing it, you ought to raise corn on it, it may be just a little patch, so you are better off grazing it instead of seeding corn in it, this amendment would say what the actual use is.

Amendments would be drafted to this effect and the bill will be acted on at a later date.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2188**

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date **March 14, 2005**

Tape Number	Side A	Side B	Meter #
1		X	1
Committee Clerk Signature			

Minutes:

COMMITTEE ACTION

REP. BELTER Presented some amendments to the committee, but stated there is another set of amendments being drafted. What the amendments will do is, instead of 8.6% like it is in the first engrossed bill, it will be 8.9% the first year and 8.3% the second year, or it will go to the formula cap rate, whichever is higher. We are taking away for taxable year 2000 also.

In discussion, Rep. Belter realized the amendments did not have everything in them that he wanted.

SANDY CLARK, ND FARM BUREAU Appeared before the committee to comment on the amendments. She stated the productivity formula we talk about all the time, equalizes it on a statewide basis. When you get into the county and the local assessor goes out, then they use the soil survey. The problem we run into is, you might have twenty acres in this big pasture, and it is top cropland soil type, if you are going to assess that at the highest level, twenty acres at the

highest level can make a big difference on that entire pasture. That is what we run into. Some of the assessors use modifiers, and I happen to be one, that believes modifiers is a way to take care of that problem. I understand what this amendment is trying to do from the standpoint of the Farm Bureau, we are not real excited about it, but do not have a problem if you decide to amend this. She stated more counties are using the detailed soil maps prepared by the NRCR.

REP. FROELICH Gave an explanation of an actual soil survey which took place in his district. He felt that what the land is being used for should be factored in on the assessment also.

REP. CONRAD Asked the question, who will say what the value is, because the value is based on the soil type?

REP. BELTER Stated that is the problem here.

SANDY CLARK Gave some more explanation as to the different soil types, and again mentioned the modifiers some assessors use.

REP. WEILER Asked whether every property owner gets their soil tested.

SANDY CLARK Yes, I think every quarter section.

REP. BELTER Explained a situation with Rep. Herbel's ranch which is broke up into lots, it gets complicated because of the terrain.

He stated he would like to see the bill pass with the two tiered amendment, but he did not want to muddy the waters. He asked Sandy Clark what she saw was the problem with the amendment.

SANDY CLARK She said this will bring in another level of subjectivity. She stated she believed strongly that land must be physically viewed for these different kinds of scenarios. She didn't know how each county would interpret this language. It might be more confusing.

Page 3

House Finance and Taxation Committee

Bill/Resolution Number **SB 2188**

Hearing Date **March 14, 2005**

REP. BELTER Asked committee members to visit with their county commissioners and assessors and they would act on the bill at a later date.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2188**

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date **March 15, 2005**

Tape Number	Side A	Side B	Meter #
1	X		0.9
Committee Clerk Signature			

Minutes:

COMMITTEE ACTION

REP. BELTER Presented amendments to committee members. The amendments will change this bill so instead of dropping from the cap of 9.5% to 8.6% then after 2005, it would go to the actual capitalization rate. These amendments would do a two year drop, the first would go to 8.9% and 8.3% for 2005. Rep. Belter stated the amendments also needed to say, "or, it would go to the capitalization rate, whichever is higher". He stated, currently, under the capitalization rate, the actual amount calculated right now, is 7.73%.

REP. GRANDE Asked if it will stay at that capitalization rate then, or do we reevaluate this again?

REP. BELTER Stated every legislature can always reevaluate. The whole intent is, to get back to the formula in a manageable way.

REP. GRANDE Made a motion to adopt the amendments with the additional language as presented.

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

REP. FROELICH Presented additional amendments to the bill.

He stated he visited with Sara Hughes, State Tax Department, in the Property Tax Division.

She informed him that there are 33 counties that have detailed soil maps. His amendment would state the soil map would be used in conjunction with use of the land.

The problem with some counties is, they do not use modifiers.

REP. FROELICH Made a motion to adopt the amendments as presented.

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

REP. BELTER Asked Sandy Clark with the North Dakota Farm Bureau, if the amendments are acceptable to them. She stated they liked the verbage "in conjunction with". She stated, everything shouldn't have to be in law, when the tax department teaches the assessors some of these things would be in that course work rather than in law. Wade Moser with the North Dakota Stockmen's Association also agreed with the amendments.

REP. IVERSON Made a motion for a **DO PASS AS AMENDED**.

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

13 YES 0 NO 1 ABSENT

REP. FROELICH Was given the floor assignment.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2188**

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date **March 16, 2005**

Tape Number	Side A	Side B	Meter #
1	X		0.7
Committee Clerk Signature			

Minutes:

COMMITTEE ACTION

REP. BELTER Stated he would open the committee meeting to comments and views from several people at the meeting.

REP. CONRAD Stated that after the hearing, she visited with her local tax assessor, and his concern was, that when we use the term, "actual use of property in conjunction with soil types", that he would have to go out and review all of the land in Ward county. He didn't think that was necessary, but when you have to do the two together, that is what you have to do.

REP. BELTER Stated he would allow any comments on the proposed amendments.

JEFF LANGLEY, DIRECTOR OF TAX EQUALIZATION, DICKEY COUNTY.

Commented on the proposed amendment regarding the joining use and soil types together. He said that would be a very serious problem. He compared buying a diamond ring and wearing it, or buying it and storing it, he stated it would not change the price of that ring, it would be the

same argument with the land, it is a management decision in how you use the land. The detailed soil system is based on productivity, and the management decision of the producer in agriculture, in the state of North Dakota, does not necessarily change the value. It may change it for market purposes, but not for taxation purposes.

REP. BELTER Commented, that a diamond ring in the drawer or worn on the hand, is a realistic comparison. The real world is that, if a farmer is out there and has river bottom ground that has a very high classification, but it is in an area where you have low precipitation, you are not going to break up that grassland to plant some corn, that under normal conditions, isn't going to be producing. It might be a very small plot, in some of these areas, you don't do it by quarter section, you do it by lots. That is what we are trying to get at.

JEFF LANGLEY Commented, within the detailed soil forms we use, there are different classifications, i.e. tillable, pasture, and what we term in Dickey County, as nonproductive. There are different valuations for those three classifications. He stated they use modifiers as tools for the different classifications.

REP. BELTER Stated the bill was brought forth by a legislator whose taxes were raised considerably because of the classification of the soil. Might this be a situation where the tax assessor is not using the latitude they have?

JEFF LANGLEY I would hesitate to answer that because I am just working into the detailed soils within our county. The valuation for the county as they converted the detailed soils, did not change. What changed was, the burden of taxation within that county, different government bodies handle situations differently. From an equalization standpoint, this is heavensent.

REP. DROVDAL It sounds to me like you already take into account the different land use, because you say you got different categories and different ranges in each of those categories.

JEFF LANGLEY I wouldn't term it as taking into consideration, use, as much as we are taking into consideration, situations. We don't take into account, roads, per sae, a quarter of land is taxed at the state rate, but under the detailed soil, I can go in and say, this producer has two acres of roads, or five acres of trees, so we need to move that from the tillable into the nontillable. Or; he has ten acres of inundated land that is a slough, I can now take that into consideration.

MARCY DICKERSON, STATE TAX DEPARTMENT Read an e-mail from Gary Emter, President of the North Dakota Association of _____? _____ Officers sent out to all of the members of that organization. One of the problems this would create, whether you agree with the present system or with the amendments, it would create a lot of work that 26 counties that are on the detailed soil survey, would have to redo their assessments for this year. A lot of money and a lot of time has gone into a lot of computer systems to handle it the way the law is currently written, I am sure there would be some unhappy people out in the county who feel that all has been wasted.

REP. GRANDE Does that mean the county assessors are going to have to do their job which they are hired to do?

MARCY DICKERSON They have been doing their job under the existing law. True, not all counties have gone to the soil survey, as the law provides. A lot of them are working on it. One of the problems that percipitated this whole idea, is that Grant County proceeded too quickly. They did their transition for the detailed soil survey in one year. Ransom county spent about four

years implementing their survey, and by the time they got done, it was really well done, and took care of the problem.

REP. FROELICH Asked if there are guidelines that says, here is the modifiers you can use, and the percent that can be used with the modifiers, are we on the same basis, county by county, or does this county do it one way, and this county do it another way?

MARCY DICKERSON Unfortunately, very little is uniform across the state. We teach a course, every two years, where we do present the same material to everyone who comes to the course. But unfortunately, we do not have the control, even if we thought we had every thing down pat, we do not have the control over the counties to enforce any of those things. I was personally, was very disappointed when the soils committee in Grant County, after discussion, determined not to use modifiers. We recommend the use of modifiers.

REP. FROELICH That is the scenario we are having. If we don't have something concrete, and you don't have this option where productivity or the use comes into place, we will have more problems with other counties, if they expedite the way Grant County did.

MARCY DICKERSON You are right, in the fact that things will not be done identically everywhere. Under the present system, we have counties that have not gone to the soil survey, that are also, not doing whatever method they are doing uniformly. We have an issue with Morton county, this year, where the State Board of Equalization ordered them to reassess all agricultural properties in 2005, not to go on the soil survey, because they just are not ready yet. They were not doing either the tillable versus nontillable, which was theoretically, the method they were using, they were not following it, they were not keeping it up to date, you are going to run into that, no matter what the statute says.

GARY EMTER, PROPERTY TAX DIRECTOR, MERCER COUNTY Commented that they have been on the soil survey since 1981, that was the first year it took effect. We ran our first year without using any modifiers, just to see where we would need them. I think that is Grant County's problem right now. They have run the system, and I don't think the county has applied any modifiers to those soils yet, when that happens, they will see a big difference. We had areas that showed tremendous increases in value, so we went out and took a look at them, and we applied modifiers. It takes a year or so, to get this system to work. I feel it is the best system we have to evaluate farmland right now.

REP. BELTER Do you think we will create more problems with this?

GARY EMTER Apologized for not being at the meeting earlier, as he didn't know what had been said so far. He said the amendment to the bill will create some major problems.

REP. BELTER Do you think it will change your whole approach?

GARY EMTER If you want to be fair, you would have to go out and look at every quarter of land, every year. He could be farming it one year, and he could plant alfalfa or brome grass that fall, and be grazing it the next year.

REP. BELTER That is not our intent here. Our intent is, if you as an assessor go through and see something that isn't correct, or it looks like a problem area, you could use this. Now, you are telling me, you already do that.

GARY EMTER The trick is, to keep those modifiers at a minimum. There are other states, that have a list of ten to fifteen modifiers, four, would do it for just about every situation in any county in the state.

REP. FROELICH I think you hit the nail on the head when you said you have to go out to look at the land.

GARY EMTER With this amendment, we would almost be mandated to go out and look at on a yearly basis. Once the modifiers are applied, something pretty drastic has to happen to that piece of land, to go out and look at it again.

REP. FROELICH Asked if he had a list of modifiers for each county.

GARY EMTER Yes, when the soil survey was set up, I am basing this on my county, there were a number of governmental agencies involved in our process, when we went from valued land to detailed soil types, these agencies worked together, and we, as a group, determined what type of modifiers to apply to the land.

REP. NICHOLAS There must be some way, administratively, that the tax department can say, this is what should be done, or is that not possible?

GARY EMTER Yes, there are those modifiers are the tools you use when you want to make this system work. The fewer amount of people involved in it, the better it works.

REP. CONRAD To explain, do the county commissioners accept those modifiers?

GARY EMTER Yes, the commissioners were a big part in setting up those modifiers. All of the ag groups were involved.

SANDY CLARK, NORTH DAKOTA FARM BUREAU Reiterated what she said the first day. She felt if all the agencies could discuss these modifiers, it would help, and wouldn't need any kind of legislation whatsoever. Sometimes we talk about land use, and they talk about modifiers, and I look at it as the same thing. It is a management decision, but it is not the management decision that creates the land use, it is those land characteristics, which cause you to

make the management decisions you make. I am a very strong believer in modifiers. I believe this is a local task and there should be some local flexibility in whatever the system is. Rocks in Grant County are not the same as rocks in Cass County.

REP. HEADLAND Made a motion to reconsider the action by which the bill was passed out of committee.

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

REP. DROVDAL Made a motion to reconsider the action by which the amendments were put on the bill.

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

REP. GRANDE Made a motion to adopt the .0202 amendments.

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

REP. DROVDAL Made a motion for a **do pass as amended**.

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

12 YES 1 NO 1 ABSENT

REP. BRANDENBURG Was given the floor assignment.

Date: 3-15-05
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. **SB 2188**

House FINANCE & TAXATION

Committee

☐ Check here for Conference Committee

Reconsidered

Legislative Council Amendment Number _____

Action Taken

D P

as amended

Motion Made By

Rep. Iverson

Seconded By

Rep. Schmidt

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	A				
WRANGHAM, DWIGHT	✓				

Total

(Yes)

13

No

0

Absent

1

Floor Assignment

Rep. Froelich

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

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2188

Page 1, line 11, replace "six-tenths" with "nine-tenths" and after "2005" insert "and eight and three-tenths percent for taxable years after 2005"

Renumber accordingly

Date: 3-16-05
Roll Call Vote #: 2

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2188

House FINANCE & TAXATION

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

50478.0202

Action Taken

Do Pass as Amended

Motion Made By

Rep. Drovda

Seconded By

Rep. Weiler

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)

12

No

1

Absent

1

Floor Assignment

Rep. Brandenburg

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

REPORT OF STANDING COMMITTEE (410)
March 16, 2005 3:36 p.m.

Module No: HR-48-5190
Carrier: Brandenburg
Insert LC: 50478.0202 Title: .0300

REPORT OF STANDING COMMITTEE

SB 2188, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). Engrossed SB 2188 was placed on the Sixth order on the calendar.

Page 1, line 11, replace "six-tenths" with "nine-tenths" and after "2005" insert "and eight and three-tenths percent for taxable years after 2005"

Renumber accordingly

2005 SENATE FINANCE AND TAXATION

CONFERENCE COMMITTEE

SB 2188

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2188**

Senate Finance and Taxation Committee

☒ Conference Committee

Hearing Date **April 4, 2005 & April 6, 2005**

Tape Number	Side A	Side B	Meter #
#1	X		0.0 - 13.4
Committee Clerk Signature <i>Sharon Engstrom</i>			

Minutes:

REP. HEADLAND: I believe we have everything we need, this is where I believe the House is at. When we looked at the initial that was sent over from the Senate in House Finance and Tax it was virtually dead. At our chairman's wishes we decided no, maybe we need to take a look at some compromise here, so the numbers that were put in the House, the 8 9/10 in the first year and the 8 3/10 in the 2nd year we felt that was fair compromise and is something we could live with and that's where we are today.

SEN. WARDNER: from the Senate side, we were in our testimony in a 2 year time period, the swing from urban to rural is at 22.9% change. If your in a county that's all rural, it doesn't shift anyplace but it does lower the valuation, however because the political sub districts can collect the same amount of dollars as they did in the top year of the last three, that didn't change what they were collecting, so from the stand point of the ag land, they were still paying, even though the valuations went down and even though the valuations didn't shift any place, they still paid the

dollar. I want to make sure that everybody understands that but when you get into a county where there was a substantial urban population then there was a shift and probably as far as the money that was collected stayed about the same because the valuation went from here to here and the overall valuation stayed the same. Our concern is now when you go back those valuations may stay in the urban and as the counties come back it kind of , as the rural ag lands come back it kind of rations it up. We thought where as before in one year it went from where it was which was 8 something I think 2 years ago, right to 9.5 and we were like doing it over 2 years kinda lessening the blow. Of course ours is 9.5 to 8.6 and then to whatever it is and right now I have some testimony its 7.73% and that is going up. Your at 8.3 cap, we're saying and I'm guessing it is going up, its going to be probably could be around 8.0 maybe it comes back to where your cap is. But we thought that was the fair way of going back.

REP. HEADLAND: We somewhat do agree with the fact that, well we do agree that it is coming up and where we set the 2nd year, we believe that the chances are about equal that it will take care of itself and if it doesn't, that's something that we can address in the next session.

SEN. COOK: we have a formula out there that determines taxable valuation of ag property and there is many variables in that formula. If we can defend the formula as being valid, then how can we put a cap on one of the variables?

REP. BRANDENBURG: I guess you can kinda look at it as two different animals, we got some portions in the state that we got urban, counties with more urban population and less rural population and you got other counties that have more rural population and less urban and that's where we're trying to find that blend there, that compromise. Because it does impact those two types of different counties so much, where you a county with a lot of urban areas it shifts more of

the property tax ends up on the urban areas vs. the rural where you got some counties that are mostly rural and shifts all to the rural end ____ on the urban. So that's the problem we have to deal with trying to lock in that cap.

SEN. COOK: can you justify shifting property tax burden from agricultural property to residential and commercial property by putting the cap on it, can you justify that?

REP. BRANDENBURG: I think that there's a balance to it, I think the people we represent we are on two different sides to that issue.

SEN. COOK: so your saying we should take this up to the floor and everybody that represents mostly residential and commercial property voters they should vote for the Senate version and those that represent mostly agricultural property should vote for the House version.

REP. BRANDENBURG; Mr. Chairman I'm just trying to find balance.

SEN. SCHMIDT: the first year I came to the House in 95-96 the land values were increasing 20 to 25% every year, the value of the products those farmers were selling, go back and look at those years was decreasing, you'd get less and the value of the land was going up, so Dr. Aakre met with a number and he said the only way these are ever going to be fixed because interest rates in the federal land bank are dropping and that's the average that's in here, that farm land is going to go way up and we have to cap it and that's one of the first bills I introduced was to cap rate on ag land. It didn't pass in 95, but it finally passed, if we wouldn't have had this in there, last year ag that would have been 20% higher. I represent Benson County but it was Walsh County that we used and that was way out of whack, not only there's a big story in the paper this morning its gonna cost \$3,000 more for an average farmer to put in his crop this year than it did

last year, with the increase in diesel fuel, fertilizer, so now we're going to take the cap off so we pay more taxes. They are the number industry in the state, agriculture.

SEN. COOK: Rep. Schmidt, in 1981 average assessment value of all agricultural land in Benson county was \$235.68, 2003 its \$250.75 and my guess is its gone down now. \$15.00 an acre more over 22 years. Walsh county 484 in 1981, 502 , \$16.00 over a 23 year period.

REP. SCHMIDT: what was the cap rate in 1981, wasn't it 11?

SEN. COOK: the variable for interest rate was not capped for any of that time. In 1981 it was 7.5, 1983 its 8.53. The formula itself creates fluctuations in land value, that's the purpose of the formula. You know Morton County in 1981 was \$145 by 1993 it had dropped from \$145 to \$109 because interest rates were going up, it lowered the taxable valuation all the way down to \$109. Then as interest rates peaked and started coming back down its now raised it back up to \$145.86. Eighty-one cents higher than it was 23 years ago. If we were going to have a cap on one side, we should have capped it back in on the high side too. That's my question I go to, if your going to have a formula that allows for land to go up and down based on ones ability to make a profit and we know interest rates, then why would we cap the formula cap one of the variables.

REP. HEADLAND: It just occurred to me that we don't have a lot of the and that's what you were talking about, if we could get a copy of that.

SEN. COOK: I think that's what we should do so we are all on the same page, we'll try to put together a packet of the testimony of items presented so we can all deal with that too.

SEN. WARDNER: Rep Schmidt when you talking about the cost of putting the crop in, keep in mind that the cost of production is in the formula. That should be reflected too when that happens.

REP. SCHMIDT: we did put that in, I don't know what year we put that in and if that would have been in there, you would have seen land ____ sky rocket.

REP. HEADLAND: I'm trying to think back to last session as to when we as to when we put on a cap and it seemed to me from what I recall is with rates going as low as they had, NDSU said that the productivity formula was basically flawed. Because it was increasing ag property at a faster rate than it could sustain or it could keep up with production. Now whether or not the number that we agreed on or we ended up passing the 9.5 was the right number, I don't that any of us will say that it was. What we've tried to do here is to gradually get it back into more of a reasonable arena, lets get the information and see if we can make some progress.

SEN. WARDNER: on this particular issue, I think our biggest problem is the cap by capping it. The numbers we can play with but the idea of capping it.

SEN. COOK: the bill that's introduced just simply removes the cap completely and I hope your well aware of the fact that if you look at the original bill to the engrossed bill that came to you folks, that you realize that we did compromise over here on the Senate side too.

REP. HEADLAND: that being said, knowing that NDSU, Dwight Aakre that basically said that when rates got as low as they did, the productivity formula was flawed and it.

SEN. COOK: was this testimony on a committee?

REP. HEADLAND: not this year, I'm trying to recall this from memory.

SEN. COOK: why don't you if you can, go up to the library for the testimony of last session and find Dwight Aakre's testimony, that would be interesting to have.

REP. SCHMIDT: I think your right on the interest rates today and this bill may not have a whole to do with anything, you said interest rates today was what at the federal land bank?

SEN. COOK: if we did not have a cap on it the rate out of that formula would be 7.75 I believe.

REP. SCHMIDT: we really aren't and I believe interest rates from the federal land bank are going to go up and we soon, this won't apply at all. From what I heard the other day, interest rates are going up and then we'd have to put a cap on top. Because when they go real high, then the land owners really ____ and we may have to cap it on top. We're so close now that I don't think we should have any argument.

We'll set up another meeting and adjourn.

→ **CONFERENCE COMMITTEE HEARING ON APRIL 6, 2005**

ROLL CALL: Rep. Brandenburg absent.

SEN. COOK: committee members you have now before you the packets and first off just an explanation, this small sheet here that Rep. Schmidt has his eyes on right now, this is testimony that was given by Dwight Aakre last session on SB 2399. I think the comment was made that Mr. Aakre indicated that the capitalization rate should be capped, there is no written testimony, this is what her presented. I would be surprised myself if he would, he's one who always gives a lot of information I think and I've never really heard him say much about an opinion that he had which would probably be wise in his position. Anyway, unless there's some other testimony that, I think it was Rep. Brandenburg that brought that up and then also you have the testimony from both the Senate and House hearing now. I'd like to point one thing if I could if you can find the

sheet that says Average Assessment of all Agricultural Land. There are many variables that affect how the valuation of Ag land is going to change, just one of them is of course interest rates. The one variable that has affected land valuation changes in Morton County the most has been the interest rates and Morton County is at the bottom of the page. That is just one variable and I guess the discussion we have before us is if a variable or formula is valid then how can we justify a valid formula by capping one of the variables in the formula. I think that's basically what separates us. I don't know if the House is a mood to make a motion but maybe it would be right now to simply adjourn, Rep. Brandenburg is not here, I would strongly encourage you to go back and review the testimony either in the Senate or the House. It's possible the interest rate could come up and be above 8.3% which means that either bill would have no different affect really in the 2nd year anyway, it would on the 1st year of course because you have a cap that's I believe higher than what we have it at, I still think that you want to give consideration to why you would even put a cap on a variable in a formula that does not just open up the door for an argument that maybe the formula needs to be addressed or the merits of the formula itself.

REP. HEADLAND: would the Senate consider new language that would uncap it after, if we went to the 8 3/10ths in the 2nd year and then after that year, it would be completely uncapped, it would be back to the formula, just to ease the transition back from the 9.5 to where the interest rate would actually have the cap or the rate? It would be no cap after the year 2006.

SEN. COOK: that poses an interesting question, but you have to understand as introduced removed the cap immediately, we've passed it out of the Senate with taking 2 steps, I think maybe offer the compromise that your offering right there, why don't you run some numbers, sit down with Marcy and see what type of affect that would have on valuation shifts if you offered

those amendments and then let me suggest if you want to consider some amendments, why don't you consider some amendments why don't you consider an amendment leaves the next year of the biennium the same way where we had it, the 2nd year of the biennium the same way you had your 2nd year and then the 3rd year, __ the 1st year of the next biennium, remove the cap.

REP. HEADLAND: so just to be clear on what you just said, use your number in the 1st year, our number in the 2nd year and then it would be uncapped in the 3rd year, is that what you just said?

SEN. COOK: that's what I just said, use the number we had for the biennium, the number you had for the 2nd year of the biennium and uncap the 3rd year, but we should want to run those numbers.

SEN. WARDNER: all we're doing is compromising if we did that to add another year on it. I do have something I'd like to show you regarding Divide County. Divide County is a rural county basically other than Crosby. This is my question, because its such a rural county those political subs are still going to collect their dollars, cuz they've got established, they would pick the highest year of their past 3 years. Because this valuation goes down, this is my question, does that affect property poor, property rich as far as education, that's my question.

SEN. COOK; yes it does, the whole entire education formula regarding equity and regarding property poor districts and property wealthy districts is based on the total valuation of the taxable land in the school district. Coming over the taxation from education committee and struggling with the education formula that we have over there all these years, I honestly have come in my mind, I don't know to what degree I could really put this argument forth but I believe a lot of our equity problems that we have in education started as an unintended consequence of the ag

production formula, its just the fact as this property comes down and you look at a the trends as this property tax valuation has come down all through the 80's and then comes back up through the 90's and then as it comes down again, it will affect the entire school financing, because you have a different number that your working on as far as the valuation behind students in that school district.

REP. SCHMIDT: those people that your talking about, those ag land owners, and I see a rough future for them. Young farmers just aren't making it. I don't see why we got to raise their land taxes, because their just not making it. Down the road, I've been through this, its not going to be good for farmers.

SEN. COOK: I think the individual that is living on __ residential property tax could very well make the same argument. I think the key that we have to focus on as we move forward is policy that's going to lower the tax burden on all North Dakotan's rather than just a certain group. And especially we got to be careful of tax policy that just hits tax burden from one segment of North Dakota citizens to another and that's unfortunately I think what putting that capitalization rate on certainly did and the testimony reveals that. I fully agree with you Rep. Schmidt that we have to find tax reform but the first thing that we've got to do is recognize that everybody is in the same boat, not just ag people. Again Sen. Wardner your point about how it affects the equity issues behind schools, that's not necessarily an issue to the capitalization rate, that's another intended consequence to the entire agricultural formula.

SEN. WARDNER: if you have that cap in there, it has a negative effect and doesn't allow the formula to work the way its supposed to. I work for the Chamber of Commerce and I want to tell you that the Ag people are the salt of the economy in our community. However, I do know

that if it looks like the interest rates are going up, its going to have a positive impact as far as causing the property taxes on ag land to go down and the cost a production going up so that's going to be reflected in, so I think the formula takes care of em that way and it will take care of em. The more I look at that formula, I know Sen. Cook talks about some unintended consequences that the formula has but the way we got it set now it does work towards ___ for those people in the ag community.

REP. SCHMIDT: I agree, it seems to be the west ___ of livestock, those ranches are doing better than they are in. Its in the east where we're struggling the most and I think livestock has a big part of that and I just can't see that those people.

SEN. WARDNER: Your right, it would have gone way higher than 6% on the ag land.

REP. SCHMIDT: is there another bill to study?

SEN. COOK: yes 2393, there is a bill to study the entire property tax that's tied in with the equity law suit, a means of reducing property tax. Rep. Schmidt remember, you can make the argument maybe that times are tough in Ag and that they are paying too much property tax, but remember what this does capitalizing the rate. It just shifts that property tax burden onto other people in your district and I guess your going to have to be able to look at these other people, the teachers and the people that are working in construction or whatever that are paying property tax on their homes, can you look at them and say your going to have to pay more property tax because the farmers that are your neighbors can't afford to pay what, cuz that's all we do with this, we don't lower the amount of tax dollars, we're just shifting from group to the other, that's the inequity. Lets review this testimony again and we can visit and with that lets adjourn this conference committee for now.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2188**

Senate Finance and Taxation Committee

☒ Conference Committee

Hearing Date **April 7, 2005**

Tape Number	Side A	Side B	Meter #
# 1	X		27.0 - 30.7
Committee Clerk Signature <i>Sharon Kenyon</i>			

Minutes:

CONFERENCE COMMITTEE

SEN. COOK: the last time we met we ended with Rep. Headland you had offer some suggestions for possible amendments, did you pursue any of them?

REP. HEADLAND: I did not pursue them and with that **I MOVE THAT THE HOUSE RECEDE FROM THE HOUSE AMENDMENTS**, seconded by Rep. Brandenburg.

SEN. COOK: any discussion? The committee recommendation on this bill when it came out of House Finance and Tax to the floor was a do pass, is that the same recommendation?

REP. HEADLAND: I don't believe it will be the same recommendation.

SEN. COOK: any other discussion?

REP. SCHMIDT: I'm going to vote with these boys but I'm going to drag at my feet. I noticed that we got a note from one of the auditors who said its going to be hard to change because of the date. Did anyone else get it? You must have otherwise we gotta get along and we do have to get home.

Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number SB 2188

Hearing Date April 7, 2005

ROLL CALL VOTE: 6-0-0 Sen. Cook to carry the bill on the Senate and Rep. Headland to

carry the bill on the House.

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE) - 420

07398

Number) SB 2188 (, as (re)engrossed):

Your Conference Committee

For the Senate:

	4-7-05 Attendance	Attendance	Vote
Sen. Cook	✓	✓	✓
Sen. Wardner	✓	✓	✓
Sen. Every	✓	✓	✓

For the House:

	4-7-05 Attendance	Attendance	Vote
Rep. Headland	✓	✓	✓
Rep. Brandenburg	✓	✓	✓
Rep. Schmidt	✓	✓	✓

☒ recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)
723/724 725/726 S724/B726 S723/B725
the (Senate/House) amendments on (S/HJ) page(s) 927 -

☒ and place 2188 on the Seventh order.
727

☐ , adopt (further) amendments as follows, and place
on the Seventh order:

☐ having been unable to agree, recommends that the committee be discharged
and a new committee be appointed. 690/515

((Re)Engrossed) _____ was placed on the Seventh order of business on the
calendar.

DATE: 4/7/05

CARRIER: Cook - Headland

LC NO. _____ of amendment

LC NO. _____ of engrossment

Emergency clause added or deleted _____

Statement of purpose of amendment _____

LC (2) LC (3) DESK (4) COMM.

REPORT OF CONFERENCE COMMITTEE

SB 2188, as engrossed: Your conference committee (Sens. Cook, Wardner, Every and Reps. Headland, Brandenburg, Schmidt) recommends that the **HOUSE RECEDE** from the House amendments on SJ page 927 and place SB 2188 on the Seventh order.

Engrossed SB 2188 was placed on the Seventh order of business on the calendar.

2005 TESTIMONY

SB 2188

SB 2188

Mr. Chairman, for the record my name is Dwight Cook, State Senator from District 34, Mandan. I am here to urge your favorable consideration of SB 2188.

SB 2188 was introduced so that we might revisit the decision made last session to cap the capitalization rate used for valuation and assessment of agricultural lands for property tax purposes. SB 2188 simply removes that cap.

Mr. Chairman, the intended consequence of capping this rate was to lower the property tax on agricultural property. It was to put a stop to the rising taxable valuations of land. The argument was that the capitalization rate used in the production formula was the culprit. Capping it was the answer. The passage of that legislation, certainly allowed that mission to be accomplished.

Unfortunately the passage of that legislation did not lower the total amount of property taxes collected. It simply shifted tax liability from agricultural property to residential and commercial property. It shifted tax liability from one group whose taxes are certainly to high, to another group whose taxes are even higher. In some counties this shift was quite high.

Those of us who voted against capping the capitalization rate did so because we feared this shift. Many who supported the legislation understood that a shift would occur but no one knew to what degree. We now have two years of history and I believe its imperative that we review it. SB 2188 will allow that to happen.

Mr. Chairman, North Dakota's present method of assessing agricultural property was first implemented in the early 1980s. It was implemented at a time when the vast majority of landowners were actually farming the land. It was implemented to make the

agricultural property taxes relative to ones ability to make a living. The formula considers such things as quality of soil, county averages and of course current interest rates. It has created some headaches but for the most part it has accomplished what it was intended to accomplish.

Today we have many investors purchasing agricultural property with no intent of farming it. These investors are driving up the cost of ag property. If you are a seller, that's good. If you are a farmer looking to expand then its not so good. A fair question as we discuss SB 2188 is to what degree did capping this rate have with making agricultural property even more attractive to remote investors.

Mr. Chairman, SB 2188 addresses just a small piece of a very big puzzle. That puzzle is how to lower all property taxes. Lowering property taxes is a major piece of an even larger puzzle. That puzzle is equitable education funding. We all know where we are today with regards to this challenge and I believe we all have a good idea of where we have to go. We just haven't figured out how we are going to get there. SB 2188, along with some other bills we have in this committee, is a good place to start down that journey. I look forward to our deliberation and again, I urge your favorable consideration.

SENATE FINANCE AND TAXATION COMMITTEE

January 31, 2005

SB 2188

Mr. Chairman, members of the committee, good morning, my name is Dwight Aakre and I am a faculty member in the Department of Agribusiness and Applied Economics at North Dakota State University. I appreciate the opportunity to address the committee concerning the impact to agricultural land values from the implementation of the minimum capitalization rate and the effect on 2005 values if the minimum is removed. Also, I will comment on where values may be heading in the future.

Background

The 2003 North Dakota Legislature amended the statute that defines the capitalization rate in the land valuation model to require a minimum value of 9.50 percent be used if the formula value falls below that rate. The capitalization rate derived from the formula had been below 9.50 percent since 2000. Therefore the 2003 agricultural land values were estimated using the minimum capitalization rate.

The capitalization rate used for 2002 was 8.91 percent. The average value per acre of all agricultural land in North Dakota decreased by 5.4 percent from 2002 to 2003. The increase in the capitalization rate alone accounted for an average decrease in land values of 6.2 percent. In addition, the increase in the cost of production index resulted in an additional 2.43 percent decrease. Added together, these two factors lowered land values by 8.63 percent. This was partially offset by increased productivity, resulting in the overall decrease of 5.4 percent.

Table 1 summarizes the annual mortgage interest rates and the capitalization rates used in this model since its inception. The cap rate is defined as the average of the remaining ten years' average mortgage interest rates after dropping the high and low years from the most recent twelve years. The rate calculated for the 2005 assessment is 7.733 percent; the average of the rates for 1992 through 2003, after dropping the rates for 1994 as the high and 2003 as the low. This rate (7.733) was not used, as it is below the minimum 9.50 percent. Therefore, as was the case for 2004, the 2005 land values did not change at all due to the capitalization rate. Any changes in value are due to changes in productivity, changes in the cost of production index, and shifting of acres between cropland and non-cropland.

If the 9.5 percent minimum capitalization rate is removed and replaced with the formula rate of 7.733 percent, all land values will increase by 22.9 percent over the values that were turned in to the State Tax Department in December, 2004. Since the capitalization rate is applied uniformly to all land in all counties, the percentage increase in average value per acre is the same. The impact on the overall tax base will vary considerably by county depending on the share of the tax base that agricultural land represents.

Predictions

Interest rates are expected to rise, but to my knowledge, no one is predicting any rapid increase. This being the case, I expect the calculated capitalization rate will remain below the 9.50 percent minimum for several years. If the annual interest rate increases by one percent per year, it will take about ten years before the capitalization rate exceeds 9.50 percent. This also means land values will not change due to the capitalization rate for that period of time. This does not mean that land values will not change, however. The gross revenue generated by cropland is largely a function of acres planted, yield and price. Yield and price are random events from year to year. Long term, yields show a slow upward trend while prices are relatively flat. From year to year the value of production shows considerable variability. However, using a ten-year data set appears to be long enough to smooth out this variability.

The cost of production index was added to the model by the 1999 Legislature. The following table shows the index values that have been used in the model.

<u>Assessment Year</u>	<u>Index</u>
1999	102.5
2000	103.9
2001	105.2
2002	107.2
2003	109.8
2004	112.0
2005	113.8

The cost of production index is continuing along its historical trend, that is approximately a two point increase per year. I do not see anything that can be expected to change this trend. The landowners' share of gross returns is divided by the cost of production index. For the 2005 assessment this resulted in land values being 12.16 percent lower than they would have been without this index.

At this point, I estimate it will take at least ten years for the capitalization rate to climb above the minimum value of 9.50 percent. Until that happens, I expect cropland values to be steady to down 1 percent per year, non-cropland values to decline 2 to 2.5 percent per year, and all land values to decline 0.5 to 1.0 percent per year. If and when the capitalization rate rises above the minimum, the decline in land values will accelerate.

Table 2 shows the average value for all agricultural land by county with the capitalization rate at 9.50 percent and at 7.733 percent. Table 3 shows the average value for cropland by county with both capitalization rates. Table 4 shows the average value for non-cropland by county with both capitalization rates.

The attached map shows the average value for all agricultural land by county using a capitalization rate of 7.733 percent. Also shown is the increase in value over using the 9.50 percent minimum capitalization rate.

Table 1.
AGRIBANK, FCB MORTGAGE INTEREST RATES ON
NORTH DAKOTA FARMLAND LOANS AND THE
CALCULATED CAPITALIZATION RATE

<u>Year</u>	<u>Annual Mortgage Rate</u>	<u>Cap. Rate</u>	<u>Minimum Cap. Rate</u>
1980	10.17		
1981	11.08	7.50	
1982	12.50	7.50	
1983	11.50	7.50	
1984	11.63	7.80	
1985	12.44	9.11	
1986	12.01	9.56	
1987	10.85	9.93	
1988	10.95	10.31	
1989	11.58	10.54	
1990	11.25	10.79	
1991	10.69	11.12	
1992	8.19	11.35	
1993	7.38	11.40	
1994	8.98	11.40	
1995	8.55	11.11	
1996	8.36	10.76	
1997	8.27	10.47	
1998	8.43	10.14	
1999	8.10	9.77	
2000	8.32	9.45	
2001	6.48	9.18	
2002	5.25	8.91	
2003	4.50	8.53	9.50
2004		8.11	9.50
2005		7.73	9.50

Table 2. North Dakota Capitalized Average Annual Values Per Acre by County for the 2005 Assessment for All Agricultural Land Using Capitalization Rates of 9.5 and 7.733.

<u>County</u>	<u>9.5 % Cap Rate</u>	<u>7.733 % Cap Rate</u>	<u>Value Change</u>	<u>Percent Change</u>
Adams	149.63	183.82	34.19	22.9%
Barnes	354.77	435.84	81.07	22.9%
Benson	251.67	309.18	57.51	22.9%
Billings	99.69	122.47	22.78	22.9%
Bottineau	264.31	324.71	60.40	22.9%
Bowman	128.00	157.25	29.25	22.9%
Burke	188.86	232.01	43.15	22.9%
Burleigh	162.11	199.15	37.04	22.9%
Cass	518.51	636.99	118.48	22.9%
Cavalier	340.76	418.62	77.86	22.9%
Dickey	307.50	377.76	70.26	22.9%
Divide	185.25	227.58	42.33	22.9%
Dunn	120.21	147.68	27.47	22.9%
Eddy	216.80	266.34	49.54	22.9%
Emmons	188.14	231.13	42.99	22.9%
Foster	290.07	356.35	66.28	22.9%
Golden Valley	130.47	160.28	29.81	22.9%
Grand Forks	447.85	550.18	102.33	22.9%
Grant	128.18	157.47	29.29	22.9%
Griggs	289.15	355.22	66.07	22.9%
Hettinger	213.71	262.54	48.83	22.9%
Kidder	165.35	203.13	37.78	22.9%
La Moure	362.56	445.41	82.85	22.9%
Logan	167.36	205.60	38.24	22.9%
McHenry	198.08	243.34	45.26	22.9%
McIntosh	179.96	221.08	41.12	22.9%
McKenzie	139.73	171.66	31.93	22.9%
McLean	255.33	313.67	58.34	22.9%
Mercer	156.51	192.27	35.76	22.9%
Morton	135.62	166.61	30.99	22.9%
Mountrail	180.53	221.78	41.25	22.9%
Nelson	273.33	335.79	62.46	22.9%
Oliver	150.64	185.06	34.42	22.9%
Pembina	549.55	675.12	125.57	22.9%
Pierce	225.98	277.62	51.64	22.9%
Ramsey	272.70	335.01	62.31	22.9%
Ransom	339.90	417.57	77.67	22.9%
Renville	293.45	360.50	67.05	22.9%
Richland	517.46	635.70	118.24	22.9%
Rolette	251.19	308.59	57.40	22.9%
Sargent	421.95	518.37	96.42	22.9%
Sheridan	181.76	223.29	41.53	22.9%
Sioux	92.53	113.67	21.14	22.9%
Slope	144.96	178.08	33.12	22.9%
Stark	170.42	209.36	38.94	22.9%
Steele	405.65	498.34	92.69	22.9%
Stutsman	249.41	306.40	56.99	22.9%
Towner	293.50	360.57	67.07	22.9%
Traill	524.60	644.47	119.87	22.9%
Walsh	502.63	617.48	114.85	22.9%
Ward	256.99	315.71	58.72	22.9%
Wells	282.91	347.56	64.65	22.9%
Williams	159.75	196.25	36.50	22.9%
State	250.75	308.05	57.30	22.9%

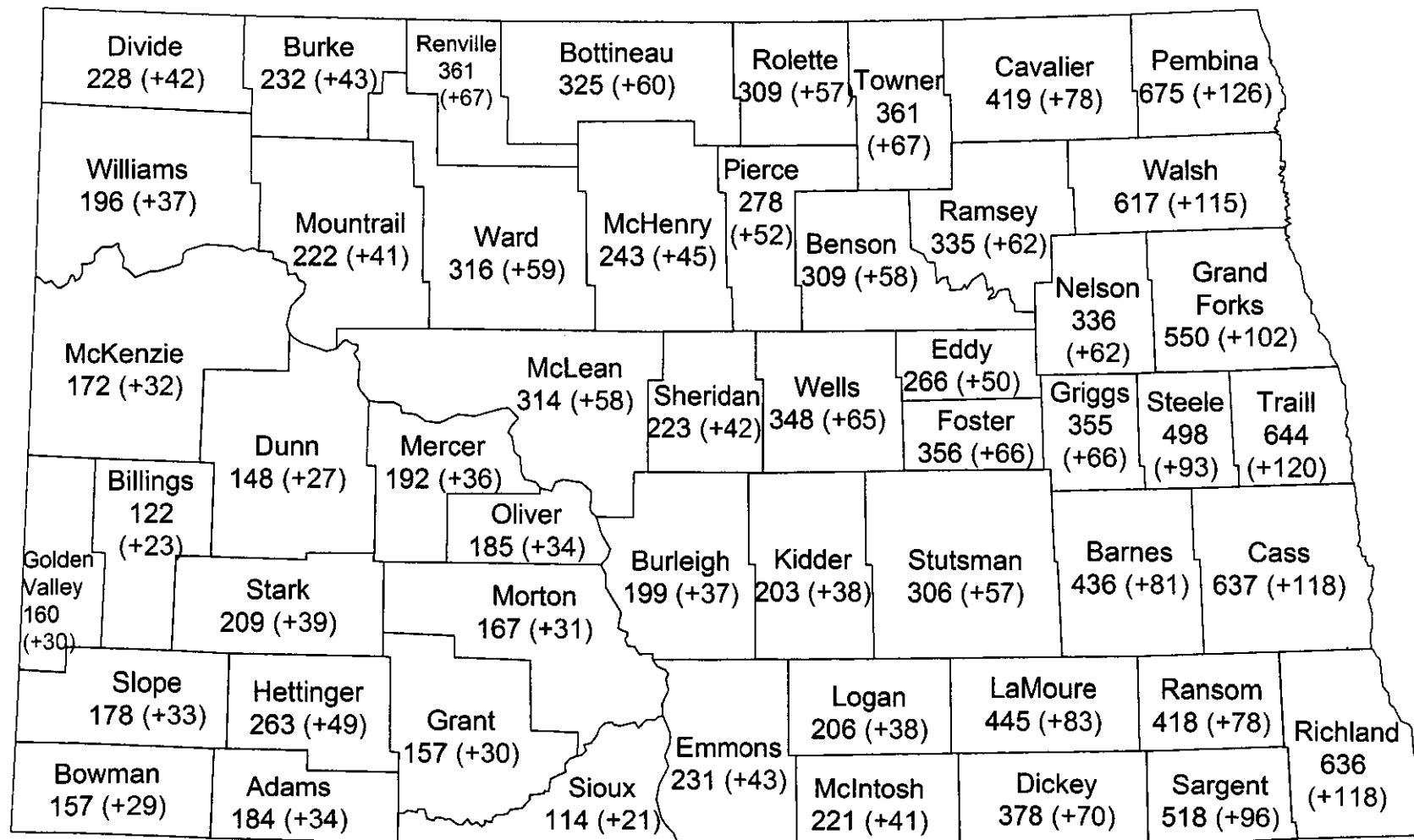
Table 3. North Dakota Capitalized Average Annual Values Per Acre by County for the 2005 Assessment for Cropland Using Capitalization Rates of 9.5 and 7.733.

<u>County</u>	<u>9.5 % Cap Rate</u>	<u>7.733 % Cap Rate</u>	<u>Value Change</u>	<u>Percent Change</u>
Adams	198.43	243.77	45.34	22.9%
Barnes	410.92	504.82	93.90	22.9%
Benson	297.34	365.28	67.94	22.9%
Billings	176.37	216.67	40.30	22.9%
Bottineau	301.16	369.98	68.82	22.9%
Bowman	200.59	246.43	45.84	22.9%
Burke	237.73	292.05	54.32	22.9%
Burleigh	232.72	285.90	53.18	22.9%
Cass	530.55	651.78	121.23	22.9%
Cavalier	383.19	470.75	87.56	22.9%
Dickey	405.85	498.59	92.74	22.9%
Divide	224.56	275.87	51.31	22.9%
Dunn	204.39	251.09	46.70	22.9%
Eddy	272.69	335.00	62.31	22.9%
Emmons	271.66	333.73	62.07	22.9%
Foster	336.48	413.37	76.89	22.9%
Golden Valley	208.90	256.63	47.73	22.9%
Grand Forks	480.74	590.59	109.85	22.9%
Grant	202.40	248.65	46.25	22.9%
Griggs	352.89	433.53	80.64	22.9%
Hettinger	261.52	321.28	59.76	22.9%
Kidder	237.18	291.38	54.20	22.9%
La Moure	402.42	494.37	91.95	22.9%
Logan	252.32	309.98	57.66	22.9%
McHenry	248.88	305.75	56.87	22.9%
McIntosh	246.71	303.08	56.37	22.9%
McKenzie	244.28	300.10	55.82	22.9%
McLean	292.70	359.58	66.88	22.9%
Mercer	223.11	274.09	50.98	22.9%
Morton	228.70	280.96	52.26	22.9%
Mountrail	255.77	314.21	58.44	22.9%
Nelson	312.25	383.60	71.35	22.9%
Oliver	267.00	328.01	61.01	22.9%
Pembina	615.91	756.65	140.74	22.9%
Pierce	264.83	325.34	60.51	22.9%
Ramsey	314.73	386.65	71.92	22.9%
Ransom	444.92	546.58	101.66	22.9%
Renville	311.06	382.14	71.08	22.9%
Richland	588.58	723.07	134.49	22.9%
Rolette	285.76	351.06	65.30	22.9%
Sargent	484.07	594.68	110.61	22.9%
Sheridan	249.43	306.43	57.00	22.9%
Sioux	187.52	230.37	42.85	22.9%
Slope	231.26	284.10	52.84	22.9%
Stark	229.84	282.36	52.52	22.9%
Steele	456.89	561.29	104.40	22.9%
Stutsman	320.63	393.89	73.26	22.9%
Towner	303.18	372.46	69.28	22.9%
Traill	560.14	688.13	127.99	22.9%
Walsh	551.56	677.59	126.03	22.9%
Ward	312.35	383.72	71.37	22.9%
Wells	326.22	400.76	74.54	22.9%
Williams	212.76	261.38	48.62	22.9%
State	330.66	406.22	75.56	22.9%

Table 4. North Dakota Capitalized Average Annual Values Per Acre by County for the 2005 Assessment for Non-Cropland Using Capitalization Rates of 9.5 and 7.733.

<u>County</u>	<u>9.5 % Cap Rate</u>	<u>7.733 % Cap Rate</u>	<u>Value Change</u>	<u>Percent Change</u>
Adams	69.52	85.41	15.89	22.9%
Barnes	96.58	118.65	22.07	22.9%
Benson	85.51	105.05	19.54	22.9%
Billings	65.08	79.95	14.87	22.9%
Bottineau	82.75	101.66	18.91	22.9%
Bowman	57.43	70.55	13.12	22.9%
Burke	76.09	93.48	17.39	22.9%
Burleigh	76.33	93.77	17.44	22.9%
Cass	98.20	120.64	22.44	22.9%
Cavalier	83.92	103.10	19.18	22.9%
Dickey	96.34	118.35	22.01	22.9%
Divide	75.66	92.95	17.29	22.9%
Dunn	69.34	85.18	15.84	22.9%
Eddy	85.87	105.49	19.62	22.9%
Emmons	75.59	92.86	17.27	22.9%
Foster	82.66	101.55	18.89	22.9%
Golden Valley	56.97	69.99	13.02	22.9%
Grand Forks	96.39	118.42	22.03	22.9%
Grant	69.70	85.63	15.93	22.9%
Griggs	84.23	103.48	19.25	22.9%
Hettinger	69.17	84.98	15.81	22.9%
Kidder	77.08	94.69	17.61	22.9%
La Moure	99.64	122.41	22.77	22.9%
Logan	76.06	93.44	17.38	22.9%
McHenry	82.20	100.98	18.78	22.9%
McIntosh	75.63	92.91	17.28	22.9%
McKenzie	69.63	85.54	15.91	22.9%
McLean	75.84	93.17	17.33	22.9%
Mercer	69.31	85.15	15.84	22.9%
Morton	69.47	85.34	15.87	22.9%
Mountrail	75.55	92.81	17.26	22.9%
Nelson	83.77	102.91	19.14	22.9%
Oliver	69.68	85.60	15.92	22.9%
Pembina	100.35	123.28	22.93	22.9%
Pierce	82.22	101.01	18.79	22.9%
Ramsey	86.14	105.82	19.68	22.9%
Ransom	94.89	116.57	21.68	22.9%
Renville	82.46	101.30	18.84	22.9%
Richland	97.50	119.78	22.28	22.9%
Rolette	83.64	102.75	19.11	22.9%
Sargent	97.31	119.55	22.24	22.9%
Sheridan	75.62	92.90	17.28	22.9%
Sioux	69.53	85.42	15.89	22.9%
Slope	63.36	77.84	14.48	22.9%
Stark	69.84	85.80	15.96	22.9%
Steele	85.58	105.14	19.56	22.9%
Stutsman	95.18	116.93	21.75	22.9%
Towner	85.90	105.53	19.63	22.9%
Traill	97.31	119.55	22.24	22.9%
Walsh	89.80	110.32	20.52	22.9%
Ward	75.55	92.81	17.26	22.9%
Wells	82.97	101.93	18.96	22.9%
Williams	75.76	93.07	17.31	22.9%
State	74.47	91.49	17.02	22.9%

All Agricultural Land Values Using 7.733% Capitalization Rate, 2005



Numbers in parentheses indicate increase from using 7.733% versus 9.5% capitalization rate

ND Township Officers Ass

Alan Erickson

The Township Officers Ass. does not think the capitalization rate should come out, or be lowered. It has only been since the last session that Ag property has had the 9.5% frozen rate and it produced single digit Ag property tax inflation. Prior to that ag land had double digit inflated property taxes for 8 years in a row. They should have a few more years break coming.

DO NOT PASS

Proposed amendment to Senate Bill 2188 (not in official form)

A BILL for an Act to amend and reenact subsection 4 of section 57-02-27.2 of the North Dakota Century Code, relating to the capitalization rate used for valuation and assessment of agricultural lands for property tax purposes; to create a new section to chapter 57-02 relating to calculation of property tax levies for taxable years 2005 and 2006; and to provide an effective date.

SECTION 2. AMENDMENT. For taxable years 2005 and 2006, all taxing districts must calculate property tax levies in accordance with section 57-15-01.1. Levies need not be approved by a resolution of the governing body for those two years. The levies in dollars resulting from calculations under section 57-15-01.1 may be increased by _____ percent for taxable year 2005 and _____ percent for taxable year 2006.

SECTION 3 2. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2004, and is ineffective for taxable years beginning after December 31, 2006.

Barnes County.
Annual number of acres:

Calculations for 2005 assessments

Year	Sugarbeets & Potatoes	NASS Cropland	Govt Payments	CRP	Reported Cropland	Reported Non-cropland	Reported Total
1994		715,500		42,530	758,030	67,700	825,730
1995		674,800		42,530	717,330	67,700	785,030
1996		681,600		42,530	724,130	67,700	791,830
1997		688,500		66,844	755,144	67,700	822,844
1998		649,800		66,844	716,244	67,700	783,944
1999		628,800		66,844	695,444	67,700	763,144
2000		680,800		66,844	747,244	67,700	814,944
2001		665,700		66,844	732,344	67,700	800,044
2002		703,800		66,844	770,444	67,700	838,144
2003		673,700		66,844	740,344	67,700	808,044

Annual gross returns:	1994	0	84,357,822	9,308,905	851,302	94,517,829	2,803,850	97,421,679
50% of return on irrigated cropland is included in NASS cropland gross returns;	1995	0	89,821,219	4,699,441	851,302	96,371,862	2,367,000	97,738,862
CRP returns are 50% of payments reported by FSA	1996	0	108,021,553	11,014,120	851,302	118,886,975	1,684,001	121,770,976
	1997	0	74,561,945	8,663,408	1,319,885	84,545,238	2,524,179	87,069,415
	1998	0	84,835,860	23,208,401	1,319,889	109,361,950	2,597,797	111,959,747
	1999	0	55,639,490	26,765,844	1,264,333	83,669,667	2,872,343	86,542,010
	2000	0	74,051,580	43,249,186	1,591,483	118,892,249	3,285,898	122,178,147
	2001	0	78,603,080	31,387,680	1,859,248	111,850,008	3,149,359	114,999,367
	2002	0	99,177,489	16,726,687	1,986,029	117,900,205	2,929,084	120,829,289
	2003	0	123,592,956	9,148,510	1,977,402	134,718,868	3,457,985	138,176,853

Landowner share of returns	20.00%	30.00%	30.00%	30.00%	25.00%	29.87%
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Annual landowner share of gross returns	1994				28,951,280	725,983	29,677,223
	1995				29,207,500	591,750	29,799,250
	1996				36,582,004	471,000	37,053,004
	1997				28,287,490	631,045	28,918,535
	1998				33,732,507	649,449	34,381,956
	1999				25,985,933	718,088	26,704,019
	2000				36,781,712	821,475	37,603,187
	2001				34,856,476	787,340	35,643,816
	2002				36,767,281	732,286	37,499,547
	2003				41,799,842	864,488	42,664,338

These 8 years of data were used in the following calculations:

1997,1994,1995,1996,
2001,1996,2002,2000

1995,1997,1998,1999,
1994,2002,2001,2000

Eight-year annual average acres:			740,114	67,700	807,814
Eight-year average annual landowner share of gross returns:			32,893,279	707,172	33,600,450
Adjusted for cost of production index @	113.848		28,892,276	621,154	29,513,430
Eight-year average landowner share of gross returns per acre:			39.04	9.18	36.53
Capitalized average annual value per acre @	9.50%	Inundated 9.66	410.92	96.58	
Acres provided or reviewed by county: Inundated acres			756,956 246	183,157 862	920,113 1,108
Capitalized average value based on acreage provided or reviewed by county:					354.77

SB 2188

AgCapRateEffect 2005.xls

Effect of going from minimum cap rate to calculated cap rate for 2005 agricultural values

Average Value Per Acre - All Agricultural Land - 2005

COUNTY	Statutory Minimum Cap Rate - 9.50% True and Full Value - 2005	Calculated Cap Rate = 7.733% 2005 T&F Value w/ calculated rate	% Increase in Value produced by Use of Calculated 7.733 % Cap Rate	\$ per Acre Increase Value produced by Use of Calculated 7.733 % Cap Rate
Adams	\$149.63	\$183.82	22.85%	\$34.19
Barnes	354.77	435.84	22.85%	81.07
Benson	251.67	309.18	22.85%	57.51
Billings	99.69	122.47	22.85%	22.78
Bottineau	264.31	324.71	22.85%	60.40
Bowman	128.00	157.25	22.85%	29.25
Burke	188.86	232.01	22.85%	43.15
Burleigh	162.11	199.15	22.85%	37.04
Cass	518.51	636.99	22.85%	118.48
Cavalier	340.76	418.62	22.85%	77.86
Dickey	307.50	377.76	22.85%	70.26
Divide	185.25	227.58	22.85%	42.33
Dunn	120.21	147.68	22.85%	27.47
Eddy	216.80	266.34	22.85%	49.54
Emmons	188.14	231.13	22.85%	42.99
Foster	290.07	356.35	22.85%	66.28
Golden Valley	130.47	160.28	22.85%	29.81
Grand Forks	447.85	550.18	22.85%	102.33
Grant	128.18	157.47	22.85%	29.29
Griggs	289.15	355.22	22.85%	66.07
Hettinger	213.71	262.54	22.85%	48.83
Kidder	165.35	203.13	22.85%	37.78
La Moure	362.56	445.41	22.85%	82.85
Logan	167.36	205.60	22.85%	38.24
McHenry	198.08	243.34	22.85%	45.26
McIntosh	179.96	221.08	22.85%	41.12
McKenzie	139.73	171.66	22.85%	31.93
McLean	255.33	313.67	22.85%	58.34
Mercer	156.51	192.27	22.85%	35.76
Morton	135.62	166.61	22.85%	30.99
Mountrail	180.53	221.78	22.85%	41.25
Nelson	273.33	335.79	22.85%	62.46
Oliver	150.64	185.06	22.85%	34.42
Pembina	549.55	675.12	22.85%	125.57
Pierce	225.98	277.62	22.85%	51.64
Ramsey	272.70	335.01	22.85%	62.31
Ransom	339.90	417.57	22.85%	77.67
Renville	293.45	360.50	22.85%	67.05
Richland	517.46	635.70	22.85%	118.24
Rolette	251.19	308.59	22.85%	57.40
Sargent	421.95	518.37	22.85%	96.42
Sheridan	181.76	223.29	22.85%	41.53
Sioux	92.53	113.67	22.85%	21.14
Slope	144.96	178.08	22.85%	33.12
Stark	170.42	209.36	22.85%	38.94
Steele	405.65	498.34	22.85%	92.69
Stutsman	249.41	306.40	22.85%	56.99
Towner	293.50	360.57	22.85%	67.07
Traill	524.60	644.47	22.85%	119.87
Walsh	502.63	617.48	22.85%	114.85
Ward	256.99	315.71	22.85%	58.72
Wells	282.91	347.56	22.85%	64.65
Williams	159.75	196.25	22.85%	36.50
STATE	\$250.75	\$308.05	22.85%	\$57.30

Marcy Dickerson

AVERAGE ASSESSMENT VALUE OF ALL AGRICULTURAL LAND

Assessment Year=>	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Capitalization Rate=>	0.075	0.075	0.075	0.078	0.0911	0.0956	0.0993	0.1031	0.1054	0.1079	0.1112
Adams	142.05	132.58	116.20	128.31	127.42	125.53	129.19	128.21	129.30	124.25	122.78
Barnes	314.89	308.28	300.36	333.68	307.06	309.74	299.51	286.59	271.48	262.10	253.21
Benson	235.68	237.67	219.48	245.87	223.37	224.63	222.57	213.29	203.46	195.27	179.84
Billings	112.90	113.45	96.72	106.15	97.76	90.66	82.30	88.38	90.98	84.91	85.88
Bottinear	223.91	222.20	205.21	228.35	216.86	209.47	218.39	213.99	208.09	200.63	187.44
Bowman	124.47	115.26	99.48	108.41	100.80	98.26	94.30	93.63	98.81	97.79	97.74
Burke	167.52	167.39	152.06	163.17	156.31	143.93	139.92	138.54	137.83	144.18	131.14
Burleigh	160.06	157.80	135.36	153.90	145.24	141.63	144.91	139.29	134.64	130.81	128.01
Cass	438.68	440.56	446.84	476.09	426.72	423.73	424.83	409.23	409.44	405.58	383.92
Cavalier	266.86	296.27	287.68	320.93	298.40	304.05	302.26	295.07	296.45	287.16	274.91
Dickey	249.63	263.12	252.87	274.15	242.00	244.35	236.36	225.96	222.07	220.02	220.35
Divide	172.16	172.61	162.81	174.62	150.83	145.99	133.71	129.52	129.98	128.39	114.59
Dunn	127.15	127.00	107.96	116.73	107.21	103.44	100.61	99.55	98.08	94.70	95.50
Eddy	215.00	227.48	224.90	259.05	245.79	249.87	237.31	223.88	213.49	211.84	195.08
Emmons	166.51	159.41	133.65	158.70	151.35	152.81	154.21	148.12	142.96	139.58	134.00
Foster	257.71	257.50	245.97	283.49	259.71	269.05	271.86	261.06	246.02	235.08	223.27
Golden Valley	133.87	125.13	107.22	114.90	103.36	96.41	89.48	90.38	91.40	88.79	90.47
Grand Forks	432.29	397.28	365.22	409.20	390.45	407.83	412.08	398.62	394.06	393.71	387.30
Grant	137.43	135.79	119.12	129.92	122.74	119.70	120.48	115.03	112.92	111.11	108.12
Griggs	269.97	267.87	250.96	291.40	273.08	277.39	283.26	270.80	256.45	252.84	235.62
Hettinger	166.45	159.29	148.38	163.17	155.05	164.54	174.50	176.99	177.08	174.90	160.97
Kidder	156.48	158.48	135.30	154.35	142.67	140.47	137.31	131.27	128.40	128.57	127.78
LaMoure	272.73	275.89	268.86	301.43	267.50	274.85	261.88	252.73	248.69	236.60	235.71
Logan	174.46	174.00	148.35	171.18	157.63	160.64	161.16	157.16	151.19	144.81	140.50
McHenry	166.21	174.39	159.96	182.24	167.83	165.81	168.68	161.27	154.06	145.49	139.88
McIntosh	187.63	184.24	156.56	180.75	173.02	175.48	168.09	161.01	148.77	145.16	137.91
McKenzie	144.61	141.65	123.44	127.42	119.54	111.39	104.75	106.10	104.65	102.89	100.96
McLean	185.45	185.34	163.29	187.40	178.50	179.78	183.60	179.49	177.18	178.08	160.21
Mercer	142.48	143.82	123.85	139.41	127.81	126.32	126.81	123.88	119.17	114.82	114.00
Morton	145.05	144.72	126.04	138.91	131.12	127.06	127.52	124.86	122.76	118.06	115.12

Mountrail	156.48	155.69	135.62	150.03	137.20	131.10	128.97	127.75	123.55	120.05	114.87
Nelson	244.43	243.55	232.98	278.81	268.36	280.80	280.21	268.42	257.30	255.07	234.76
Oliver	154.27	153.81	132.74	141.27	132.24	127.56	128.89	124.39	121.58	114.12	112.39
Pembina	501.15	464.24	448.94	495.36	452.30	441.11	446.92	441.98	451.23	447.63	446.78
Pierce	190.77	186.40	172.07	197.86	186.13	191.96	196.09	187.72	175.17	170.36	159.64
Ramsey	257.12	262.14	252.58	292.85	266.26	270.15	266.81	256.94	251.22	250.10	234.23
Ransom	316.41	328.66	329.05	358.78	325.12	332.34	325.21	311.14	301.36	291.79	294.71
Renville	208.50	199.22	178.92	206.20	203.25	202.37	214.21	213.23	211.06	203.10	181.71
Richland	416.13	421.11	424.49	447.06	413.11	408.20	416.15	410.83	405.66	402.23	394.20
Rolette	219.32	228.66	218.23	242.45	221.75	220.17	220.56	210.86	203.29	197.92	188.69
Sargent	290.85	307.80	301.01	308.48	279.67	288.13	290.75	274.79	262.91	261.21	266.36
Sheridan	172.44	169.09	149.03	165.39	161.79	162.39	165.84	159.68	153.25	151.28	142.32
Sioux	113.38	113.27	91.30	101.83	91.87	87.72	83.62	82.55	80.65	78.15	79.75
Slope	136.00	139.03	106.93	115.37	108.47	108.65	108.37	106.07	106.84	101.65	103.07
Stark	156.88	150.14	126.12	131.61	132.92	128.89	131.78	135.45	135.24	133.20	123.50
Steele	350.50	345.37	325.95	369.24	347.41	363.30	358.97	353.84	334.31	333.12	319.96
Stutsman	238.19	233.17	222.70	251.99	236.76	238.86	228.85	219.22	212.97	204.98	194.35
Towner	265.08	261.06	248.00	279.47	255.28	264.62	264.00	256.35	252.78	242.71	228.20
Traill	485.74	471.91	465.62	518.76	469.97	471.55	480.53	472.64	456.60	458.61	444.65
Walsh	484.35	440.84	411.13	438.23	414.02	415.00	430.80	424.77	431.95	425.67	411.37
Ward	204.50	199.32	184.74	211.67	206.59	200.24	207.48	201.23	198.12	188.71	168.37
Wells	241.09	248.17	228.47	261.04	245.29	248.56	250.01	239.74	229.08	222.79	199.82
Williams	165.19	154.73	137.19	151.18	136.89	125.69	117.82	122.75	117.98	112.87	104.71
State	223.44	222.79	204.32	231.08	215.51	215.34	217.08	204.24	199.76	198.78	187.22

	1992 0.1135	1993 0.114	1994 0.114	1995 0.1111	1996 0.1076	1997 0.1047	1998 0.1014	1999 0.0977	2000 0.0945	2001 0.0918	2002 0.0891	2003 0.095
Adams	111.76	109.04	114.61	119.43	127.93	135.86	145.18	148.49	152.45	156.39	168.20	158.47
Barnes	248.87	258.54	274.59	284.51	315.57	319.41	318.05	331.60	316.60	330.86	368.49	349.03
Benson	176.46	174.89	182.23	190.09	217.38	231.55	246.03	246.79	250.77	253.85	266.54	250.75
Billings	88.70	95.16	96.68	99.92	106.26	99.16	103.07	103.98	105.30	106.88	110.57	104.47
Bottinear	194.51	188.78	193.96	211.41	242.78	241.88	260.61	257.60	263.53	266.08	280.45	264.93
Bowman	92.45	99.83	102.13	105.25	113.21	117.62	125.83	127.44	130.96	134.87	141.25	133.54
Burke	136.74	140.95	142.51	157.31	178.76	183.89	195.34	194.98	198.14	200.74	210.48	197.16
Burleigh	126.23	125.63	126.63	131.72	144.08	151.39	158.95	158.49	163.13	169.48	177.09	168.19
Cass	376.56	378.03	387.32	387.51	420.53	438.58	461.10	469.58	487.42	510.32	533.11	497.05
Cavalier	262.68	260.32	270.38	254.61	284.67	305.75	327.12	298.36	316.49	335.32	353.05	329.21
Dickey	218.75	224.69	234.42	253.98	269.95	256.13	269.67	276.42	290.65	300.57	320.70	302.59
Divide	120.66	133.38	134.60	142.31	164.44	179.79	190.80	191.40	195.13	201.45	209.84	195.33
Dunn	95.58	97.08	99.35	102.66	110.73	116.17	121.06	121.71	124.27	127.68	131.99	124.64
Eddy	194.13	194.38	194.85	200.90	214.48	223.14	236.24	218.78	224.19	233.15	236.65	216.74
Emmons	122.22	121.01	124.06	132.55	151.22	162.25	167.08	169.60	174.65	189.53	200.28	193.47
Foster	218.14	225.30	234.20	249.22	273.32	285.25	299.04	289.62	302.30	306.71	314.65	291.88
Golden Val	92.47	100.09	105.95	114.87	123.93	128.31	135.60	136.56	140.42	144.18	148.12	137.75
Grand Fork	377.66	377.33	381.52	392.11	405.76	410.91	435.66	437.84	461.45	466.88	483.28	447.58
Grant	102.69	105.61	106.46	110.99	119.93	121.26	126.11	127.28	131.11	137.61	140.65	134.35
Griggs	234.27	240.94	260.07	266.25	282.44	267.91	283.33	283.04	297.32	310.37	317.56	288.78
Hettinger	147.29	140.88	140.58	149.41	169.00	171.07	183.99	188.65	197.47	210.59	226.70	214.12
Kidder	128.29	133.50	138.58	146.17	152.26	155.40	161.23	161.83	162.47	165.45	175.15	165.78
LaMoure	233.32	248.21	265.65	283.18	311.96	319.86	322.43	325.67	328.90	343.70	373.06	356.90
Logan	139.69	140.61	141.99	152.28	168.87	159.44	164.96	163.18	169.10	174.14	182.81	174.05
McHenry	141.09	139.89	142.69	150.03	163.61	177.24	189.50	192.46	198.67	201.13	206.84	198.74
McIntosh	133.40	135.67	143.19	151.34	167.45	158.01	168.08	169.57	174.70	181.19	188.75	180.48
McKenzie	106.95	110.35	112.50	121.33	132.69	133.91	140.79	138.98	143.00	147.04	152.12	142.25
McLean	156.85	148.96	150.32	157.55	183.26	214.67	231.31	235.94	245.55	253.82	264.76	251.09
Mercer	113.09	112.01	113.92	118.51	128.53	143.56	152.80	155.93	160.66	166.01	174.34	164.71
Morton	111.55	109.65	111.42	118.42	131.02	137.49	144.15	133.98	139.10	145.80	153.95	145.86

Mountrail	119.35	120.48	123.01	133.30	153.67	168.89	179.93	180.63	184.90	187.06	195.15	184.77
Nelson	231.61	234.53	250.99	252.45	266.24	256.62	271.76	280.63	284.04	293.98	295.45	269.78
Oliver	110.20	108.15	109.41	122.38	136.36	133.54	142.77	144.71	149.15	156.00	166.58	156.30
Pembina	431.96	433.43	444.68	441.06	476.51	462.78	493.98	491.75	517.85	543.38	569.99	537.21
Pierce	158.40	158.94	161.99	170.23	189.46	202.53	217.30	219.87	227.86	230.66	240.99	226.52
Ramsey	224.16	222.18	230.77	231.27	252.71	262.96	279.70	270.00	278.82	281.18	291.99	267.55
Ransom	291.55	298.25	314.86	334.35	342.21	315.62	333.44	339.60	353.26	363.20	381.12	359.75
Renville	182.03	175.23	177.03	200.43	241.08	264.99	283.97	284.49	291.62	295.40	313.42	299.17
Richland	385.32	383.87	400.54	390.61	428.59	456.81	482.09	496.01	499.15	501.70	527.90	502.38
Rolette	186.34	183.48	187.13	196.40	212.19	226.87	239.37	241.09	247.32	249.92	264.13	246.91
Sargent	266.11	274.12	294.22	310.80	322.63	334.23	353.56	359.85	373.66	385.30	412.17	401.97
Sheridan	140.70	136.95	137.50	141.20	156.58	163.23	175.75	177.75	184.56	192.68	199.74	187.44
Sioux	79.27	84.49	87.26	92.98	98.32	100.61	103.50	96.99	98.17	101.37	104.54	97.47
Slope	97.38	102.58	106.47	108.70	122.97	134.33	144.35	147.55	149.43	156.17	163.26	160.26
Stark	115.22	113.98	115.01	121.54	137.52	146.05	156.62	159.01	164.59	173.25	186.90	177.01
Steele	314.14	322.54	330.54	344.60	359.76	345.76	365.15	368.30	391.09	403.31	419.59	389.40
Stutsman	192.47	199.52	209.09	216.76	239.71	238.48	240.30	240.44	252.13	255.24	265.62	249.66
Towner	216.24	215.68	224.21	226.69	255.86	265.13	281.67	277.03	291.54	299.27	318.12	293.39
Traill	436.08	430.86	433.58	445.77	458.39	464.66	489.67	492.12	519.84	537.30	561.78	515.26
Walsh	382.07	390.80	394.23	399.94	445.70	442.42	470.52	466.43	486.64	504.55	530.39	502.62
Ward	168.53	162.14	163.48	177.77	211.21	226.38	241.25	242.51	250.11	253.34	267.46	258.10
Wells	198.28	200.06	206.72	223.28	257.41	255.20	271.51	275.50	282.25	294.29	305.76	278.04
Williams	106.75	113.64	115.35	125.60	143.86	152.05	161.74	161.46	164.89	172.33	181.47	164.98
State	183.78	185.28	190.83	198.09	225.15	230.80	238.57	238.04	246.00	255.12	264.05	249.94

	2004	2005
	0.095	0.095

Adams	153.31	149.63
Barnes	249.68	354.77
Benson	251.72	251.67
Billings	102.20	99.69
Bottinear	267.03	264.31
Bowman	131.25	128.00
Burke	195.86	188.86
Burleigh	163.55	162.11
Cass	505.21	518.51
Cavalier	326.36	340.76
Dickey	305.50	307.50
Divide	195.14	185.25
Dunn	123.55	120.21
Eddy	216.21	216.80
Emmons	188.65	188.14
Foster	285.82	290.07
Golden Val	132.05	130.47
Grand Fort	439.49	447.85
Grant	131.49	128.18
Griggs	288.29	289.15
Hettinger	212.80	213.71
Kidder	164.52	165.35
LaMoure	354.92	362.56
Logan	166.80	167.36
McHenry	199.91	198.08
McIntosh	175.14	179.96
McKenzie	143.01	139.73
McLean	255.28	255.33
Mercer	161.58	156.51
Morton	141.01	135.62

Mountrail	186.04	180.53
Nelson	264.48	273.33
Oliver	153.42	150.64
Pembina	532.68	549.55
Pierce	233.98	225.98
Ramsey	263.76	272.70
Ransom	336.85	339.90
Renville	297.09	293.45
Richland	509.08	517.46
Rolette	246.27	251.19
Sargent	407.89	421.95
Sheridan	184.86	181.76
Sioux	95.32	92.53
Slope	160.63	144.96
Stark	173.91	170.42
Steele	394.05	405.65
Stutsman	246.16	249.41
Towner	290.28	293.50
Traill	511.66	524.60
Walsh	495.02	502.63
Ward	262.44	256.99
Wells	278.83	282.91
Williams	163.83	159.75
State	248.29	250.75

Mr. Chairman, for the record my name is Dwight Cook, State Senator from District 34, Mandan. I am here to urge your favorable consideration of SB 2188.

SB 2188 deals with the capitalization rate used for the evaluation and assessment of agricultural lands. I introduced this bill so that we could revisit a decision made last session to cap this capitalization rate at 9.5%. The bill before you will lower the cap to 8.6% for taxable year 2005 and then remove the cap for years thereafter.

Mr. Chairman, I would like to briefly explain how the capitalization rate effects the property tax of all taxpayers-I would like to explain why the legislature elected to cap it last session- and then finally, I would like to explain why we should give SB 2188 a do pass and pass this important tax policy.

First, North Dakota's present method of assessing agricultural property was first implemented in 1981. It was implemented at a time when the vast majority of landowners were actually farming the land. It was implemented to make agricultural property taxes relative to ones ability to make a profit from farming. It is silent to what land sells for which is what makes it unique from the property taxes levied on residential and commercial property.

One of the factors in this formula is interest rates. The intent is as interest rates go up an individuals ability to make a profit goes down. So, as interest rates go up this capitalization rate causes property taxes to go down.

Mr. Chairman, we've seen that trend happen though out most of the 80's. The average assessment value of all ag property in my county went from \$145.05 in 1981 to \$109.65 in 1993.

Of course when interest rates go down the opposite happens. This is the trend we've seen since 1993. Again, in my home county the average assessment value for all agricultural lands went back up from \$109.65 in 1993 to \$145.86 in 2003.

The production formula worked. So what did we do in 2003? We capped this rate at 9.5% The intended consequence of capping this rate was to stop this upward trend. That too worked. It lower agricultural property taxes but unfortunately it did not lower the total property taxes collected. It simply shifted tax liability from agricultural property to residential and commercial property. It shifted this tax burden from a group of taxpayers whose taxes are certainly high to another group of taxpayers whose taxes are even higher.

Mr. Chairman, those of us who voted against that bill did so because we feared the size of this shift. Many who supported the bill understood that a shift might occur but no one knew to what degree. We now have two years of data and we know the answer. Capping this rate lowered agricultural property values 22.9%. This resulted in a sizable shift of tax liability from agricultural property to commercial and residential.

The question before you today is a simple one. If we knew last session that the size of this shift would be 22.9% would we have passed that bill.

I think not. SB 2188 will allow us to correct that unintended consequence and I would urge a do pass.

Thank you, I would be happy to answer any questions.

Effect of going from minimum cap rate to cap rate proposed in engrossed SB 2188 for 2005 agricultural values

SB 2188
Macey Dickason

Average Value Per Acre - All Agricultural Land - 2005

COUNTY	Statutory Minimum Cap Rate - 9.50% True and Full Value - 2005	Proposed Cap Rate = 8.6% 2005 T&F Value	% Increase in Value produced by Use of Calculated 8.6 % Cap Rate	\$ per Acre Increase Value produced by Use of Calculated 8.6 % Cap Rate
Adams	\$149.63	\$165.29	10.47%	\$15.66
Barnes	354.77	\$391.90	10.47%	37.13
Benson	251.67	\$278.01	10.47%	26.34
Billings	99.69	\$110.12	10.47%	10.43
Bottineau	264.31	\$291.97	10.47%	27.66
Bowman	128.00	\$141.40	10.47%	13.40
Burke	188.86	\$208.62	10.47%	19.76
Burleigh	162.11	\$179.08	10.47%	16.97
Cass	518.51	\$572.77	10.47%	54.26
Cavalier	340.76	\$376.42	10.47%	35.66
Dickey	307.50	\$339.68	10.47%	32.18
Divide	185.25	\$204.64	10.47%	19.39
Dunn	120.21	\$132.79	10.47%	12.58
Eddy	216.80	\$239.49	10.47%	22.69
Emmons	188.14	\$207.83	10.47%	19.69
Foster	290.07	\$320.43	10.47%	30.36
Golden Valley	130.47	\$144.12	10.47%	13.65
Grand Forks	447.85	\$494.72	10.47%	46.87
Grant	128.18	\$141.59	10.47%	13.41
Griggs	289.15	\$319.41	10.47%	30.26
Hettinger	213.71	\$236.08	10.47%	22.37
Kidder	165.35	\$182.65	10.47%	17.30
La Moure	362.56	\$400.50	10.47%	37.94
Logan	167.36	\$184.87	10.47%	17.51
McHenry	198.08	\$218.81	10.47%	20.73
McIntosh	179.96	\$198.79	10.47%	18.83
McKenzie	139.73	\$154.35	10.47%	14.62
McLean	255.33	\$282.05	10.47%	26.72
Mercer	156.51	\$172.89	10.47%	16.38
Morton	135.62	\$149.81	10.47%	14.19
Mountrail	180.53	\$199.42	10.47%	18.89
Nelson	273.33	\$301.93	10.47%	28.60
Oliver	150.64	\$166.40	10.47%	15.76
Pembina	549.55	\$607.06	10.47%	57.51
Pierce	225.98	\$249.63	10.47%	23.65
Ramsey	272.70	\$301.24	10.47%	28.54
Ransom	339.90	\$375.47	10.47%	35.57
Renville	293.45	\$324.16	10.47%	30.71
Richland	517.46	\$571.61	10.47%	54.15
Rolette	251.19	\$277.48	10.47%	26.29
Sargent	421.95	\$466.11	10.47%	44.16
Sheridan	181.76	\$200.78	10.47%	19.02
Sioux	92.53	\$102.21	10.47%	9.68
Slope	144.96	\$160.13	10.47%	15.17
Stark	170.42	\$188.25	10.47%	17.83
Steele	405.65	\$448.10	10.47%	42.45
Stutsman	249.41	\$275.51	10.47%	26.10
Towner	293.50	\$324.22	10.47%	30.72
Traill	524.60	\$579.50	10.47%	54.90
Walsh	502.63	\$555.23	10.47%	52.60
Ward	256.99	\$283.88	10.47%	26.89
Wells	282.91	\$312.52	10.47%	29.61
Williams	159.75	\$176.47	10.47%	16.72
STATE	\$250.75	\$276.99	10.47%	\$26.24



Administration:

1101 1st Ave N
Fargo, ND 58102
P.O. Box 2064
Fargo, ND 58107-2064
701-298-2200 • 1-800-367-9668
Fax: 701-298-2210

State Headquarters:

4023 State St
Bismarck, ND 58503
P.O. Box 2793
Bismarck, ND 58502-2793
701-224-0330 • 1-800-932-8869
Fax: 701-224-9485

North Dakota Farm Bureau

www.ndfb.org

House Finance and Taxation Committee

March 1, 2005

SB 2188 Testimony by North Dakota Farm Bureau

presented by Sandy Clark, public policy team

Good morning, Mr. Chairman and members of the committee. My name is Sandy Clark and I represent the 27,500 family members of North Dakota Farm Bureau.

I appreciate the opportunity to comment today on SB 2188, which changes the floor on the capitalization rate from 9.5% to 8.6% in the productivity formula to determine property taxes on agricultural land.

Last Session, when NDFB supported the floor of 9.5%, I told you the **only time** you would do this is when interest rates are at **historic lows**. Two years ago interest rates were at historic lows and still going down. Today, interest rates have bottomed out and are going back up.

Again, I want to emphasize that the only time a floor should be placed on the capitalization rate is when interest rates are at historic lows. Remember that the capitalization rate is nothing more than an average interest rate. Interest rates are now increasing. Therefore, we are supporting this bill today. We want you to know that NDFB stands by its word.

It's also important to me personally that you know my word is good. When NDFB and Sandy Clark stand before you, you can rely on our honesty, credibility and integrity.

One future. One voice.

Therefore, we believe it is appropriate to move the floor downward at this time and then remove the floor and utilize the capitalization rate as determined by the formula. We realize that this action will increase land valuations and land valuations will probably still be too high as a result of continued low interest rates. However, NDFB is and has always been committed to maintaining the integrity of the productivity formula.

We also support lowering the capitalization rate in stages so that land valuations increase over time, rather than all at one time. Stages would provide more stability in property taxes for political subdivisions, rather than a huge increase all in one year.

SB 2188 calls for lowering the floor on the capitalization rate from 9.5% to 8.6%. NDFB would request that the committee consider a three-step process. We would like to suggest 8.7% and then 8.3% or the formula's capitalization rate, whichever is higher. Then the third year, the formula's capitalization rate would be used.

Again, I appreciate the opportunity to comment. We would respectfully request that you consider the amendment and then give SB 2188 a "do pass" recommendation. If you have any questions, I would try to answer them.

1991												
1992												
1993						CRP@.3	CRP@1.0		W/Fact	CR	5 YR CR	
1994	758030	84357622	9308905	851302	94517829	28355349	28951260	38.19276	33.54715	35.8		
1995	717330	89821219	4699441	851302	95371962	28611589	29207500	40.71696	35.78432	34.4		
1996	724130	108021553	11014120	851302	119886975	35966093	36562004	50.49094	44.34943	36.4		
1997	755144	74561945	8663406	1319885	84545236	25363571	26287490	34.81123	30.57693	36.8		
1998	716244	84835660	23206401	1319889	109361950	32808585	33732507	47.09639	41.36778	37.6		
1999	695444	55639490	26765844	1264333	83669667	25100900	25985933	37.36596	32.82092	36.3		
2000	747244	74051580	43249186	1591483	118892249	35667675	36781713	49.22316	43.23586	37.9		
2001	732344	78603080	31387680	1859248	111850008	33555002	34856476	47.59577	41.80642	37.1		
2002	770444	99177489	16726687	1996029	117900205	35370062	36767282	47.7222	41.91747	37.9	37.1	
2003	740344	123592956	9148510	1977402	134718868	40415660	41799842	56.46003	49.59246	39.1		
										40.3	37.6	
										0.095	395.7895	
										0.085	442.3529	
										0.07733	486.2279	
	5920910					255697924	263146232					
	740113.8					31962241	32893279					
							44.443545					
							39.037616					
						0.095	410.92228					
						0.086	453.92577					
						0.085	459.26607					
						0.08	487.9702					
						0.07733	504.81852					

INTEREST RATES

CAPITALIZED VALUE / CRE