

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2172

2007 SENATE FINANCE AND TAXATION

SB 2172

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2172**

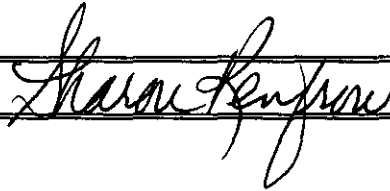
Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 17, 2007

Recorder Job Number: # 1239

Committee Clerk Signature



Minutes:

Sen. Urlacher called the committee to order and opened the hearing on SB 2172.

Sen. Gary Lee, primary sponsor of the bill appeared in support with written testimony. (See attached)

Sen. Urlacher asked if the land portion reference was made to homestead itself and not to other land outside of it. Yes

Sen. Oehlke asked if the bill should state disabled veteran instead of disabled person. That's the way the original language was and it wasn't changed to include just veteran.

Sen. Horne asked if the fiscal impact, if accrued the subdivisions would bare the lost revenue. The counties do administer the property tax and it would be a burden on that county in terms of whatever was taken or recognized here would come from them.

Ron Otto from the Veterans Service Office for Morton and Oliver County appeared in support with written testimony. (See attached)

Bob Evans, Secretary for the ND Veterans Coordinating Council appeared in support asking what is the price of saying thank you for spending the rest of your life with PTSD, minus a limb or sitting in a wheel chair. This is just a small token of our appreciation for the extra sacrifice

that these veterans have given to our country and extending this also the unmarried spouses of a deceased veteran who is eligible.

John Jacobsen, Chairman of the Legislative Committee of the ND Veterans Coordinating Council appeared in support with written testimony. (See attached)

Sen. Urlacher: how does this relate to a veteran living in a rental apartment?

Bob Evans: as the bill is written it would only pertain to those veterans that have ownership of land or a home. So if they are in an apartment or institutionalized in any way, it doesn't affect them.

Jack Heyne, Veterans Service Officer in Grant County in Carson, ND stated he was there to show his support with just a few short comments. Those individuals with disabilities, amputation, those related to ancient orange such as diabetes, lung cancer, prostate cancer, many times those individuals are forced to have someone else do things around their homes where if they received a tax incentive they would have more money to have other people assist where normal home owners without a disability is able to mow their lawns, shovel their snow. I know as a home owner it was very important to me while I was living in Bismarck, but now living in Carson because I feel that my money or taxes is best spent for schools. I haven't even applied for that tax exemption.

Arnold Maier a veteran appeared in support stating this would help ease the hardship experience by some veterans.

Lyle Schuchard, Secretary for the Administrative Committee on Veterans Affairs appeared in support stating he is just appearing today to show our support.

Bob Hanson, Commissioner of Veterans Affairs appeared in support stating what he's finding through the internet is that young veterans want to know what ND has to offer veterans and this bill may draw more people into our state.

Marcy Dickerson with the Tax Dept. appeared neutral on the bill with written testimony.

Sen. Urlacher: in outlying states is there similar legislation or exemptions in effect?

Marcy: I do not know what the other states have.

Sen. Urlacher: well if outlying veterans move in they would be eligible as well as our ND veterans.

Marcy: Yes I believe they would eligible under existing law or under the proposal.

Sen. Triplett: what you remind us what the amount of income provided in 57-02-08.1 is that is being removed?

Marcy: at the present time it is \$14,500.00 and in my opinion that is a very low income and that includes everything including social security.

Sen. Tollefson: we look at the majority of these veterans and are probably WWII veterans yet there are some Vietnam, some Korean and there will not be some Iraqi's, more veterans all of which would be eligible for some time of homestead credit. But you've also got a depreciating number, numbers and its going to be reduced annually, everyday because the credits will go away, people will go away and I think that if you look at it realistically, the numbers you provided, I feel they are certainly correct but its also not forever, its for a very short period of time.

Marcy: this fiscal note is only for one biennium. We did not try to project down the road because we were not asked to. This would apply to all veterans who are honorably discharged with 50% or greater disability just like it does now.

Sen. Tollefson: My point is the majority of veterans today are WWII veterans.

Sen. Urlacher: Is there a way of identifying the ages of qualifying veterans?

Bob Hanson: a lot of this information is confidential; we don't get anything but numbers

Bob Evans: in my estimations with the case load we handle in Williams County. At this time, Sen. Tollefson is very accurate because the majority of my veterans are the WWII and Korean veterans. The Vietnam veterans are the next larger group with the Iraqi veterans coming in, that's our smallest group.

Sen. Anderson: on the no provision to exempt residential or homestead land. What is the committee going to do to get this answered for sure before we can act on this bill?

Sen. Urlacher: can they separate the land value if it isn't qualified for this?

Marcy: the land values are always calculated separately from the improvement value for every assessment of locally assessed property. That number is primary, the two are added together to give your total evaluation.

Sen. Urlacher: so we could get a new fiscal note based on excluding the land?

Marcy: to some extent that would be possible, there would be a lot of assumptions because again we are assuming the value of the home whether we assume it with or without the land, depending where the homes are located, how big and nice the homes are, they could be any amount. The fact that we are no longer to limit the income of the veteran is going to mean that some veterans could have pretty good income and have very nice homes. A person is limited to \$14,500 probably doesn't have a very elaborate home.

Meeting adjourned and further discussion.

Sen. Cook: to be disabled, is it to be a disability caused from military service was that clarified or can somebody come home and get disabled later on and qualify as a disabled veteran. Service connected, service related, we need clarification on that.

Sen. Urlacher: If a WWII veteran dates back a lot of years and some are employed I would imagine and could become disabled by other factors of life. How do you determine where that happened, does veteran affairs have a handle on that.

Sen. Tollefson: the second paragraph of the second page really describes if there is any person claiming exemption under this subsection is required to file a disabled veteran claiming exemption under subsection b file an affidavit from the United States Veterans Administration or its successor certifying the amount of the disability. So I think that's fairly clear but the land is a good point.

Sen. Urlacher: I don't want to sound negative to this bill but if we have a lucrative exemption we could have an influx of veterans in the state because if they are disabled they are not employed, so it's a matter of movement for veterans. But I see this fiscal note being a lot more than I anticipated it to be and when it affects the local entities we could get resistance.

Sen. Triplett: I think that the major thing that's probably impacting the fiscal note is completely removing the income limitation. You have to be very very poor to qualify for this exemption at the moment and by taking the income limitation off completely, we are just opening it up too wide

Sen. Anderson: In 1993 this was set at \$80,000 and I'm sure it was a reasonable amount that was determined at that time, perhaps we should find out what the inflation factor is since 1993 and perhaps put that in there and remove the land. I think we have a real problem with the land.

Sen. Tollefson: I'm a veteran, compare it to a veteran's bonus, a veterans bonus isn't designated on the basis of how much money they make today or what their living standard is, it's based on services provided to the country and believe it or not a majority are still the WWI veterans that it would benefit.

Sen. Cook: do we fix this piece of legislation to get it to a point where maybe we can take it to the floor and get it passed or maybe we need to wait and get our hands around the rest of the

legislation that is coming in. I think we have a vehicle dealing with the homestead tax credit that if we want to and I agree that the \$14,500 needs to be adjusted.

Sen. Anderson: I would like to know the inflation factor.

Adjourned the discussion.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2172**

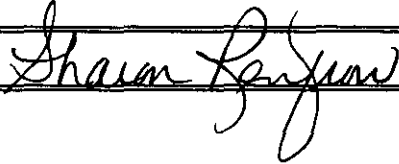
Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 29, 2007

Recorder Job Number: # 2174

Committee Clerk Signature



Minutes:

Sen. Urlacher called the committee to order to address amendments to SB 2172.

Sen. Tollefson read proposed amendments by Sen. G. Lee. Changing the wording from "date" to "provide an expiration date."

Sen. Tollefson moved a Do Pass on the amendments.

Sen. Triplett seconded the motion.

Sen. Oehlke asked about the fiscal note.

Sen. Urlacher responded that a fiscal note would need to be requested.

Sen. Cook asked for clarification on what they would be sunseting. "The effect of this change?" Stated that they would be effecting the entire bill.

Sen. Urlacher responded that removing the land portion would reduce the fiscal effect.

Sen. Triplett The proposed amendment expiration date would not just be for the new information, it would be for the entire existing bill. Probably not what Sen. G. Lee was intending.

Sen. Tollefson suggested speaking to Sen. G. Lee to check on the intent. Will get a corrected amendment.

Sen. Tollefson withdrew the motion to accept the amendment.

Sen. Triplett withdrew the second.

Motion to amend was withdrawn.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2172**

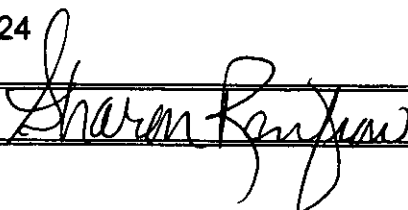
Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 30, 2007

Recorder Job Number: # 2324

Committee Clerk Signature



Minutes:

Sen. Urlacher called the committee back to order to discuss amendment and do action on SB 2172.

Sen. Tollefson: explained the amendments from Sen. G. Lee which is the expiration date and had it clarified with Legislative Council stating it is correct.

Sen. Triplett: that clause only relates to the new information and that will be clarified in the note. Yes

Sen. Tollefson: made a Motion to Move the Amendments, seconded by Sen. Anderson.

Voice vote: 6-0-1 Sen. Horne absent.

Committee will wait for a new fiscal note.

Sen. Cook: this is not to be confused with the homestead tax credit for the elderly and disabled, this is comparable to our farm residence exemption, is that correct? I'm reading the fiscal note and this is not going to reduce the income to the schools, the cities or the counties, it is going to shift to everybody else. The fiscal note should be zero.

Sen. Tollefson: we have to ask for another fiscal note, because it's correct.

Adjourned the discussion.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2172**

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: February 6, 2007

Recorder Job Number: # 2942

Committee Clerk Signature

Sharon Kenyon

Minutes:

Sen. Urlacher called the committee back to order for discussion and action on SB 2172.

Sen. Cook: I totally disagree with the fiscal note and believe in reality the impact that counties, cities and school districts if this bill is passed is zero. The impact that they are identifying in dollars is not an impact that's going to reduce these political subdivisions budget but its what's going to be shifted to other tax payers.

Sen. Tollefson: I'm sympathetic with the bill but the amendment particularly where it puts the sunset clause on it after 2 yrs, does it not? I'm almost certain that most of these people disabled veterans that would benefit from this bill are WWII veterans and they are disappearing at the rate of 1500 a day. I think in 2 years you'll see this fiscal note drop considerably even here in ND. And if there is anyone or any group that needs any type of break, it certainly could be those people who are at least 50% disabled caused by war, and frankly I don't agree with the fiscal note at all and I think this should be approved and with that I make a **Motion for DO PASS as amended**, seconded by Sen. Oehlke.

Sen. Triplett: despite the fact that I'm a sponsor on this bill I ended up not liking it very much I think the sunset clause does help it but I think there will be a lot of shifting and a lot of money to shift in our county. I don't know what to suggest to make it better.

Sen. Oehlke: bothered me the shifting and not sure if it's the fairest way to handle it. Where did 168,000 come from? How did they arrive at that number?

Sen. Anderson: I think its 80,000 now, is it not? That would be a 25% increase from where it is now

Sen. Cook: we have another homestead credit and that has a limitation of \$80,000 and then it has income limitations and that homestead credit is for elderly and disabled low income people and the State refunds the political subdivisions for the amount of that credit that they give.

This bill is doing is removing the \$80,000 raised it up to 200,000 and now its down to 168,000 and removes the income qualifications for receiving this credit. So basically no matter what the veteran's income is, they will get this credit, that's the way I understand it.

Sen. Triplett: if you reduce the value of the homestead they would still be paying property taxes to be extended, their valuation was about 100,000 or whatever you picked so it would not be a full credit

Sen. Cook: that's correct, line 7 to line 13 on page 1, you just took all the changes that are made in this bill out of that and it will go to 80,000. We have 2 issues in the bill, it changes the value of the property that you can take and the other change is that it deals with removing all income limitations.

Sen. Triplett: made a **Motion to further amend to remove both the new language and the first amendment to get back to homestead as defined that 80,000.**

Sen. Tollefson withdrew his DO PASS motion and Sen. Oehlke withdrew his second.

Sen. Cook: seconded Sen. Triplett's motion.

Sen. Triplett explained her amendment to John Walstad for drawing up amendment purposes.

Voice vote: 7-0-0

Sen. Tollefson: made a **Motion for DO PASS as Amended and Refer to Appropriations.**

Seconded by Sen. Triplett.

Roll call vote: 7-0-0

Sen. Triplett will carry the bill.

FISCAL NOTE
Requested by Legislative Council
04/26/2007

Amendment to: Engrossed
 SB 2172

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

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			(\$1,684,000)	(\$929,000)	(\$3,947,000)			

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engr. SB 2172 with Conference Committee Amendments changes the requirements for the homestead property tax exemption for disabled veterans.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The provisions of Engr. SB 2172 with Conference Committee Amendments are expected to reduce political subdivisions' revenues by an estimated \$7.101 million in the 2007-09 biennium, if all counties allow the exemption. The estimated impact for the primary political subdivisions is shown above. The State does not reimburse political subdivisions for these exemptions. Counties may disallow the exemption by resolution.

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

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

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

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	04/25/2007

FISCAL NOTE
Requested by Legislative Council
03/21/2007

Amendment to: Engrossed
 SB 2172

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

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			(\$1,233,000)	(\$680,000)	(\$2,890,000)			

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engr. SB 2172 with House Amendments changes the requirements for the homestead property tax exemption for disabled veterans.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The provisions of Engr. SB 2172 with House Amendments are expected to reduce political subdivisions' revenues by an estimated \$5.199 million in the 2007-09 biennium, if all counties allow the exemption. The estimated impact for the primary political subdivisions is shown above. The State does not reimburse political subdivisions for these exemptions. Counties may disallow the exemption by resolution.

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

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

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

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	03/22/2007

FISCAL NOTE
Requested by Legislative Council
02/08/2007

Amendment to: SB 2172

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

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			(\$1,372,000)	(\$757,000)	(\$3,215,000)			

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Eng. SB 2172 removes the income limitations for disabled veterans for purposes of the homestead property tax exemption.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The provisions of Eng. SB 2172 are expected to reduce political subdivisions' revenues by an estimated \$5.785 million in the 2007-09 biennium. The estimated impact for the primary political subdivisions is shown above. The State does not reimburse political subdivisions for these exemptions. The provisions of Eng. SB 2172 are available for 2007 and 2008; the bill sunsets after 2008.

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

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

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

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/08/2007

FISCAL NOTE
Requested by Legislative Council
01/11/2007

Bill/Resolution No.: SB 2172

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

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			(\$2,418,000)	(\$1,334,000)	(\$5,669,000)			

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2172 removes the income limitations for disabled veterans and increases the maximum true and full value of qualifying applicants' homesteads that are allowed to be exempted in subsection 20 of section 57-02-08 NDCC.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The provisions of SB 2172 are expected to reduce political subdivisions' revenues by an estimated \$10.2 million in the 2007-09 biennium. The estimated impact for the primary political subdivisions is shown above. The State does not reimburse political subdivisions for these exemptions.

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

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

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

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/16/2007

January 24, 2007

PROPOSED AMENDMENTS TO SENATE BILL NO. 2172

Page 1, line 2, remove "and"

Page 1, line 3, after "date" insert "; and to provide an expiration date"

Page 1, line 7, remove the overstrike over "~~and~~" and remove ", and land"

Page 1, line 8, replace "two" with "one" and after "hundred" insert "sixty-eight"

Page 2, line 27, after "DATE" insert "- EXPIRATION DATE" and after "for" insert "the first two"

Page 2, line 28, after "2006" insert ", and is thereafter ineffective"

Renumber accordingly

PROPOSED AMENDMENTS TO SENATE BILL NO. 2172

Page 1, line 2, remove "and"

Page 1, line 3, after "date" insert "; and to provide an expiration date"

Page 1, line 7, remove the overstrike over "~~and~~", remove "~~, and land~~", and remove the overstrike over "~~the amount of valuation~~"

Page 1, line 8, remove the overstrike over "~~specified~~" and remove "a true and full value of two hundred thousand dollars"

Page 2, line 5, remove the overstrike over "~~assessed valuation~~" and remove "true and full value"

Page 2, line 22, remove "the value limitation in section 47-18-01 does not apply"

Page 2, line 23, remove "and"

Page 2, line 27, after "**DATE**" insert "- **EXPIRATION DATE**" and after "for" insert "the first two"

Page 2, line 28, after "2006" insert ", and is thereafter ineffective"

Renumber accordingly

Date: 2-6-07

Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2172

Senate Finance & Tax Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DP as Amended & Refe to Approps.

Motion Made By Sen. Tolleson Seconded By Sen. Triplett

[illegible]

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Triplott

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

REPORT OF STANDING COMMITTEE

SB 2172: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2172 was placed on the Sixth order on the calendar.

Page 1, line 2, remove "and"

Page 1, line 3, after "date" insert "; and to provide an expiration date"

Page 1, line 7, remove the overstrike over "~~and~~", remove ", and land", and remove the overstrike over "~~the amount of valuation~~"

Page 1, line 8, remove the overstrike over "~~specified~~" and remove "a true and full value of two hundred thousand dollars"

Page 2, line 5, remove the overstrike over "~~assessed valuation~~" and remove "true and full value"

Page 2, line 22, remove "the value limitation in section 47-18-01 does not apply"

Page 2, line 23, remove "and"

Page 2, line 27, after "**DATE**" insert "- **EXPIRATION DATE**" and after "for" insert "the first two"

Page 2, line 28, after "2006" insert ", and is thereafter ineffective"

Renumber accordingly

2007 HOUSE FINANCE AND TAXATION

SB 2172

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2172 A

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: February 27, 2007

Recorder Job Number: 3926

Committee Clerk Signature

Mickie Schmidt

Minutes:

Chairman Belter opened the hearing on SB 2172 and called the Committee to order and had the clerk take the roll. Everyone was present. He asked for testimony in support.

Sen. Gary Lee: (See Attachment #1)

Chairman Belter: The value of the home, has that changed?

Sen. Gary Lee: It's the same as it was. In the current law it's still fixed at \$80 thousand. The original Bill was different.

Arnold Maier, WW II Veteran: I was drafted in October of 41' and discharged in 45'. I was wounded and came back with a Purple Heart. Some years ago when I testified in favor of the Purple Heart, this is what happens; The Purple Heart stamp. How they're going to keep it, I don't know. I encourage all of you to spend a little money on it because it is worth while. The second project that I ask was naming highway 83; Veterans of Foreign Wars Memorial Highway, which didn't take too much. My main project over the years took place 2 years ago when I was able to bring Military Purple heart Memorial to Bismarck. This was one of my pride projects for the State of ND and I'm very proud of it. Today I come before you to support Bill 2172, which will fulfill some of the promises made to fellow Veterans a when drafted during WW II. Many promises were made, some have been fulfilled, and some have been broken.

And this is one that will help ease some of the pain that have been caused. I ask that you give this Bill a Do Pass to help ease the hardship and experiences of some Veterans. We ask for your consideration and give it a Do Pass, thank you.

Chairman Belter: Any questions? Thank you for your service!

Bob Hanson, Commissioner of Veteran's Affairs: We want to thank Sen. Lee for introducing this Bill. I receive in my office numerous e-mails from Veterans who appear to be young Veterans getting out of the service who asked about what does our State do about filing income taxes for Veterans. I explain the laws encouraged here. I look at this not only as sort of a thank you for what happens to the Veteran when he gets disabled because of a military service, but its also sort of, getting more people into the State that are serving. They do check to see what is happening in various States and they are free to move too. We appreciate you giving this a favorable consideration.

Chairman Belter: Are there any questions?

Representative Headland: I'm just curious, do you have any idea of how many disabled Veterans live in this State?

Bob Hanson: Totally there are around 6,000 to 6,500. The number in this particular category from 50% to 100% disabled is about 2,100, these numbers are from 2004.

Chairman Belter: That 2,100 is the 50% or more, right?

Bob Hanson: Yes.

Chairman Belter: Further testimony in support? Is there any opposition to 2172? Any neutral testimony?

Marcy Dickerson, State Supervisor and Tax Assessor of the Tax Dept.: (See Attachment #2) One thing I would like to address that's not in my written testimony but the amount in the fiscal note does assume all of the Veterans , that 2,116 has an unknown number of surviving

spouses would be eligible to apply and of course that depends largely on them becoming aware of this change if you care to pass this Bill. I know in the things that the Tax Dept. is responsible for, we always try to get information out as much as possible to people who are going to get the benefits of the qualified for, we want them to know about it. But there are always times when people don't know about us, so this fiscal note is assuming that everyone who would be eligible will become aware of it. The chances of that may not be as good as I'd like them and that concludes my testimony.

Representative Froseth: The fiscal note is over 5 million dollars, that's assuming that all 2100, but is there any date on there that would provide actually how many people could or would take advantage of this and how many own their own homes?

Marcy Dickerson: We don't have that information. I have discussed this with Bob and we just don't have those numbers. In Recognizing that some of these individuals are not going to be home owners that can easily offset the number of surviving spouses. Women generally out live their husbands any way and especially if some is disabled, they may not have the life span than a non disabled person might have. A number of surviving spouses out there that we have absolutely no way of knowing about this, that if they become aware of this, may apply for the benefit.

Representative Wrangham: Do we have a dollar figure that we can assign to the ones who do take advantage of this? I realize the taxes vary all over the State, but do we have some ball park figure or average that we can apply to each case?

Marcy Dickerson: We did estimate the 75% of the people who would be eligible and assuming they would all apply. 75% of them would be eligible for the full \$80,000 true and full value credit and the 25% of them would be eligible for about \$68,000 credit. That is on the basis that we assume that most of the eligible persons will be living in or near the major Cities,

generally they need to be near a medical facility or something. So that is why we thought most of them would live in houses that are more expensive. If you look in Bismarck, Fargo, or Grand Forks, you're not going to find very many houses worth less than \$80,000. And that's without the land, the land is not exempt. So we think it's reasonable to assume that 80% of the people will be eligible for the full \$80,000 credit. Those that live in the smaller Towns where they're not valued as high, would be eligible for less credit. We used the Statewide average mill rate to figure this, which is less than what the mills are in most Cities. So if we're off on the number of eligible people, we're off the opposite correction of the mills.

Representative Wrangham: What mill rate did you use?

Marcy Dickerson: I think its 401.66, but its 2005 Statewide average mill rate. We don't have the 2006 one available yet.

Vice Chairman Drovdal: We dealt with the Homestead Tax Credit and the Disability Credit in the past several times on several Bills this session and we've always talked about true and full value of being 67.5. Is this disability in the Veterans in a different section code?

Marcy Dickerson: That's correct. This is not part of the Homestead Credit program. That is 570208.1 and this is 570208 subsection 20, subdivision B. And the State does not reimburse this program. The State does reimburse the Homestead Credit program.

Representative Froseth: You say that the State doesn't reimburse this, do we have an idea of what the current law and the fiscal impact to schools, Cities and Counties are?

Marcy Dickerson: When I surveyed the Counties, they gave us the number of people who had applied for it and the total report to us was 58 people, of course that's when they are bound by the Homestead Credit Income Limitation which this Bill is removing. But the Counties did not give us the total amount of money, some gave us the amount of dollars and some did not. But for 58 people, it's not a large amount of money even if they all get the maximum.

Representative Froseth: Wouldn't some of the people who qualify under this program also be getting the Homestead Credit?

Marcy Dickerson: Yes that is very true and some of the Counties told us that the people who are not applying under this subsection, some of them did apply under HCT because it was just easier for them to do so. They were under the \$14,500, which is the income limit for either one. So rather than get out the discharge papers and disability, they just took the HCT which you just had to have a statement from a provision saying you are permanently and totally disabled. The result is the same. In fact, the HCT is a little better because you can get the exemption on your land as well as your house. But the limit is as Rep. Drovdal said the 67.5 which only helps if you're under the 67.5. if your house was worth \$80,000, you'd be better off with this one.

Representative Pinkerton: How complicated would it be for this to be amended so it would be (can't hear)

Marcy Dickerson: I guess that amendment could be put in. This whole subsection 20 has never been subject to any State reimbursements so I guess if you're going to amend it for subdivision B, you might want to look at subdivision A and C. One thing that the County people administered these exemptions have said in the past that it would be a lot easier if either all of them had no income requirement or all of them had the same income requirements. I think that would be a similar on the reimbursement. If you have one subdivision that gets reimbursed, then two subdivisions that don't get reimbursed, they can make the administration a little bit more difficult. But it could be done if that's the wish of the committee.

Representative Pinkerton: Can we ask for that kind of amendment to be drawn?

Chairman Belter: Yes.

Representative Pinkerton: I would like to request that amendment.

Marcy Dickerson: For just subdivision B?

Representative Pinkerton: What would you suggest?

Marcy Dickerson: I don't know. Probably from administrating it would be easier if all are treated the same way, which ever way, either with or without reimbursement rather than having to pick out this subdivision. We send the bill to the State and these other two surrounding subdivisions that don't send a bill to the State. That would your calling; it could be done either way.

Representative Pinkerton: I would like to request that all three be amended.

Marcy Dickerson: There's one thing that maybe our Attorney Dan Rouse could address; I'm not sure how that would work because the host and credit being a different chapter or section. I don't know if this would have to be pulled out of the 570208, which is all exemptions, none of which are reimbursed by the State. It might be better to pull this whole subsection out rather than try to have one out of 42 work according to subsections that are certainly not reimbursed by the State and have one reimbursed and 41 not.

Chairman Belter: Any other questions? Any other neutral testimony on 2172? If not, we'll close the hearing.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2172 B

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 12, 2007

Recorder Job Number: 4849

Committee Clerk Signature

Minutes:

Chairman Belter opened the hearing on HB 2172 and asked the clerk to read the roll; everyone was present. He asked Rep. Owens if he had any amendments.

Representative Owens: This came to us and we removed the income requirement for disabled Veterans and or their unmarried spouses for property tax exemption if they have a service disability 50%-100%. The amendment alters this just a little bit. **(See Attachment #1)** What it does is it puts back in an income limit up to \$75,000 but it was different before, it was \$14,500 income limit minus pensions, disability income, basically everything the government provided them. This \$75,000 includes everything, the pension and all. A Lt. Colonel that retires and the pension alone is \$6000 a month, they wouldn't qualify. Not with their associated disability and everything else. What it also does is, it identifies and recognizes their service connected disability rating and applies the exemption equal to the rating. In other words, if you're 50% disabled it's a 50% exemption, 60% equals 60% exemption and so on. It increases the value of the home from \$80,000 to \$100,000, that's the error I was correcting. I scratched out the 50 instead of 150,000. It changes it to \$100,000. So it put some income requirement back in. And it removes the restriction on pensions as part of the income requirement. It raises

the value from \$80,000 to \$100,000 and it aligns the exemption for their service connected rating disability.

Representative Schmidt: Does this change the fiscal note?

Representative Owens: We believe that it will change the fiscal note about \$300,000. Right now it is 5.7 but there seems to be some question as to whether or not that was correct or not because for the simple fact that this should actually lower it when you consider 50% disabilities not getting 100% exemption, but yet the fiscal note is estimating for the biennium, now this is working with the Tax Dept. and what I did was I got new numbers from VA on how many people fell into this category, if all of them, because we don't know their income or what how much their house is. So if all of them applied for it and were accepted it would be 6 million.

Representative Weiler: The same individuals, the disable Veterans, who would benefit from this Bill. Without this Bill, are they not going to see a benefit from the HTC portion of 1051 that we passed earlier, should that pass?

Representative Owens: They may or may not. Let me give you the numbers right now. We don't have all of the Counties reporting back on how many people use the current exemption of \$14,500 minus pension and what not. But only 58 people are actually using this exemption at the present time. There are a few of them that decided not to use this section of the law but went under the HTC and that was because they were over 65 years.

Chairman Belter: So there are 58 that are currently using the Veteran's portion.

Representative Owens: That we know of. Yes.

Chairman Belter: A Veteran who is of very low income, they probably would still go and use the regular Homestead because they wouldn't be affected by the disability portion of it.

Representative Owens: As long as they are over 65 years. If they are under 65 and they're 40% disabled, they don't qualify for the total disabled. They don't qualify because they're not

65 yet, so they can't fall under the current HCT. They don't fall under this either because they're 40 years, not 50.

Representative Wrangham: I understand under the HCT that we're accustomed to, the loss to the Counties, Cities, and School Districts are reimbursed by the State?

Representative Owens: Yes.

Representative Wrangham: In this section, does that happen or did you consider including that in this if it doesn't?

Representative Owens: I did not include this. This Bill has always been an exemption.

Something has been absorbed by the Counties. Now, I ask you though, and I personally didn't believe that needed to be changed when Counties are giving additional Homestead exemptions for businesses to the tune of 1.2 million dollars or they give two year exemptions to people just because they move in. Here are people who have been literally damaged because they were defending the County, City and the State and yet we don't do anything for them. So no, I didn't consider that. I thought it could be the City and County share, personally.

Representative Weiler: Under the Senate Bill 2032; I'm trying to figure this all out, how all of this is going to work because it seems to me like many of these individuals are going to receive a 10% property tax reduction under either HB 1051 or SB 2032 which ever one should pass and I understand that we'd have to pass one of those two in order for them to get it but I firmly believe that some type of property tax relief will be passed. So they're going to receive it under that plus they're going to receive it under this. I'm just trying to figure out why we're doing that. It would be like giving a tax reduction to a big company in one Bill and give them a tax reduction in another Bill.

Representative Owens: I'm not considering these people, everyday people. I mean you're talking about 50% to 100% disabled.

Representative Weiler: I understand that.

Representative Owens: We're not talking about 20% or 30% disabled.

Representative Weiler: I'm not saying that I'm totally against this, I'm asking the question, are they be double dipping?

Representative Owens: Well, obviously some of them won't. But some of them could. But some of them could under even the Homestead credit, as well. They will double dip as well.

Representative Weiler: But the ones that we're going to help under 2172, I mean they're all going to get property tax relief under 2032 or 1501, whichever one we pass out. Everybody's going to get that, 10% if you own it. So, the ones that we help in this Bill are going to be double dipping.

Representative Owens: They will double dip on this, they will double dip if they are under the current HTC... You can even argue that they double dip under the Farm Homestead Exemption. Unless we include something that says only one homestead exemption or credit can be utilized by any single homestead in any given year. So yes, it is conceivable.

Vice Chairman Drovda: The way I understand this is if they don't pay a property tax, they aren't going to get property tax relief, that's only based on what they pay. If they get an exemption under this or under the other Homestead in 1051, they don't qualify for both, it's one or the other. If a disabled Veteran goes into the County and they look at these two Homestead Tax Credits for disabled Veterans or low income citizens, and everything is given equally. I encourage you to go with the 1051 because that's reimbursed by the State. That's one reason why our numbers are so low. So if they don't receive any property tax relief that's because they don't pay anything and it's only based on what they're paying.

Representative Owens: Let me give you a scenario. Your 43 year old, 80% disabled, American Veteran in the Navy. You retired medically for your disability. You live in Grand Forks

ND. Your wife works as a licensed LPN and makes about \$14,000 a year. You don't work because of your disability but you get your pension and your retirement. You don't qualify for the HCT because you're not 65 years. You're not totally disabled based on the definition. If 1051 passes, you pay \$1,000 in property tax right now. If 1051 passes, now 10% comes off the top so now it's \$900.00. You get 50% or 80%. So now you get 80% of the \$900, so you are double dipping in theory. But it's either 80% per thousand, which is 800 or 80% of 900 which is 720 off of 900, you're going to wind up very close to the same amount regardless.

Vice Chairman Drovdal: So what you're saying they can take both of them?

Representative Owens: And only because 2032 will affect everyone Statewide. And it's coming from the State, it's not an "application type credit"; it's just an, "Oh you live here so you get it, type credit" on both of those. So everybody's going to get that off of the top. If it comes off the top, it comes off the bottom; it's the same amount of money. In other words, if you take the 80% off first and go down to 200 and then take the 10%, you're down to 180. If you take the 10% off the 1000 and then take the 80% off, you're down to 180. It's still the same amount of money...

Vice Chairman Drovdal: I'm referring to 1051 and 2172 and I discussed the property tax which is relief which is a different issue. I'm talking about whether they qualify for HTC under 1051 and or the HTC under 2172 and I'm feeling it would be one or the other.

Representative Owens: I was focused on the general tax credit in 1051. If you're talking about the HCT, that we have in there where we're raising the income levels and we're raising the value of the homes, no. What has traditionally happened at the County level and we've seen that, is, it's one or the other, it's not both. And that's the way it's being administered now for that aspect. But with respect to the 10% coming off the top or 2032 lowering the mill rates of the schools, that's going to be Statewide so that's going to affect everybody whether you're

disabled or not and it will come off of the top and your percentage will be calculated against that.

Representative Froseth: I realize this is an income tax Bill, but just for information purposes, is the retired income of the disabled Veteran receiving the tax exemptions?

Representative Owens: The retirement pay is not tax exempt at the federal or State level. On the long form of the State tax form, there is an exemption of \$5,000. The rates are much higher on the long form than on the short form. Here's the way it works; lets say that your retirement pay is \$2,000 a month from the military. And you have 50% disability, and I don't know what the 50% rating is right now so let's keep it simple and say it's \$1,000. What they do is they deduct that \$1,000 from your retirement pay, so now you're only getting \$1,000 in retirement. Then they pay you \$1,000 under the VA which is tax deferred, the pension portion of it. The disability pension is tax free. Now what they're doing now is there's been a fight at that level for years and years and years and it talks about concurrency, meaning if I had retired healthy I'd get my full retirement pay, but since I retired disabled, they're only going to pay me a portion of my retirement pay and my disability is being deducted from my retirement pay and that's not fair. So now between now and 2014, they're going to gradually recognize concurrent pay.

Representative Headland: I apologize if you gave this number already but in reading through Marcy Dickerson's testimony I apologize if you gave this number already but in reading through Marcy Dickerson's testimony. How many people will this affect if we change this? There's 58 taking advantage of it now, how many did you say would be taking advantage of it if we passed this Bill?

Representative Owens: There are 58 that we know of. Statewide at 50% to 100% disabled living in ND according to 2006, which is the figures we got, it would be approximately 2,409 that could apply for this. That's assuming that their income is below \$75,000. The majority are

more than likely below \$75,000. That's why we included the pension and the disability and everything in that figure.

Chairman Belter: I might add some things that we don't know is that out of these 2,409, how many of them are in nursing homes, how many may be in the Veterans home in Lisbon, how many may be living on a farmstead as a retired farmer. Any other discussion? Any other amendments or considerations?

Representative Pinkerton: I have some amendments. This amendment essentially has the State funding for this applied HTC Bill. **(See Attachment #2)** The dirty word that I think here is the "unfunded mandate" to school districts. We all know how much we owe our Veterans, especially those who are disabled. I support the Bill. School districts are getting hit so hard. If we're going to pass this, I think we should pass the funding to go with it.

Vice Chairman Drovdal: I guess I disagree in the fact that I don't think it's a non fund mandate because what happens is these are property tax exemptions under this Bill and the County sends the Bills to the rest and it's paid by the rest of the residents of the County where this disabled lives. Whereas we fund it, it's paid by the residents of the State of ND. The same taxpayers all of the way around, it's just that this is the way it's been done. I don't really call it a non funded mandate and another thing is that if I remember last weekend, there was a lot of criticism from the Republicans for over spending and here you're turn around giving us another \$5 million dollar bill that we're already being criticized by a party and being held responsible for doing priorities, so I guess after that publicity last weekend, I'm not as favorable of this amendment right now.

Representative Pinkerton: Any time you don't pay for something and you tell somebody else they have to it's unfunded. Only those school districts that are at their cap would this affect. You are right, but philosophically this is an unfunded mandate.

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House Finance and Taxation Committee

Bill/Resolution No. 2172 B

Hearing Date: March 12, 2007

Chairman Belter: Any other discussion? We won't act on this yet. I'll close the hearing on 2172.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2172 C

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 13, 2007

Recorder Job Number: 4967

Committee Clerk Signature

Mickie Schmidt

Minutes:

Chairman Belter opened the hearing on SB 2172 and asked Rep. Owens if he had any amendments.

Representative Owens: (See attachment #1) This changes the disposition of the exemption to equal their service connected rating i.e. 50% disabled, 50% exemption and so on up to a 100% and it adds back in an income level that was different than what was there before. The income level before said \$14,500 dollars minus pensions, retirement, and disability pay. Now what this does is it says your total income including all compensation cannot exceed \$75,000. And because of the definition of a homestead which restricts the exemptions of the first \$80,000, it changes that to \$100,000 for the DAV's only. Because this particular section of the Bill deals with two different classes of people.

Chairman Belter: Do you wish to move your amendments?

Representative Owens: Yes, I would move the amendments, #0203.

Representative Brandenburg: Second it.

Chairman Belter: Is there any discussion?

Representative Headland: How does this change the fiscal note?

Representative Owens: It increases the fiscal note by approximately about \$300,000 dollars.

The current fiscal note is 5.7 I believe. And this is assuming that all 2,409 DAV's in the State of ND between 50% - 100%, apply for it. Now we know that some of them are under the HCT Act and some of them are in nursing and veteran homes, so we don't know how many, but we do know that it's limited to 2,409. Out of a survey by the Tax Dept. of all of the Counties of the people doing this exemption, not all of the Counties reporting, there are only 58 people currently that have applied for this exemption, Statewide.

Chairman Belter: Any other discussion on this amendment? **If not, all of those in favor signify by saying aye. The motion carries.**

Representative Pinkerton: (Attachment #2) goes through the amendment, #0201. (Can't hear)

Chairman Belter: They can still levy the same number of dollars. Yes, they are still allowed to raise their same number of dollars. So it becomes a situation where the rest of the property tax payers pick up the tab.

Representative Pinkerton: (Can't hear)

Representative Owens: I appreciate what Rep. Pinkerton's trying to do here and you're right, whether they're capped or not. What happens any time you exempt somebody in the property tax within a given area, then the cost is spread out over the remaining people that live there.

So that's going to happen but my only problem is, is we've got Cities in locations that are giving 2 year exemptions just to move a new and move in and these people haven't done anything. They haven't sacrificed and given up what some of these people have given up. And yet that cost has been spread out amongst everybody else and that's a local exemption. It

affects your schools whether they're capped or not and then businesses that come in, they're doing that for them as well, which we need because we need the jobs and everything, I

understand that but, because of that, they're willingness to give exemptions to companies and people who just move into the area and could just leave after the tax exemption has expired, I don't have any problem who are ND residents and who have given up a piece of their life in order to maintain what we enjoy. There's a big difference though in below 50% and above 50%. It's a marked difference. Above 50% from WW II, they got 70%-80% for some really ridiculous things. I know a gentleman who was in the auto business and he went off during WW II and came back with a scar on his face and because he failed that was considered a disability for him. And yes, you're going to have some problems that you and I don't want to have and the money is not worth it. They don't pay you enough, trust me.

There was open discussion between the committee.

Chairman Belter: Walstad's interpretation is that, even if you are capped, that that Political Subdivision has the authority to tax in dollars and so what happens is that there really is no loss in revenue for that Political Subdivision. What does happen is the rest of the tax payers in that group have to pick up the cost of that just as they pick it up for new housing and etc...

Representative Pinkerton: I'll withdraw my amendments.

Vice Chairman Drovda: I move a Do Pass as Amended.

Representative Brandenburg: Second it.

Chairman Belter: Is there any discussion? If not, will the clerk read the roll; 13-y; 1-n; 0-absent; Rep. Schmidt will carry the Bill. We'll close the hearing in SB 2172.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2172 D

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 19, 2007

Recorder Job Number: 5249

Committee Clerk Signature

Mickie Schmidt

Minutes:

Chairman Belter called the committee to order and asked the clerk to read the roll; everyone was present.

Chairman Belter: I would entertain a motion that we reconsider our actions.

Vice Chairman Drovda: I move that we reconsider our actions

Representative Owens: Second it.

Chairman Belter: All of those in favor of this action signify by saying aye. 12-y; 0-n; 2-absent; the motion carries.

Representative Owens: The amendments I got, obviously Counsel didn't understand and thought we hadn't moved on the other amendments, so I've got everything in this amendment. I'd like to make a motion that we remove the previous approved amendments. So we go back to the original Bill.

Vice Chairman Drovda: I second it.

Chairman Belter: Any discussion? If not all of those in favor of removing the previous amendments signify by saying aye. The motion carries.

Representative Owens: I would move a new amendment #0205. (See attachment #1) He explains them.

Chairman Belter: But that's not taxable.

Representative Owens: The only difference between it is that \$12.10 would be taxable. The 24.71 would be non taxable, so basically what that is saying is just from the 100% alone, your annual pension is just under \$30,000 dollars. Now if you look at the Officers for example, the first two lowest rates are in the same boat. You have to be Captain or above, 100% disabled and in 20 years before you start. And the truth of the matter is if you're 100% disabled, more than likely you didn't serve 20 years. Something happened to you during that 20 year period. So I'm comparing this to retirement pay at 20 years and the majority isn't going to have that. They are going to have a lower level. Then it depends on the three different retirement plans. \$75,000 would cover the pension of a 100% disabled three star General that might be just a tad high. So the thought was to reduce it to \$50,000, because what we're really interested in is getting it to those people who need it the most. And if you're making that kind of money you can afford to pay a little bit of your property tax. The other issue was, because it's an exemption and not a credit, we put in there that we allow the County Board to vote not to apply this subsection of the law. So they have the option and this is not a strict mandate from the State. They can opt to not do it. (That's on page 2, line 25.) And because we're going to allow them to opt to not do it, we removed the sunset law. So that's what these amendments do.

Vice Chairman Drovdal: Since we're giving them a choice, do they all also have the flexibility in this choice that they can opt out of the \$50,000 limit? Or is it in or out period?

Representative Owens: We do have if you recall under the law currently, if you make an improvement on your house that's over 25 years old, you can ask for up to a 5 year exemption and the Counties and Cities, some have decided to make that 2 years or 3. The State law says up to 5 years. So that law has an option for them to pick and choose, this one does not. The only choice they have is this section, either they apply it or they don't.

Vice Chairman Drovdal: Do you have a fiscal note on this?

Representative Owens: The information that we got from the Tax Dept. says we don't have an official fiscal note until LC requests. But we had Marcy Dickerson do the run and based on the estimates, it was going to be \$6 million if everybody applies for it. More than likely it's going to be less than that.

Representative Wrangham: Is this something the Counties could do without?

Representative Owens: Technically particularly a home rule can do anything they wanted to. They already give exemptions to people who move here, who isn't disabled; all they want to do is move here for two years.

Representative Headland: If you're receiving the maximum allowable disability, then are you also going to be eligible for social security disability? And if you are eligible, right there, that's probably going to put you over the \$50,000 limit, isn't it?

Representative Owens: I can't answer that question. I would imagine so...

Representative Froseth: I'm not sure about that either but on many cases in their retirement plans, those disabilities are offset. This is something we should check on.

Representative Schmidt: Somewhere in the testimony the Tax Dept. wanted a sunset because they wanted to get a better handle on it.

Representative Owens: We talked about that but it didn't make no sense to have a sunset law if they could pick and choose to do it or not. This was in reference to concerns that it was a mandate.

Representative Froelich: I like your concept on page 2, line 25. But my concern is I'd like to see where Counties could opt in.

Chairman Belter: These Counties are going to be well aware of this opt.

Representative Owens: It's for taxable years after December 31, 2006 so 2007 is the first tax year. You know as well as I do that if someone walked in right now and set up an exemption about an improvement you made to a house that's more than 25 years old, they're going to hold that until they know before they make that improvement, until they know about that option and they make a decision. The taxing jurisdiction still has to approve the exemption even under that other improvement law, so I don't believe that's a problem.

Representative Schmidt: Didn't only 58 Veterans take advantage of this under the old law?

Representative Owens: That's the information we got. I want to be clear on that. That's 58 DVA applied under the current law from the Counties that reported, not all Counties reported back to the Tax Dept. And in that discussion, they discovered that some went under the current HCT. Some of the older Veterans went under the HCT act and didn't even use this. Also, the total number for 50%-100% disabled Veterans as of 2006 is 2,490.

Representative Schmidt: So therefore the Tax Dept. is using every one of them on the fiscal note?

Chairman Belter: They were using the worst case scenario. Rep. Owens, do you wish to move the amendments?

Representative Owens: Yes, I would move the amendments #0205.

Representative Froelich: Second it.

Chairman Belter: Is there any discussion? If not everyone in favor signify by saying aye. The motion carries. I would entertain a motion.

Representative Grande: I would move a Do Pass as Amended.

Representative Owens: Second it.

Chairman Belter: Is there any discussion? If not will the clerk read the roll: 11-y; 1-n; 2-absent; Rep. Schmidt will carry the Bill. We will close the hearing on SB 2172.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2172

Page 1, line 2, after "veterans" insert "and to provide for state reimbursement to political subdivisions for property tax revenue losses attributable to the exemption"

Page 2, after line 25, insert:

"By March first of each year, the county auditor of each county shall certify to the state tax commissioner on forms prescribed by the state tax commissioner the name and address of each person for whom the exemption under this subsection was allowed for the preceding year, the amount of exemption allowed, the total of the tax mill rates of all taxing districts, exclusive of any state mill rates, that was applied to other real estate in those taxing districts for the preceding year, and other information as may be prescribed by the tax commissioner.

The tax commissioner shall audit the certifications by county auditors, make corrections as may be required, and certify to the state treasurer for payment to each county on or before June first of each year the sum of the amounts computed by multiplying the exemption allowed for each eligible property in the county for the preceding year by the total of the tax mill rates, exclusive of any state mill rates, that was applied to the other real estate in the taxing district for that year.

The county treasurer, upon receipt of the payment from the state treasurer under this subsection, shall apportion and distribute that payment to the county and to the local taxing districts of the county on the basis on which the general real estate tax for the preceding year was apportioned and distributed.

Supplemental certifications by the county auditor and by the state tax commissioner and supplemental payments by the state treasurer may be made after the dates prescribed in this subsection to make any corrections that may be necessary because of errors or because of approval of any application for abatement filed by a person because the exemption under this subsection was not allowed in whole or in part."

Renumber accordingly

#1 3-13-07
SD 2172

70452.0203
Title.

Prepared by the Legislative Council staff for
Representative Owens
March 12, 2007

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2172

Page 1, line 13, after "deceased" insert ", for the first one hundred ~~fifty~~ thousand dollars of true and full valuation of the fixtures, buildings, and improvements"

Page 1, line 18, remove the overstrike over "~~, if the income of the veteran and the spouse, or if the veteran is~~"

Page 1, remove the overstrike over line 19

Page 1, line 20, remove the overstrike over "~~year prior to the year for which the exemption is claimed did not exceed~~"

Page 1, line 22, after "or" insert "seventy-five thousand dollars, including all compensation, retirement pay, and"

Page 1, line 23, remove the overstrike over "~~pension for service-connected disability from the United States government~~" and insert immediately thereafter "for a percentage, equal to the percentage of the disabled veteran's certified rated service-connected disability, applied against the first one hundred thousand dollars of true and full valuation of the fixtures, buildings, and improvements"

Page 2, line 20, after "subsection" insert ", and except as otherwise provided in this subsection"

Renumber accordingly

March 12, 2007

VR
3/13/07

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2172

Page 1, line 13, after "deceased" insert ", for the first one hundred thousand dollars of true and full valuation of the fixtures, buildings, and improvements"

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Page 2, line 20, after "subsection" insert ", and except as otherwise provided in this subsection"

Renumber accordingly

Date: 3-13-07
Roll Call Vote #: 2172 AM

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House _____ Finance & Tax _____ Committee _____

☐ Check here for Conference Committee

Legislative Council Amendment
Number _____

Action Taken Do Pass As Amended

Motion Made By Rep. Drovdal Seconded By Rep. Brandenburg

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich	✓	
Vice Chairman Drovdal	✓		Rep. Kelsh	✓	
Rep. Brandenburg	✓		Rep. Pinkerton	✓	
Rep. Froseth	✓		Rep. Schmidt	✓	
Rep. Grande	✓		Rep. Vig	✓	
Rep. Headland	✓				
Rep. Owens	✓				
Rep. Weiler	✓				
Rep. Wrangham		✓			

Total (Yes) 13 No 1

Absent _____

Floor Assignment Rep. ~~Brandenburg~~ Schmidt

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

REPORT OF STANDING COMMITTEE

SB 2172, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). Engrossed SB 2172 was placed on the Sixth order on the calendar.

Page 1, line 13, after "deceased" insert ", for the first one hundred thousand dollars of true and full valuation of the fixtures, buildings, and improvements"

Page 1, line 18, remove the overstrike over "~~, if the income of the veteran and the spouse, or if the veteran is~~"

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Page 2, line 20, after "subsection" insert ", and except as otherwise provided in this subsection"

Renumber accordingly

Date: 3-19-07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2172

House _____ Finance & Tax _____ Committee

☐ Check here for Conference Committee

Legislative Council Amendment
Number _____

Action Taken

Reconsider SB 2172

Motion Made
By

Drovdal

Seconded By

Owens

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter			Rep. Froelich		
Vice Chairman Drovdal			Rep. Kelsh		
Rep. Brandenburg			Rep. Pinkerton		
Rep. Froseth			Rep. Schmidt		
Rep. Grande			Rep. Vig		
Rep. Headland					
Rep. Owens					
Rep. Weiler					
Rep. Wrangham					

Total (Yes) 12 No 0

Absent 2

Floor
Assignment _____

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

Voice

Date: 3-19-07
Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House _____ Finance & Tax _____ Committee

☐ Check here for Conference Committee

Legislative Council Amendment
Number _____

Action Taken

Am Original Amendment

Motion Made
By

Owens

Seconded By

Drovdal

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter			Rep. Froelich		
Vice Chairman Drovdal			Rep. Kelsh		
Rep. Brandenburg			Rep. Pinkerton		
Rep. Froseth			Rep. Schmidt		
Rep. Grande			Rep. Vig		
Rep. Headland					
Rep. Owens					
Rep. Weiler					
Rep. Wrangham					

Total (Yes) 12 No 0

Absent 2

Floor
Assignment _____

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

Voice

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2172

Page 1, line 2, after the semicolon insert "and"

Page 1, line 3, remove "; and to provide an expiration date"

Page 1, line 13, after "deceased" insert "for the first one hundred fifty thousand dollars of true and full valuation of the fixtures, buildings, and improvements"

Page 1, line 18, remove the overstrike over "~~if the income of the veteran and the spouse, or if the veteran is~~"

Page 1, remove the overstrike over line 19

Page 1, line 20, remove the overstrike over "~~year prior to the year for which the exemption is claimed did not exceed~~"

Page 1, line 22, after "or" insert "fifty thousand dollars, including all compensation, retirement pay, and"

Page 1, line 23, remove the overstrike over "~~pension for service-connected disability from the United States government~~" and insert immediately thereafter "for a percentage, equal to the percentage of the disabled veteran's certified rated service-connected disability, applied against the first one hundred thousand dollars of true and full valuation of the fixtures, buildings, and improvements"

Page 2, line 20, after "subsection" insert "and except as otherwise provided in this subsection"

Page 2, after line 25, insert:

"This subsection does not apply within a county in which a resolution approved by the board of county commissioners is in effect disallowing the exemption under this subsection for the taxable year."

Page 2, line 26, remove "- EXPIRATION DATE" and remove "the"

Page 2, line 27, remove "first two" and remove ", and is thereafter ineffective"

Renumber accordingly

March 19, 2007

**House Amendments to Engrossed SB 2172 (70452.0206) - Finance and Taxation
Committee 03/19/2007**

Page 1, line 2, after the semicolon insert "and"

Page 1, line 3, remove "; and to provide an expiration date"

Page 1, line 13, after "deceased" insert ", for the first one hundred thousand dollars of true and full valuation of the fixtures, buildings, and improvements"

Page 1, line 18, remove the overstrike over "~~, if the income of the veteran and the spouse, or if the veteran is~~"

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**House Amendments to Engrossed SB 2172 (70452.0206) - Finance and Taxation
Committee 03/19/2007**

Page 2, line 20, after "subsection" insert ", and except as otherwise provided in this subsection"

Page 2, after line 25, insert:

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Page 2, line 26, remove "- **EXPIRATION DATE**" and remove "the"

Page 2, line 27, remove "first two" and remove ", and is thereafter ineffective"

Renumber accordingly

Date: 3-19-07
Roll Call Vote #: 3

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2172

House _____ Finance & Tax _____ Committee _____

☐ Check here for Conference Committee

Legislative Council Amendment
Number _____

Action Taken Move Amendment

Motion Made By Owens Seconded By Froelich

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter			Rep. Froelich		
Vice Chairman Drovdal			Rep. Kelsh		
Rep. Brandenburg			Rep. Pinkerton		
Rep. Froseth			Rep. Schmidt		
Rep. Grande			Rep. Vig		
Rep. Headland					
Rep. Owens					
Rep. Weiler					
Rep. Wrangham					

Total (Yes) 12 No 0

Absent 2

Floor
Assignment _____

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

Voice

Date: 3-17-07
Roll Call Vote #: 4

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2172

House _____ Finance & Tax _____ Committee _____

☐ Check here for Conference Committee

Legislative Council Amendment
Number _____

Action Taken No Pass No Amendment

Motion Made By Grande Seconded By Owens

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich	✓	
Vice Chairman Drovdal	✓		Rep. Kelsh		
Rep. Brandenburg			Rep. Pinkerton	✓	
Rep. Froseth	✓		Rep. Schmidt	✓	
Rep. Grande	✓		Rep. Vig	✓	
Rep. Headland	✓				
Rep. Owens	✓				
Rep. Weiler	✓				
Rep. Wrangham		✓			

Total (Yes) 11 No 1

Absent 2

Floor Assignment Rep Schmidt

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

REPORT OF STANDING COMMITTEE

SB 2172, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (11 YEAS, 1 NAY, 2 ABSENT AND NOT VOTING). Engrossed SB 2172 was placed on the Sixth order on the calendar.

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Page 2, line 27, remove "first two" and remove ", and is thereafter ineffective"

Renumber accordingly

2007 SENATE FINANCE AND TAXATION

CONFERENCE COMMITTEE

SB 2172

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2172**

Senate Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: April 9, 2007

Recorder Job Number: # 5831

Committee Clerk Signature



Minutes:

Sen. Tollefson, Chairman called the conference committee to order and had the clerk take the roll. All members present: Sen. Tollefson, Sen. Cook, Sen. Horne, Rep. Owens, Rep. Grande and Rep. Arlo Schmidt

Rep. Owens: we received the bill from the Senate and basically all it did was take out the income limits but it left it at 80,000 as defined under homestead and it was our understanding that the bill as it had come across the Senate and as we can see here that sought and a higher and included land but we did take that into consideration. So what we did was we sought to try to equalize it among the disabled veterans a little proportionate more cuz the way it sits right now it treated everybody equal regardless of their disability rating so what we did first was we made the exemption appropriate and equal to their service connected disability. 50-50, 60-60, 70-70 and so on and then during discussions within the House just among members we decided that since this is an exemption and not a credit which means local political subs have to absorb the effect to give them an opt out and on top of that the discussion was we were looking for an attempt, two things happened, we were looking for an attempt to raise it from the 80 because of home values particularly in the larger cities, its hard to find a house for \$80,000, so we looked at \$150,000 and we looked at \$100,000 and because of the discussions in the

House, just in informal discussions we heard rumors that people didn't like the fact that there was no income limit and anyway we didn't want the bill to die so we stuck in \$100,000 for the house and we did limit it to 50 to include all compensation and everything. We as you're aware it passed without a problem. We were afraid based on some of the rumors that it wouldn't pass at all and we did not want this bill to die, now having said that though and at the rate that it passed we believe we may have unjustly reduced it a little too much and restricted it a little too much. To be honest with you we believe that it could have passed with higher limits if you will so taking into consideration what the Senate's first intent was what the bill drafters intent was originally and what the Senate feels I have some additional amendments I'd like to discuss with the conference committee if we may. In conversations with the Tax Commissioner about this bill as well under current law even though its limited by income and its limited to \$80,000 under the homestead ruling, the situation exists where somebody with 50% and at current count there is only 58 people across the state using the current law but if somebody's at 50% at the 80,000 their getting 100% on that 80,000 so to hold them harmless from changes because of the linking of the service connected disability which I personally still think is very appropriate, what we'd like to do is raise the house value up to \$160,000 cuz then that way they are still getting their \$80,000 and that way they don't take a hit because we've changed the formula if you will, so that's what the first one does and then as far as page 1 line 14 and page 2 line 4 its to put in there that this is for their primary place of residence just to clarify that in law not to say that this is just for lands you own and then in between there though we do what the Senate's original intent was and we take out the income limitation completely. The situation exists in if we take the worst possible case scenario of 100% disability; your talking about \$29,000 is what they get. Now keep in mind \$29,000 you think okay but they don't have to work for this, they've already done their work considering the condition there in in

many cases and what their life is like and their quality of life and then if they do get and some may qualify for social security disability if they have 40 quarters etc., etc., and they qualify under social security which is a totally different qualification, the disability has to be longer than 12 months or ultimately result in death is the determination for social security. If they get that and then their spouse works just at McDonalds and makes \$14,000 all of a sudden they are out of the income limit that's in there and I'm gathering that wasn't the intent of the Senate that they were trying to take out income limits completely. One thing that struck me as I was reading it even further after once the bill had gone back to the Senate I got to thinking we had left out something that makes it onerous on the disabled veteran, I mean if they are 50 to 100% I think they've proved enough about what they believe in and what they are willing to do and everything. It's just that the last line here in this recommendation is that we only require them to initially file for the exemption and we set criteria for changes but it's automatically renewed every year after that. If their service connected disability percentage changes they'd have to reapply, if the veteran dies the unmarried spouse would have to notify, if they sell the property and it's no longer their primary residence they need to notify. So it's just some requirements of notification due to changes in place of residence or life style changes.

Sen. Cook: I think there is one thing we ought to do at this point, I think we ought to have another fiscal note prepared with these amendments onto it and sit down and discuss what we're going to do.

Rep. Owens: just for everyone's consideration, we tried it at 150,000 and I realize we're talking about 160,000 now and that was 6 million, just to let you know it's not going to go up much above 6 million and that's assuming there's 2490 disabled veterans according to the 2006 census. 2490 that fall between 50 and 100 currently residing in the State of ND, you can add another 5900 for 10 to 40. my point being sir, we did get a fiscal note estimate as best as

can be determined because we don't know how many of these 2490 are living in veteran homes, how many are on farm exempt homesteads already, how many are in different living facilities, there is no way of telling that so we are just down to the 2490 and the estimate and I'm not saying we shouldn't get a fiscal note, I'm just giving you some additional information. The estimate at that point is at 150,000 was 6 million across the entire state to the political subdivisions.

Sen. Tollefson: the projections of course could continue to be more than this with Iraq and Afghanistan and the rest, no projection has been made in that I'm sure.

Rep. Owens: unfortunately you're correct that this could, I don't think it will be substantial but I think it could certainly grow. It will go down because some of these people from WWII and Korea and unfortunately are leaving us

Sen. Tollefson: as a matter of fact WWII veterans are dying at about 1500 a day.

Sen. Cook: first off you said something earlier, 58 is that the number that are using this today, is that what you said?

Rep. Owens: Yes, current knowledge is only 58 people are using the current law today across the State of ND now to be totally fair to my colleagues in the Senate, that's 58 of the counties that reported some of them didn't report because they don't have any veterans not even using the program so they didn't bother to report but we know for a fact right now that 58 and we also know that some people qualified for this because of the requirement they also qualified under the homestead credit act and since that's reimbursed by the State the counties convinced them to fall under that category as well. So there are some more veterans but because they met the income limit or the age limit they shipped it over to the homestead credit act.

Sen. Cook: my other one earlier you made comment that the cost of this as something that political subdivisions absorbed and I see the fact there isn't numbers in the fiscal note and I

was surprised and this is what I need clarified. I was surprised that the fiscal note quite frankly isn't zero because I would think that this is actually not a reduction in political subbed income but its just passed onto other tax payers in the political subdivision as they build their budgets, now if that's not the case if this is something that is done after the budgets built so it actually is a financial hit or financial reduction in income for the political subdivision, that's what I need to have clarified.

Rep. Owens: here's what I fully expect to happen, there are two types of ___ tax relief or refund, a credit and exemption a credit that the state reimburses an exemption smaller political subdivisions absorb, this is an exemption so they are going to be absorbing it #1, #2 your statement is right as to what would happen over time but of course the minute we pass this and everybody starts applying I imagine there'd be an initial hit until they could raise everybody else to compensate, that's what I honestly would expect to happen.

Sen. Horne: how do the counties know, we talk about the numbers potentially eligible the 2500 disabled vets with the 50 to 100 % disability and then those less than 50%. You talked about now apparently we only know of 58 veterans who are using this program now, how do we know when somebody does this, is there a form tracking this back to the states or do you have to go back to each county and ask each other to go through their books and check who is applying for this?

Rep. Owens: you have to come into the county auditor and apply for this just like you would with a homestead tax credit and the other credits that we have on the books, you go in and apply and that's when they find out, they don't readily know who's disabled and who isn't in a county. The numbers that we got the 2490 are from 2006 census from the VA in Fargo, so they are telling us how many are currently in the state and obviously they know because they are sending out the checks to pay for these people as part of the disability pension.

Sen. Cook: back to who absorbs it you say the counties absorb it, do all of the political subdivisions in that tax and jurisdiction absorb their share or does the county absorb 100%? Does the school district have to make up for they absorb what their percentage of that tax was?

Rep. Owens: It's equal across the board. Every taxing authority within the political subs would be affected. That's why you see down here it says counties, cities and school districts.

Rep. Schmidt: did the Senate put a sunset on this?

No – no sunset

Rep. Owens: I apologize, when I was going over the changes I forgot to mention, we deliberately took out the sunset when we added the opt out position because once you had the opt out, if they want to vote to opt out of it, it doesn't matter about a sunset.

Sen. Tollefson: what we need now is a new fiscal note, right? Then we will meet again.

Adjourned the conference committee.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2172**


Senate Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: April 11, 2007

Recorder Job Number: # 5881

Committee Clerk Signature



Minutes:

Sen. Tollefson called the conference committee to order and had the clerk take the roll. All members present: Sen. Tollefson, Sen. Cook, Sen. Horne, Rep. Owens, Grande and Rep. Schmidt.

Rep. Owens: in our discussion earlier I had asked the committee to consider an amendment to actually hold harmless some of the people that are currently under the system and I actually received a phone call yesterday from a DAV that's 50% under the current system. I didn't really know if there were any out there that were using it, he's from Valley City is where he lives right now and to return as far as the income level back to the original intent of the Senate had passed to us before and I had explained why it was changed and everything and in process you could ask for a fiscal note to see how that would affect it and there's a number of assumptions that throughout this whole process Ms. Dickerson of the Tax Dept. had to make and she just prefers to reiterate that every time she works on this one because she's done this several times and that's the e-mail at the beginning for assumptions that all eligible veterans would apply for it and it doesn't take into account necessarily the people that are living in rental quarters everything. She's counting based on 2006 census our numbers of all DAV's and then she turns around and says okay well assuming that 75% live in the cities where they are liable

and they all own homes, 160,000 or more and then she reduces that amount for 25% that lives out and this is the way the estimate has been done. And that all counties since there's an opt out that all counties would provide it that they would not opt out, it came to a state wide total for 50 to 100% based on her estimates of 9.1 million and that's for all the counties state wide but again only to those DAV's 50 to 100 and the exemption equal to their service rate of disability.

Sen. Cook: what I am dwelling on here is this where the county commissioners could exempt out, this subsection does not apply if they exempted out then assuming that they would be exempting out the disabled veterans exemption that we have in the books right now too so there'd be zero. They are not just exempting out of the changes they make, their exempting out to the total program.

Rep. Owens: Sen. Cook, you're correct by putting that in. Now between me, you and every other government agency listening I want to see which county commissioner is going to vote that because there won't be a county commissioner at the next election I believe, personally.

Sen. Tollefson: are you offering an amendment?

Rep. Owens: if I may sir, there's been a couple of minor changes than what I handed out to you before because before is a couple of changes I made were not necessary and they were pointed out by Ms. Dickerson when we were discussing it so if I may **Offer an Amendment that the House Recede from its Amendments and Adopt these Amendments** as follows. We included for the first \$160,000 of true and full value of fixtures, buildings and improvements on line 13 and 14 and then we remove overstrike beginning on line 19 if the income of the veteran and the rest of that line and all of 21, it has come to my attention all of 23 and all of line 24 on page 1 and then line 1 on page 2 up to the United States Government overstrike and then we overstrike at line 21, page 2 beginning with any person the remainder of that line, line 22 and line 23 and we replace with after the initial filing it will be automatically removed each

year, however veterans are there unmarried surviving spouses will have to re-file if their service connected disability percentage changes, if the veteran dies, sells the property or no longer claims that property as their primary place of residence and that's the extent of the amendment.

Sen. Tollefson: do you have a copy of that amendment?

Rep. Owens: I was lining through what I had passed out before and using the engrossed Senate bill #300.

Sen. Cook: I have a note here of \$160,000 of true and full value __ permanent, did we discuss something here where about where there primary place of residence or something like that?

Rep. Owens: your right that was what I had offered to you before on page 1 line 14 and page 2 line 4, I've stuck in for their permanent place of residence and in reviewing this and preparing the estimates of the fiscal note for the committee Ms. Dickerson pointed out that that was unnecessary because we are talking about who owns and occupies as a homestead and that is primary. The definition of current homestead in the current law is your primary place of residence.

Sen. Cook: and that's staying in the bill?

Rep. Owens: yes sir.

Rep. Grande: Rep. Owens can you explain to me on page 1 just how much we are crossing off here?

Rep. Owens: all the way to US Govt. on left page 2 line 1, we have to take that out for it to be for there to be no income associated with it. I accidentally left in, allow me to explain, when I was doing this amendment writing it up, I miss read it cuz I was doing it rather fast I saw the 50

over here on line 23 and thought that that was the beginning of the service connected disability match so I've stopped my amendment there. In reality the beginning of that is not until page 2.

Rep. Grande: it doesn't read right.

Sen. Horne: there's no income test in what we're proposing, is there an income test now? To receive a tax credit?

Rep. Owens: right now it is the income test is literally I believe 14,500 right now and that doesn't include the pensions or anything. 14,500 is extremely low.

Sen. Horne: so we're shifting that income test to the value of the residence then, that's the change?

Rep. Owens: no sir, the way the law stands right this second it is limited to homestead, homestead is limited to \$80,000 if you make less than \$14,500 than you can qualify under this veterans exemption as long as you are 50 to 100% disabled and you automatically, its an all or nothing proposition, you get 100% property relief minus land just on the fixtures and everything or you get nothing because you make too much. The Senate sought to eliminate the original bill that came over, I gather the original bill had a \$200,000 home value from what I've seen but when it came over to us I don't remember if it had increased that or not, I don't think it did I think that had been pulled out, I'd have to go back and look at the history but they had eliminated the income with requirement all together. What the House did was we created a new formula for its service connected its link because somebody with 100 and 80 should get more than 50 I mean there's a different, its still 50 to a 100 but we linked it to the service connected disability and attempted to raise the value of the house, well we were limited in raising the value of the house just from conversation and then there's other people on the committee that wanted to opt out for the counties because there was an exemption, we weren't paying for it. Ya know, the State wasn't reimbursing because it is an exemption so they

wanted to opt out. That wasn't a problem either, but then we did wind up putting an income level back in there because we heard rumors that it might not pass, well it passed 92 to nothing I'm not too worried about it right now. I think we could go back to the Senate's original intention which I agreed with 100%, take out the income limit, these people have paid in multiple other ways before.

Sen. Tollefson: maybe we should have the amendment in its proper form and meet again.

Rep. Owens: I'd be happy to get that for you.

Sen. Tollefson: do we need a second?

Rep. Owens: I'll withdraw the motion until we get a formal amendment, Mr. Chairman.

Sen. Tollefson: we'll meet again.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2172

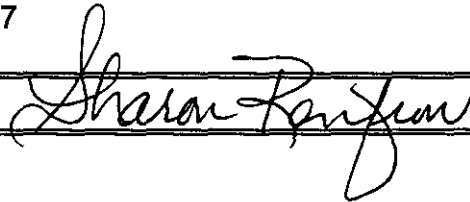
Senate Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: April 12, 2007

Recorder Job Number: #5967

Committee Clerk Signature



Minutes:

Sen. Tollefson: called the conference committee to order and asked the clerk to take the roll.

All members present: Sen. Tollefson, Sen. Cook, Sen. Horne, Rep. Owens, Rep. Grande and Rep. Schmidt.

Rep. Owens: I handed out the amendments as was prepared literally moments before we met today and this describes it will be that the House is receding in this amendment, it will be against 0200 of the bill the Engrossed Senate bill and what it does is exactly what I had described before, it inserts the value of the home at \$160,000 minus land of course and that's a constitutional issue, it adds in the percentage equal to the percentage of disability as certified service connected disability and on page 2 line 17 is where it changes a little bit. Page 2 line 20 and accept as otherwise provided in this subsection is needed to separate the DAV portion from the disabled portion of the current statute and that's what was in there and then page 2 line 25 is the subsection of where the counties by resolution of the county board can vote not to honor this and then it removes the sunset. The issue with page 2 line 17 is we had discussed originally what I had been talking about committee members earlier was to allow them to file automatic that it would be an automatic renewal each year and that there was certain conditions where they would have to update their information should that occur

including and Mr. Walstad left that out now there are two reasons we left that by removing any person shall thereafter furnish to the assessor or others by removing that sentence and the two sentences following it essentially accomplishes the same thing except it doesn't allow for the conditions of when they would have to it doesn't allow for the conditions of changing the percentage or if the veteran dies notifying them, that's what he accidentally left out

Sen. Cook: why'd they correct that?

Rep. Owens: I was going to leave that to the committee's discretion on whether they just wanted to just leave it like he had written it, I would prefer I'd put that in there myself and that's why I went ahead and pulled this out and I'll give you copies here of just that part so what I'm talking about here is adding, Mr. Chairman what I would like to do is **Motion that the House Recede from its Amendments as printed on page 920 in the Senate Journal and on page 1094 of the House Journal and that Engrossed Senate Bill 2172 adopt amendments as follows for both of these**, the one you have in front of you and this. Now between these two pieces of paper are exactly what I've been talking about during the last two meetings.

Sen. Cook: I'm going to say the same thing that I said at the last meeting when the motion was made on wordage, language written by a committee member I would like to see it down in form. I'm glad I said it last time it may not be necessary this time but I'm still going to say it. We got plenty of time we're going to be here for another 3 days, lets go back to John get it drafted correctly so we have a piece of language that we know what we're going to do.

Rep. Owens: I certainly do not disagree with Sen. Cook, he was tied up and the computer crashing I literally got these right before my last conference committee so I didn't have time to go back up and talk to him about that. I certainly understand Sen. Cook's request.

Rep. Grande: just one quick thing as far as I'm kind of curious as to is the senate okay with these amendments once we've got them or were there other ideas that we're looking at?

Sen. Cook: I will probably vote for this to proceed and put this back up to the floor I am having trouble especially after a question I asked at the last meeting with the entire concept at what we're doing and I gotta really give it some thought. And here's the thing I think we're doing wrong is first off god bless the veteran who has served this country, this country has acknowledged that service, this country has got other areas where we what should I say, I don't want to say the word reward but continue to give them benefits for their service and whether or not we're doing enough for that or not is not the issue of my concern. The issue of my concern is what we are doing as a State is making a decision to give a financial benefit to veterans that has to be paid by political subdivisions, we have no say, so we're making the decision the deal is going to be paid for by cities, counties and schools they have no say in the decision and number 1 if there is any political subdivision that I don't think should be held in anyway accountable to financially giving veterans to those who served our county its that level of government those political subdivisions. Now we can correct my concern by treating this like we do the other homestead tax credit by putting an appropriation on it then we have I think property funded this meaning if it's our decision that we're going to make then I think we are the ones who should pay for it, that's my concern. And I never thought of that when we had the first hearing I asked the question at one of the conference committees about is this a property tax shift or do the political subdivisions just get shorted and you all heard the answer and that just raised a red flag in my mind.

Sen. Tollefson: does the opt out provision provide any of that concern?

Sen. Cook: it prides a little of concern, Rep. Owens made the comment not a county commissioner is going to dare to vote against it we put them in a very tough position if they opt out then they have then of course made that decision if they elect not to opt out they have spoken on behalf of the county but the school, the city, the board of county commissioners and

ultimately that's dollars that's not in there for the budget and so ultimately it does become a tax shift I think but I just think if we're going to move forward down this path we need to fund it.

Rep. Owens: everything you've said is not incorrect, I'm not here to dispute a word that you said this is an exemption there are 5 different ways for property tax relief there are 2 categories and 5 different methods, the 2 categories are the ones that govern where the money comes from, a credit organization, I mean that's across the entire United States and this is an adventure, everything else we do is a threat so far except I take that back there is an exemption in here already for just paraplegics it doesn't have to and towards disabled this is only a portion of that section that's why we've got that, that's why down in homestead to really correct this we need to redefine homestead as other states have done, there are a number of other states that have both credits and exemptions and your absolutely correct anytime you have an exemption you pass on the you shift the tax burden to fund those services but the reason that I haven't bought that this being an exemption is for some other reason you say is what these people went through in their condition cuz we're only dealing with 50 to 100% right now and what their quality of life must be at this point and I compare that to offering 1.2 million dollar tax relief for 10 yrs to a company or 2 yrs to somebody to move in and build a house in an area who hasn't done anything there are just building a house they could turn around and sell it after 2 yrs move somewhere else maybe get the exemption again maybe not I would hope the systems designed where they couldn't get again but still we give them a tax exemption and they haven't done what some of these people have done. Sadly to say some of these people are leaving us at an alarming rate right now, even some of the young ones that are near 100% and we don't know what's going to happen to the ones that are coming back from Iraq and Afghanistan, their life expectancy is cut short and the cause of what they went through and everything, they don't have this 72 yr average they wind up some of them disappearing at 40

and 50 yrs old. I greatly appreciate your point of view and what your saying and like I said everything you've said is not incorrect but because of the current exemptions of cities and counties provide for any number of reasons I just felt like this should be a more of a focus of theirs and some of the things that they provide exemptions for now.

Sen. Cook: I couldn't argue with him, they hand out exemptions on their own very liberally and I can say I get awful upset with a lot of that myself also and these are disabled veterans but you know you take a look and compare the elderly couple living on fixed income, he's a veteran of WWII but he certainly is not disabled he came back worked all his life and they are on fixed income, social security they may qualify for the homestead tax credit, I'd like to give them more too but its again its an issue that came to me after the last conference committee, I've been sitting here thinking about it and to what degree this is going to affect on how I vote on it, I'm raising the issue and I feel much more comfortable if we funded it but I don't think that's gong to happen at this point.

Rep. Grande: I have no problem doing it as you say I just fear that a fiscal note of 5 million on here is going to kill the bill, that would be my concern.

Rep. Owens: in reality since we don't know exactly are many living on farm exempt properties in the veterans that are already 65 and over and maybe we do know some of them are under the current homestead credit because we know for a fact that some counties have said that they told them, well you qualify under this but you qualify under that if you shift over here we get the money from the state so they've qualified there and we do know that they have done that but the fiscal note would be 9.1 based on the estimates right now. And that's assuming all 2490 live in a \$160,000 or better house and like I said we don't know how many of those are in those different places that it wouldn't matter.

Sen. Tollefson: that are disabled 50% or more

Rep. Owens: yes sir, there are a little over 7900 disabled DAV's through the service ____ disability rating, the large majority of them over 5000 and we talked about this the other day I forgot the number now but over 5000 are below 50%, 10, 20, 30, 40 even there's a few of them that are zero rated but that wouldn't play according to the formula anyway it wouldn't matter, there's a very small percentage that are zero compensated. We're really only talking about what we know of 2490 right now, is that number going to grow. Well we can say we know we're going to have people coming back from Iraq and Afghanistan so it should grow, but at the rate we're losing them on the other end, the question is how many of them are in ND, we don't know.

Sen. Cook: again I'm going to vote for the motion to get this bill out of here, I'm not sure what I'm going to do after that but a disabled veteran right now who qualifies for this program is going to receive this program until they turn 65 and then this political subdivision the county of course because of the financial motive there is going to put em on the other homestead tax credit where they get reimbursed, there are going to quit doing that is we now change the rules of the homestead tax credit as far as the limitation on the value of the property was the same for both programs and now that's no longer going to be the case so there will be a financial loss now for a disabled veteran to go back to the other program once they turn 65 so they are not going to do that and I think we all recognize that. That's again the question is in my mind and what I guess what I find amazing is an issue and I think we need to address this issue and consider it because its an issue that's but we're affecting counties, cities and schools and yet the counties, cities and schools aren't standing up here saying this affects counties, cities and schools don't do it. Do they not know this affects them? I don't know.

Sen. Tollefson: you mentioned the age thing most of these veterans are WWII veterans, there isn't any of them that are under 65 yrs old.

Sen. Cook: I guarantee you there's veterans my age that are disabled because of a little thing called Vietnam there is veterans disabled because of the 1990 war.

Sen. Tollefson: that could very well be and I'm sure your right, you know the WWII veterans that were basically or our big concern with this thing are soon gone. They aren't going to be here very long and of course we'll have some growth with Iraq and Afghanistan and some of those from Korea and Vietnam and the rest, anyway don't you think we should put this in its final form, have another meeting and then we'll do what we have to do and take it from there?

Rep. Owens: Sen. Cook your comments there about switching the homestead act we're not totally incorrect, you bring up a good point but I would contend that it would literally be a case by case basis because at the 50% depending on the value of their home at the time that they live out in the rural area it may behoove them to switch over because they may qualify for the 80 – 100% under the homestead credit with the way we are raising, so you make a good point I think for at least 50% of them and you may be correct but nevertheless for some of them it would be and I don't remember in order for us to do that it shows us how many are 80 and 50 and what not so it looks like its fairly well divided, so never mind.

Sen. Horne: as I'm listening to the conversation and I'm going to kind of talk out loud a bit, the question with the counties and cities care about this I doubt if they know about this is my guess they'd probably understand what were talking about. I guess I didn't quite realize it until we got into this discussion last meeting or two here, but if I understand what we'll do this if we approve this in both houses we would be saying to the counties you decide whether you want to give the disabled veterans this benefit, this tax benefit and if you do the burden of paying for it will shift from to the other tax payers in the schools, cities and counties, is that correct? With that and I think I agree with Sen. Cook it probably should be a general fund appropriation if we're going to do this right but its probably too late to do that you can't amend a conference report

like this can we? So we're beyond that if I understand the process so we either have this or nothing this session, what do you suppose the burden the shift would be in a county like Ward, Mr. Chairman you and I both are in Ward County, what are we talking about here, you have any idea?

Sen. Tollefson: I'll tell you though what I do think, I think that the opt out portion of this bill is a good one and I think the school boards and school districts and others if they'd have a real concern and knowledge about what would happen on the shift, they would be influencing your commissioners too. To opt out or do something different.

Rep. Owens: I didn't address this because I was focused on that other thing, the cities and counties knew about this from the beginning because I've been talking to them and I even asked them at least their representatives here, I said why didn't you come, Oh we wouldn't dare go in and talk against that. I talked to one of my city councilmen who obviously I mean let's face it the majority of these are going to be in Minot, Bismarck, Fargo and Grand Forks and my city councilman said oh no, that's fine we're not worried about it at all.

Sen. Cook: I don't doubt one bit what Rep. Owens just said but I think we should be careful about having what somebody else said in the minutes on hear say. I seen our good clerk taking minutes there and I just raise that point, I think we gotta what their opinion is is going to be in our minutes it should come from them at the podium.

Rep. Owens: your correct, this was something said to me in the hallway when I asked the question

Sen. Tollefson: if nothing further, we'll meet again.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2172**

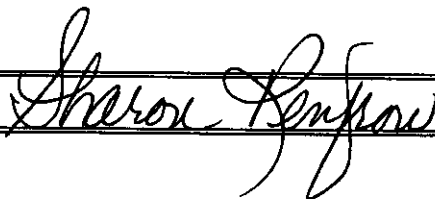
Senate Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: April 13, 2007

Recorder Job Number: #5993

Committee Clerk Signature



Minutes:

Sen. Tollefson called the conference committee to order and asked the clerk to take the roll.

All members present: Sen. Tollefson, Sen. Cook, Sen. Horne, Rep. Owens, Rep. Grande and Rep. Schmidt.

Rep. Owens: everything Sen. Cook said at our last meeting did not go unnoticed or I should said its not without his points were not without reasonable concern and what not and he had made a comment to me about being able to sleep so I thank him for not allowing me to sleep last night while I thought about this. What I was thinking about was just this morning the situation exists in that the bill came out of the Senate with no income limits and no change to the House value. We sent it back with a new formula which I honestly believe in, I mean I really believe it's the fairest way to do this but with an income limit but we altered the income limit as far as what was applied and a different House value. So what I thought and we've been going back and forth on these amendments and trying to get them just right and we finally got em in an official amendment the way we've been discussing them, however based on our discussion last time, what I'd like to do if I could is just for discussion here and get a sense of the committee on each piece of the amendment what we don't have a problem with and where our problem exists, where our concern exists and we can discuss that concern or those

concerns if there's more. So if the committee will indulge me just a few minutes what I'd like to discuss is just one item at a time the new formula. Does anybody have a problem or is there any great concern over the new formula, the new formula allows for this thing to grow in the future should it extend past 50 to 100 but that's not really the intent, the intent of the new formula was to really recognize those at 100 over and above those at 50 or 60 or 80. So I would be interested in hearing from the committee members if they have any problems with the formula.

Sen. Cook: just a clarification when you say the formula, your talking the relationship between the percent of disability and the percent of the deduction.

Rep. Owens: that's correct, that's exactly what I'm talking about. So with that, then we go to the income, now we originally because of rumors that I told you in our very first meeting we had put the income level in because of discussions and rumors we had heard and yet everybody still voted it 92 to nothing out of the House. So I'm thinking maybe they were a little concerned about that but it wasn't a big issue so the question then comes and the Senate sent it out without any income level so I guess I'm asking do we have a big problem with no income level or should there be, should we go back, now the formula for the income did change in the House, I want to be perfectly clear about this, in the original bill it had no income limit and even before that when it did have with the current law has an income limit but it rules out a lot of things to be considered as income but its restricted to 14.4. what we did was we put it at 50,000 but we included a lot of those things that weren't included before, so we've got a bunch of different issues in the income so I guess I'm asking the committees focus is, is it no income at all, no income limit at all, is it an income limit but go back to where you don't include the pension and the disability or like the House did it. What's everybody feeling more comfortable with?

Sen. Tollefson: what did the House do again?

Rep. Owens: the House should 50,000, actually it was at 70 and then it was amended again at 50, it was 50,000 but it included the disability. The problem there is some of these people and I have actually spoken to one who is 50% disabled but is 100% under FFA. So that means if no body else, if the wife doesn't work they may or may not qualify for 50,000 because if you get 100%, well 50% disability is lower but 100% is 29,000 and something right now and that index goes up each year a little bit. Trust me, it doesn't go up much but it goes up a little bit. I don't know what FFA is because that's totally different in their determination they have different rules that has nothing to do with the service connected evaluation, they have their separate rules for evaluating whether somebody qualifies under FFA, but generally if the disability lasts longer than 12 months the disability is expected to result in death in this requirement to qualify under FFA.

Sen. Cook: the questions you are trying get answered I think are some exercise we don't have to go through I think we've already come to the point where we agreed with everything the way this was at. The concern I raised was relative to the cost and who is paying for the cost. So that's what we got to find a solution to, do we put a fiscal note on this an appropriation on this and pay for this being we are making the decision, do we send it to the political subdivisions to fund themselves without any money or do we even take another step and put this into the category of other exemptions where it just gets shifted to the other tax payers in the political subdivisions, those I think are our 3 options of how we could do this. Right now we are choosing to make the decision to increase a financial benefit and we are telling the counties and the cities and school districts to pay for it. That's what we are doing right now. And so the obvious solution to that then is to put an appropriation on this and we know what the concern that was raised when that happened, which leads us now to your

discussion, so that's the dilemma and before we even go down this road your talking about is this so that we can put an appropriation on here ourselves if we don't want to put an appropriation on it if we're going to fund it then run it up to the floor and I then I think you'll have the votes to get that conference committee approved and run it onto the floor and see if it passed.

Rep. Owens: you and I discussed last time both in and outside of the committee of what some of the cities and counties do as far as exemptions and we know that no matter what we do you said we have 3 options but really 2 of the options just shift it back to me. So the result of 2 of the options are the same, the question then is if we don't think we can get an appropriation, how much are we talking about here and the only variable there and we keep saying as we've discussed in the committee that we know we are using a very good number as far as a census of these people and we also know that not all em are in the fiscal note, but we can't base it on that, we have to base it on the worse case scenario, I agree. What the bill is originally I wanted to look at the history of real quick and what the bill originally did at a 10.2 million dollar and then when it came out of the Senate it was 5.7. At one point just to give you and idea of what we were looking at in the House. The original bill was 10.2 that was with a 200,000 dollar house and 100% across the board for everybody, when it came out of the Senate it was 80,000 dollar house and 100% for everybody at 5.7 million. By taking the house up to 100,000 and doing the new formula it only went up to 6 million, it went up by 300,000, at this point what I've noticed you can raise the value of the house, for every 10,000 in the value of the house you raise it based on the formula provided by Marcy Dickerson its 504,202.80 for every 10,000 in value of the house so that's 505,000 roughly. At 160 you're at 9.1, now the House version had 100,000 in it which is 6 million.

Sen. Cook: so if I understand this right, right now if the House was to recede from their amendments, put it back into the Senate version it's 5.7 million. If we accede to the House amendments its 6 million, if we try to add this conference committee report and further amend, what we're talking about right now is 9.1 million.

Rep. Owens: if we do exactly what we've been talking about at 160 you are correct.

Sen. Cook: if we were to fund this properly and put an appropriation on here like I believe we should what do you want that appropriation to say?

Rep. Owens: my problem is I don't think we can get an appropriation.

Sen. Cook: I wish now and I regret where we're at with this at this time, I wish now when we had this back before cross over that we would have tied this issue in with our property tax _____. That's what I wish we would have done and when we look at this whole big picture and we are talking giving property tax relief to all of the tax payers in ND and in that conversation now has become the issue of caps where we are going to cap local governments ability to raise property taxes then at the same time you what you are asking me to do here is to cram down the political subdivisions neck or throat a mandate that we pass here on a property tax exemption that can't even fund without losing their budgets. To me that is rather hypocritical on our part and it will keep me awake at night and its going to make it difficult for me to take a look at county commissioners and school board members when they say how can you justify that? So the only way I can justify this and accomplish this problem is we somehow get these whole things of property tax relief, ultimately what we do with property tax relief, what we do for relief for disabled veterans together in the same package some how and we could do that yet, we could still do that, we've got to become very patient on what we do with this bill right here and see where the conference committees hopefully on 2032 start evolving and get this all tied together, I think Mr. Chairman the right way to proceed.

Rep. Owens: I don't disagree with Sen. Cook particularly on the caps I mean its my understanding right now the caps are only the school boards but I'm not particularly thrilled with those myself but never the less I was focused more on the general population than just those. What I came in here even though we've been talking about 160 I realize we may not be able to do 160 even if we do it an exemption that's just that maybe too much and that's why I wanted to bring you these other numbers to discuss that and that's why I was going over the bill, if our only problem is the fiscal note and the only thing that affects the fiscal note is the value of the home or the maximum value of the home as far as the exemption then that may need some more adjustment. That still does not address the specific issue that Sen. Cook is bringing up, my concern is though that we're still trying to just balance the budget much less.

Sen. Cook: I'm perfectly blunt on why we need to tie these together. You know that if take this bill to the floor all by itself and do it right by putting an appropriation on there of 9.1 million dollars, you know what's going to happen to it. So we could sit here and try to amend this bill or put it back into the way it passed the Senate or the House where it got passed before but still making somebody else pay for it, if we try to put a fiscal note on there that stood all by itself on 6 million dollars it may not pass but if we tie it into the total property tax hopefully we can pass where we might have 116 million fiscal note and everything together, we might be able to do something that a very reasonable level for helping the disabled veterans. That's where I'm coming from.

Sen. Tollefson: Marcy Dickerson is here I wonder if we could ask her a few questions. Are we on the right track Marcy do you think, is there a situation that we are not addressing or should be and can't or what.

Marcy Dickerson: Tax Dept. I guess I can relate to all of this discussion that's going on, I can see good points in all of it, the one thing that does concern me is if you don't go with this

160,000 value of the house and you cut somebody down to \$50,000, somebody whose been getting 100% disability and is cut down to 50% disability is going to get less relief than what he what got under the existing law for the income tax. Its not that many people since there are only apparently 58 people in the State that have been getting it, we don't know what their percentage of disability is and that was my concern before Rep. Owens came up his 50's, 60', 70's what have you I was concerned that people were going to get less than what they got under the existing law which apparently most of you think needs to be changed. That was my biggest concern. On the extent of who's going to pay for it I agree with Sen. Cook completely if the State pays for what we need in appropriation I have no idea how successful that would be. If the political subdivisions have to pay for it, they are paying for it now but on a much smaller scale because there are so few people eligible for it. There accepting it now there are a lot of exemptions with the political subdivisions have to eat anything that is not considered in the 57-15-01.1 as being included in the mill levy calculations. They have to eat all the rest of them, 57-02-08 is just full of exemptions but they just don't get any revenue for and then the alternative of putting it in 57-15-01.1 would add the expense to the other tax payers and at the same time that everybody's been up in arms about property taxes I don't know if anybody to obviously increase property taxes. So I don't really have a recommendation.

Sen. Tollefson: thank you Marcy, I guess I wasn't necessarily thinking of a recommendation but maybe you could clarify some of our concerns.

Sen. Cook: help me if I'm wrong Marcy, Rep. Owens and I had this conversation this morning, whether we go with 57-07.01.1 or the other way, ultimately the property owners in the political subdivisions pick up the tab its just a matter do they pick it up in that first budget year or is it going to be later on, isn't that probably correct?

Marcy: I guess if it's just an exemption that the political subs have to eat, at some point they will have to find a way of funding their services so at some point it will drop back on the tax payers.

Sen. Cook: I mentioned the 3 ways to funding this and if we amend this to put this exemption in the 57-15-01.1 then we are immediately making a decision that the political subdivisions pass this onto the tax payers. If we put the other way or leave it the way it is right now, then its going to go under that other list of exemptions where it appears that the schools, counties and cities have to pay for this but ultimately the tax payers or we fund it ourselves with a state appropriation. The only point I want to make is if we are going to do it which I think is right and that's with a state appropriation, the easiest way to do that is tie it in with the total property tax bill relief package and our other option is to keep it right here and stand her up free standing.

Sen. Tollefson: Sen. Cook if we put an appropriation of whatever millions it's dead in the water I think and I believe everybody agrees with that. Do we want to do anything I think we should in the most expedient way I believe it's a deserving benefit for those veterans that have been so generous with their time and bodies for us. But I don't know what the answer is, maybe tying it to 2032 is the way somehow and to that property tax relief portion of it property tax part of it.

Rep. Owens: I think its obvious though that in our discussions that I have no, I personally and I'm not speaking for the House or anybody else on this committee that I had personally had no problem being an exemption because I don't mind personally me paying a few extra dollars because of these people. I'm not implying that Sen. Cook minds either, don't get me wrong, his points are well taken in that the people are crying for property tax relief and yet this would cause an additional rise. Ever how small or large it is depending on the county and where these veterans is the point is still well taken so I came in here today to see if we agreed on the

various parts and if the house value was the only thing outside of your point about funding so that we could possibly adjust the house value although the 160 was designed as Marcy said to keep to hold harmless those few but then again, we've got 58 but I hate to say it if we lose 2 or 3 in order to help closer to the 2400, I'm willing to do that personally. So it doesn't have to be 160 but that was the reason I had picked 160 as explained earlier and that's why I did up this little calculation to let you know that if 100,000 is 6 million for every 10,000 you add you add 505,000, 504,000 dollars. If we decided 120 well then that's 7 million, 140 is 8 million actually and 150 was 8.6 that was a run that Marcy did for us at a 150 at one point when working on this in House.

Rep. Schmidt: what is the cost to this program now?

Marcy Dickerson: we don't have numbers on that because the counties that reported the 58 people a few of them reported the dollar amount involved where they had 2 or 3 veterans others did not report the dollar amount so we're not even sure that that 58 is all of the veterans its just all the ones that were reported and we don't know how many dollars are involved because it was not reported to us.

Rep. Schmidt: we have a cost now no doubt and certainly we want to take care of these veterans but maybe we should soften a little bit Rep. Owens instead of your talking 9 maybe we should go in between there somewhere and the cost now we're not hearing from the counties or the cities or anybody but it has to cost something now.

Rep. Owens: the current program is restricted to 14.4 not counting various the disability by ___ and everything and in some cases we have heard and I certainly don't blame the counties for doing this one little bit in some cases they've said "oh well you also qualify under the homestead credit act and if we put you under there the state refunds us" and the tax payer doesn't care they just want their property tax relief, they want their exemption, so they don't

care whether the county gets the money from the state or not, that's not their concern so they would say certainly we'll do that. So we know there is some under that but how many but as Marcy said and as I said at our very first meeting, we know there was 58 but that was not all the counties reporting some of them didn't respond, we don't know if that's because they didn't have any or just didn't report back when the Tax Dept. called them we did hear that 1 or 2 of them said we've got some under the homestead credit act as opposed to this reference but 58 was the only number we got and again that's all we know about that doesn't mean that's all that's currently in the program, that's all we discovered.

Sen. Cook: once a disabled veteran gets to be what's 65 to age that they require or reach eligibility for the other homestead tax credit, of course the benefit for the county to move them to that one because now the State reimburses but again back to the benefit of having this combined with 2032 that's left is nobody gets a tax decrease or tax increase if appropriation stays the same that's in 2032 right now then the amount of a decrease other tax payers get is going to be slightly smaller. The amount of decrease that they are going to get in their property taxes is going to be somewhat less. If we increase the budget for 2032 the appropriation or whatever this program costs then the amount of decrease they get in the property taxes remains the same but that is why we probably should have looked at tying this all together. It would have been ideal in 1051 and maybe 1051 might surface again. We still need to I think as a committee decide probably some options if we could find that we are going to do it that way unless you want to go fly this up then you guys go right ahead and do what you want but if you want it considered putting it into the property tax bill, then this committee should be ready it appears that we have 9 million that we can slide in there so this route if it appears that there is only 7 or 6 or 5 that know what it is you would.

Rep. Owens: my only concern about that is and I've certainly agree with you it would be wonderful to tie that in my only concern is what happens if 2032 or whatever it is because this would be a continuing appropriation, what happens if that fails or it in 2 years it disappears which is not my personal intent which is not my personal intent but it very well could.

Sen. Cook: what happens if it fails this year? Or it fails in 2 years?

Rep. Owens: both

Sen. Cook: well if it fails in this year then it goes back to the existing program we have and of course it'd be just like this bill failing, God help us if that happens I certainly don't think we're going to go home without a property tax relief, I hope we see that that doesn't happen. If it fails next year if for some reason we are not able to sustain it the way this is put into code and the way this would be passed it would legislation to take this out, this would be sustained.

Sen. Grande: just like any other piece of it if you look at the marriage piece of it that stays no matter what happens to the funding the homestead stays no matter what happens to the funding this is staying no matter what happens to the funding the only part that would go away is the property portion of it. Should we put this into affect so that its ready and then we wait on 2032 to find out where we're at and **I make that my Motion, second by Sen. Owens.**

Sen. Cook: if we pass these right now then your going to have to hold this bill from going onto the calendar until we know what's going to happen with the property tax bill and then if we decide we want to go that route with the property tax bills then we have to bring this down and reconsider our actions, if we just sit here and hold off on doing this until such time we know what our decision is then we just pass this and run her up. I just want to make that point you make your motions however you want.

Rep. Grande: I guess what I was thinking is if put this in all we would do is further amend it to change it to the other piece of code, do we not? So that it becomes credit versus exemption.

Sen. Tollefson: so it would fit under 2032 you mean, so we know that this is the language we're dealing with and either way I just don't have a problem either way.

Rep. Owens: and the reason I second her motion I saw where she was going that way there is no more discussion about the language entailed, we already know what its going to do we already have an idea of the maximum cost, the whole works.

Sen. Cook: I'm comfortable with that, we just hold this if it ends up in 2032 as an amendment then 2032 has to go to the floor first, it passed and then we just defeat this bill.

Sen. Tollefson: further discussion.

Sen. Horne: help me understand the process of getting this into 2032, its over in the House side now is that correct, its on the floor today, so we have to amend it on the floor?

Rep. Schmidt and Grande: no we can't, its going to conference.

Rep. Grande: what we would do is pass 2032 you will go to conference committee with us then we put this piece with it, pass it in both chambers, once its passed in both chambers then we can kill this.

Rep. Schmidt: I just have a question, what will the fiscal note be?

Rep. Owens: right now its going to be 9.1 if we take this amendment and we don't bring it back and reconsider the cost of the house before the maximum of the total exemption.

Sen. Tollefson: lets take the roll if no further discussion.

Roll call vote: 6-0-0 Motion passes.

Sen. Cook: let the record show that I did vote for the amendment but as this bill is I will not vote for it on the floor.

Rep. Owens: you've already indicated that Sen. Cook, I mean at least I inferred that from your conversation last time so just to make it perfectly clear I appreciate that but then again we are waiting now, correct, again just for the record our plan is and correct me if I'm wrong, we're

waiting to see the outcome for 2032 to go to the conference committee and then try to link this in there and save as you put it an unfunded mandate.

Adjourned and closed the conference committee.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2172**

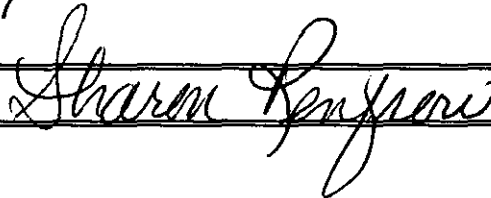
Senate Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: April 25, 2007

Recorder Job Number: # 6327

Committee Clerk Signature



Minutes:

SB 2172 Conference Committee

Present at meeting

Sen. Tollefson, Sen. Horne

Rep. Owens, Rep. Grand, Rep. Pinkerton

Chair Tollefson called meeting to order, Sen. Cook is working on other things for SB 2032

Conference called to order by Tollefson

Clerk roll

Rep Owens has something, I would like committee reconsider it actions whereby the House receded and amended and agreed upon by the Committee, second by Rep. Grande.

Sen. Horne: What's the reason, do you have a plan?

Why are we doing a motion before we vote on it.

Rep. Owens: as you recall we did a house recede and further amend last time, and we put all this in but we put the House value at 160 because we were going to try to get it funded, if you recall because its an exemption right now, we are going to try to turn it into a credit. All the actions by Sen. Cook, myself and some others have failed, we can't get the estimated, which we believe is inflated/estimated 9.1 to do that, So in order to preserve the program and still

apply the new formula and return to the senates desire of no income level which was the Senate's original desire along with the bill sponsors and make it at the level that the senate was willing to do it before, what we want to do is we would reconsider our actions at the 9.1,,o we can lower the House value to get it back to where we had it originally as far as an exemption.

Sen. Tollefson: you mentioned the dollar sign too 120 vs. 160. Any further questions before we take a vote on his motion to reconsider our action.

Voice vote – 5-0-1, motion carried. Sen. Cook absent.

Rep. Owens: now I'd like to make a **Motion where house recedes from its amendments and further amends**, what it does is for DAV's between 50 and 100, it puts the maximum value of fixtures, buildings and improvements at \$120,000, it adds back the formula for a percentage equal to the percentage of the service ___ connected disability, it adds back in the statement that the veterans once they have file the initial claim, they don't have to do it its automatically renewed except in these events where they have certain criteria where they would have to go in and do that again and it leaves in, re-amends it to include the section where the counties may opt out and removes the sunset from the original. So it does everything we did earlier but changes the 160,000 house value which the estimate as we know was 9.1 million and failed, so what we're doing with this amendment is returning it as close to 6 million or less as possible. Information for 100,000 from Marcy Dickinson, was with the new formula that is it was 4.5 Million across the state at 100,000 and for each 10,000 in home value it raises it 504,000, so that would make it 5.6 Million roughly.

Sen. Tollefson: discussion?

Sen. Horne: so this is not general fund money, this will fall on the counties and those of us within the counties, if the counties don't reject this idea, then the burden is spread to the taxpayers of each county.

Rep. Owens: very much like the first time home buyers exemption does now and the exemptions on companies when they exempt them for 5 or 10 years, it has the same affect, tiff districting.

Rep. Pinkerton: if the counties choose to opt out of it, is it yearly approval or approve it once and it stays that way until they opt not to? Is that correct?

Sen. Tollefson: I don't know, maybe we have some county experts here.
Do they stay out permanently until they __

Rep. Grande: It states in the amendment ~ "for the taxable year" so I'm going to assume it has to be renewed yearly. 0211, page 2.

Sen. Tollefson: It would have to be renewed each year, then.

Sen. Horne: This will be a stand-alone bill we aren't going to run it with 2032?

Sen. Tollefson: it would be separate

Rep. Owens: We tried on both sides, even Rep. Grande got sneaky at one point and tried something but it didn't work

Sen. Horne: I can't believe that she was that sneaky.

Sen. Tollefson: Further discussion, what do you want to do with it. A motion has been made and seconded to approve amendments 0211 to SB 2172.

Roll call vote: 5-0-1 Passes. Sen. Cook absent

Sen. Tollefson: this completes our work. Thank you very much.

April 12, 2007

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2172

That the House recede from its amendments as printed on page 923 of the Senate Journal and page 1084 of the House Journal and that Engrossed Senate Bill No. 2172 be amended as follows:

Page 1, line 2, after the semicolon insert "and"

Page 1, line 3, remove "; and to provide an expiration date"

Page 1, line 13, after "deceased" insert "for the first one hundred sixty thousand dollars of true and full valuation of the fixtures, buildings, and improvements"

Page 1, line 23, after "government" insert "at a percentage, equal to the percentage of the disabled veteran's certified rated service-connected disability, applied against the first one hundred sixty thousand dollars of true and full valuation of the fixtures, buildings, and improvements"

Page 2, line 17, overstrike "Any person shall thereafter furnish to the assessor or other"

Page 2, overstrike lines 18 and 19

Page 2, line 20, after "subsection" insert ", and except as otherwise provided in this subsection"

Page 2, after line 25, insert:

"This subsection does not apply within a county in which a resolution approved by the board of county commissioners is in effect disallowing the exemption under this subsection for the taxable year."

Page 2, line 26, remove "- EXPIRATION DATE" and remove "the"

Page 2, line 27, remove "first two" and remove ", and is thereafter ineffective"

Renumber accordingly

SB 2172 Changes to 70452.0300

Page 2, Line 19. Insert "After the initial filing it will be automatically renew each year. However, veterans or their unremarried surviving spouse will have to re-file, if their service-connected disability percentage changes, the veteran dies, ~~sales~~ the property or no longer claims that ~~is~~ property as their primary place of residence."

Sells

Rep. Owens

April 13, 2007

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2172

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Page 2, line 17, overstrike "Any person shall thereafter furnish to the assessor or other"

Page 2, overstrike line 18

Page 2, line 19, overstrike "will support the claim for exemption for any subsequent year" and insert immediately thereafter "After the initial filing of a claim for exemption under this subsection, the exemption is automatically renewed each following year but the veteran or veteran's unremarried surviving spouse must refile if that person sells the property or no longer claims it as a primary place of residence or if the veteran dies or receives a change in the percentage of the certified rated service-connected disability"

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Renumber accordingly

REPORT OF CONFERENCE COMMITTEE (ACCEDE/RECEDE)

Bill Number SB 8172 (, as (re)engrossed):

Date: 4-13-07

Your Conference Committee Sen. Fin } TAX

For the Senate:

4/9 4/11 4/12 4/13 Amended

For the House:

4/9 4/11 4/12 4/13 Amended

S. Tolletson	P	D	D	P	Y			R. Owens	P	P	P	P	Y		
S. Cook	P	P	P	P	Y			R. Grasse	P	P	P	P	Y		
S. HORNE	P	P	P	P	Y			A. Schmidt	P	P	P	P	Y		

recommends that the (SENATE/HOUSE) (~~ACCEDE~~ to) (~~RECEDE~~ from)

the (Senate/House) amendments on (SJ/HJ) page(s) 923 --

and place on the Seventh order.

☒ , 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.

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

DATE: 4-13-07

HOUSE CARRIER: Rep. Owens

SENATE CARRIER: Sen. Tolletson

LC NO.	of amendment
LC NO.	of engrossment
Emergency clause added or deleted	
Statement of purpose of amendment	

MOTION MADE BY: _____

SECONDED BY: _____

VOTE COUNT: YES NO ABSENT

REPORT OF CONFERENCE COMMITTEE

SB 2172, as engrossed: Your conference committee (Sens. Tollefson, Cook, Horne and Reps. Owens, Grande, Schmidt) recommends that the **HOUSE RECEDE** from the House amendments on SJ page 923, adopt amendments as follows, and place SB 2172 on the Seventh order:

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Page 2, overstrike line 18

Page 2, line 19, overstrike "will support the claim for exemption for any subsequent year" and insert immediately thereafter "After the initial filing of a claim for exemption under this subsection, the exemption is automatically renewed each following year but the veteran or veteran's unremarried surviving spouse must refile if that person sells the property or no longer claims it as a primary place of residence or if the veteran dies or receives a change in the percentage of the certified rated service-connected disability"

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Renumber accordingly

Engrossed SB 2172 was placed on the Seventh order of business on the calendar.

4-15-07

Date:
Roll Call Vote #

Attendance

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2172

Senate _____ Committee _____

☒ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken _____

Motion Made By _____ Seconded By _____

Senators	Yes	No	Representative	Yes	No
Sen. Tollefson	✓		Rep. Owens	✓	
Sen. Cook			Rep. Grande	✓	
Sen. Horne	✓		Sen. Pinkerton	✓	

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

JB
4-25-07

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2172

That the House recede from its amendments as printed on page 923 of the Senate Journal and page 1084 of the House Journal and that Engrossed Senate Bill No. 2172 be amended as follows:

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Renumber accordingly

Date:
Roll Call Vote #

4.25.07

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2172

Senate _____ Committee _____

☒ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Reconsider Amendment # 0211

Motion Made By Owens Seconded By Grande

Senators	Yes	No	Representative	Yes	No
Sen. Tollefson	✓		Rep. Owens	✓	
Sen. Cook			Rep. Grande	✓	
Sen. Horne	✓		Sen. Pinkerton	✓	

Total (Yes) 5 No 0

Absent 1

Floor Assignment _____

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

REPORT OF CONFERENCE COMMITTEE

SB 2172, as engrossed: Your conference committee (Sens. Tollefson, Cook, Horne and Reps. Owens, Grande, Pinkerton) recommends that the **HOUSE RECEDE** from the House amendments on SJ page 923, adopt amendments as follows, and place SB 2172 on the Seventh order:

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Renumber accordingly

Engrossed SB 2172 was placed on the Seventh order of business on the calendar.

2007 TESTIMONY

SB 2172

SB 2172 - Disabled Veteran property tax exemption

Chairman Urlacher and members of Senate Finance & Tax Committee, I am Gary Lee, Senator from District 22. I am here to introduce SB 2172 & ask that you endorse the bill.

Currently ND Law, under subsection 20 of section 57-02-08, does allow certain property tax exemptions on the homestead of a paraplegic veteran, those with 50% or greater disability and any permanently & totally disabled person who is permanently confined to the use of a wheelchair. The reference to NDCC 47-18-01 limits the exemption on the homestead to \$80,000.

The veteran with a 50% or greater disability is also subject to income limits to \$14,500.

This bill would enhance the opportunity & dollar limits for property tax exemption to the disabled veteran.

On page 1, Line 7 & 8:

- A. Adjusts the inclusions and increases the property value limit
 - 1. the "land" of a disabled veterans homestead would be included in the definition for exemption.
 - a. Land was felt to be a necessary inclusion if it were to be part of the exemption, as it is included in the definition of a Homestead(47-18-01)
 - 1. Tax Department feels may not meet Constitutional muster.
 - 2. LC would argue that the Legislature has the power to determine what is a "charitable or other public purpose" & therefore may exempt land if it is for public purpose.
 - 3. there are several examples in NDCC where it is used in this fashion.
 - 2. The true & full value of the exemption would increase to \$200,000
 - a. The value limit has not changed since 1993. \$200,000 is a reasonable limit given 14 years of inflation & is a useable number for some time into the future.

Beginning on Line 18:

- A. Income limits for the 50% or greater disabled veteran are eliminated with this bill.
 - 1. This makes all 3 sections consistent and more easily applied by the counties.


On page 2, lines 22 & 23,

- A. Eliminates the value limitation of \$80,000.

Beginning on line 27,

- A. The effective date would be for taxable years after 12/31/06.

Thank you, & I again ask for your endorsement of the bill.

 You replied on 8/30/2006 7:16 AM.

Lee, Gary A.

From: Dickerson, Marcy D.

Sent: Tue 8/29/2006 10:35 AM

To: Lee, Gary A.

Cc:

Subject: Disabled veterans' exemptions

Attachments:

Senator Lee, to date I have received responses from 35 counties on the number of disabled veterans' exemptions. The total number so far is 49. Cass County reports 25, Grand Forks County reports 6, Morton reports 1, Ramsey reports 0, Richland reports 0, Stark reports 2, Ward reports 2, and Williams reports 0. The other counties with major cities, Barnes, Burleigh, Stutsman, and Walsh have not reported.

*Marcy Dickerson
State Supervisor of Assessments
ND Office of State Tax Commissioner
mdickerson@nd.gov
(701) 328-3128*

STATE	BONUS	TAX EXEMPTION	HOME LOAN	BUSINESS LOAN	STATE PARKS	CAMPING PASS	HUNTING/FISHING LICENSE	EDUCATION	FREE LICENSE PLATES	MOTOR VEHICLE REGISTRATION	LAND	FINANCIAL AID	OCCUPATIONAL LICENSES	MISC/UNUSUAL BENEFITS
Alabama	For Vietnam Vet POWs	Retired pay						Dependent Scholarships						
Alaska		\$150,000 for 50 % SC - property tax	Interest rate subsidy	Lower interest rate		50% or greater disabled	50% or greater disabled	Free for dependants of POW and MIA in Southwest Asia	Ex POWs, Purple Heart, and 70% disabled		One time discount			
Arizona		Total exemption for 100% SC - Property tax						Free Tuition for dependent of POW or MIA after 1/1/80						
Arkansas								Tuition and fee waiver for dependent of SC deceased & disabled						
California			Low interest loans											
Colorado		Retired pay if excluded from Fed income tax					60% SC or more/special considerations for a fishing license							
Connecticut		Wartime vets get \$1,500 property tax exempt						Free Tuition for vets		SC wartime, as POW, DMH		If caused by military service or s/c disability		
Delaware		\$2,000 for Federal and State retirement								Disabled vets under 38 USC 1901				
District of Columbia														
Florida		Homestead exemption for property			Reduced fees for SC disabled		100% P&T disabled/low cost Military Gold	Tuition delinquent for vets, scholarships for dependent Children	1 free for disabled vets, POW, DMH, PH			ID card for 100% SC disabled		
Georgia							100% P&T-free						No sales tax on cars for disabled vets	Certificate of Exemption
Hawaii		AD Military 100% disabled property tax exemption											\$5,000 for specially adapted housing	
Idaho		Certain wartime vets and certain disabled vets						Scholarships for children of MIA/POW	Certain disabled vets			Emergency relief for vets meeting certain eligibility		
Illinois	WWII, Korea, VN POW, Desert Storm	\$50,000 for certain vets					10% SC - free	Dependants Of POW/MIA, 100% SC	100%				\$15,000 for specially adapted housing	
Indiana		Personal property & success tax						Free for dependant of POW/MIA, remission for dependant of disabled vets						
Iowa		WWII, Korea, and Vietnam not to exceed \$1,652 in value						War Orphans Educational Aid						
Kansas		Ret. Pay exempt from state income tax						Education benefit for dependant of deceased SC Vietnam; POW/MIA/RA						Perian Gulf Health Initiative Program
Kentucky	WWI	Ret. Pay exempt from state income tax					50% disabled - small fee	Benefits for dependant of deceased AD/AG and vets, disabled vets			Homestead Exemption			

STATE	BONUS	TAX EXEMPTION	HOME LOAN	BUSINESS LOAN	STATE PARKS	CAMPING PASS	HUNTING/ FISHING LICENSE	EDUCATION	FREE LICENSE PLATES	MOTOR VEHICLE REGISTRATION	LAND	FINANCIAL AID	OCCUPATIONAL LICENSES	MISC/ UNUSUAL BENEFITS	
Louisiana					Free for 50% S/C or NSC pension		50% S/C - free	Tuition exempt for dependant of deceased S/C vets & 80%	50% S/C w/auto grant, ex POW and PH						
Maine		Certain veterans		85% for wartime vets				Free for dependant of 100% SC or deceased SC							
Maryland		Exempt from inheritance tax for AD; property tax for 100% SC					Free for 100% SC or former POW	War Orphans Educational Aid	Certain severely disabled veterans				Free renewal w/in 1 year of discharge		
Massachusetts	WWI, Korea, and Vietnam	Certain disabled veterans						Certain vets may be eligible						Motor Vehicle Sales tax exemption for certain disabled vets	Women Vets Network Program
Michigan		Homestead property tax credit						Tuition grants for children of SC deceased or 100% disabled vets				Wartime vets or dependant in time of emergent personal need			
Minnesota		Reduced property tax for disabled people/non vet specific					Free for 100% SC	War Orphan and Veterans Education assistance, and dependant of POW	Free for ex POW and CMH			Limited emergency aid to vets			
Mississippi		100% SC have \$8,000 Ad Val Orem exemption, \$7,500 exempt on state tax					100%, ex POW, and CMH								
Missouri							80% or more - free	Scholarships for dependant of Vietnam vets who died from exposure to Agent Orange	100% SC, ex POW and CMH						
Montana		Reduced property tax for 100% SC						Tuition waivers for vets; dependant of vets who died from SC disability	100% SC wartime vets						
Nebraska		Homestead and paraplegics						Tuition waiver; Tuition credit for Active Reservists and NG				ME Vet's Aid Fund			
Nevada		Property and Vehicle tax exemption					50% or more - free	Free college tuition	100% SC / 13 distinct veteran plates	100% SC / 13 distinct veteran plates				Free document / disable parking privileges/ free burial	State Veteran Cemeteries/ Veterans Home/ Women's Veterans Coordinator
New Hampshire		Property tax for certain vets, additional for 100% SC or paraplegic					100% SC - free	Free tuition for dependant of MIA or vets deceased of SC disability	SC amputee or blind						
New Jersey		Property tax deduction of \$250					Free to qualified disabled vets	War Orphans Tuition Assistance; dependant of POW/MIA; Vets TA						Catastrophic entitlement of \$750/year for 100% SC wartime	No fee license to vend goods, wares, or merchandise for
New Mexico		\$200 for eligible vets					Free lifetime for 100% SC	War Orphan state scholarships; VN Vets scholarships	Free for amputee vets						
New York		Partial for wartime vets & spouses and Gold Star parents					Reduced for disabled vets	Grants for dependant of deceased or 100% SC, POW/MIA						Blind annuity of \$1000	
North Carolina								Dependant of POW/MIA, 100% SC	Certain disabled and former POW/MIA						

STATE	BONUS	TAX EXEMPTION	HOME LOAN	BUSINESS LOAN	STATE PARKS	CAMPING PASS	HUNTING/ FISHING LICENSE	EDUCATION	FREE LICENSE PLATES	MOTOR VEHICLE REGISTRATION	LAND	FINANCIAL AID	OCCUPATIONAL LICENSES	MISC/ UNUSUAL BENEFITS	
North Dakota		Partial exemption for 50% or higher							\$5.00 fee for disabled and former POW			Loans for temporary financial emergencies/ Emergency Hardship Assistance Program		Veterans Transportation System	
Ohio							Free to qualified disabled vets	War Orphans Scholarships							
Oklahoma		Personal property exemption					80% SC or more - free					Emergency/ Financial Aid Program			
Oregon		40% or more property tax exemption	Up to \$333,700				Free for 25% or more	Up to \$50 a month for vets of Korea, Vietnam or Armed Forces Exp. Medal	Severely disabled vets						
Pennsylvania		100% SC exempt from real estate taxes - low income						Gratuity for dependents of 100% SC or deceased of SC disability or KIA				Veterans Emergency Assistance			
Rhode Island		Up to \$5,000 for wartime and Gold Star parents							Former POW						
South Carolina		Retired pay for first \$3,000; property tax exemption for 100% SC						Free tuition for dependents of 100% SC, deceased wartime vets; POW and CMH							
South Dakota		For paraplegics						War Orphans education and assistance to POW/MIA							
Tennessee		Combat related 100%					30% or more war service connected - free	Scholarships for eligible dependents	100% SC, ex POW and CMH						
Texas		Certain SC disabled vets	Land, Housing/Home improvement programs											Women vets program	
Utah		Property Tax Abatement				Free to disabled vets	Free to severely disabled vets	Free tuition for recipients of the Purple Heart						Homeless Vets Program	
Vermont												Disabled and Needy fund - temporary assistance			
Virginia							Lifetime licenses for disabled vets	Free tuition for dependents of SC deceased or 100% SC	Disabled vets and former POW						
Washington														PTSD counseling services/Homeless Vets program	
West Virginia		Military ret. pay; Homestead exemption					100% SC or those in receipt of USDVA auto grant		PH and Pearl Harbor survivors	100% SC; former POW					
Wisconsin		Military ret. pay	Low interest rate loan program					Part time study grants; tuition reimbursement; retraining grants				Emergency medical and dependency grants		I Owe You program	
Wyoming		County tax exemptions						Tuition waiver for not more than 10 semesters							

Lee, Gary A.

From: Ray Diemert [raymd@icdc.com]
Sent: Sunday, January 14, 2007 11:04 PM
To: Lee, Gary A.
Subject: SB 2172 VETERANS TAX EXEMPTION

Honorable Senator G Lee,

It is my hope that our 60th session will strongly support and pass the SB 2172 for all the DAV's in North Dakota that may qualify for the limited tax exemption increase. The need for consideration of SB 2172 I feel is simply the gross inflation of property values and assessments recently. [Example] The lots that my Handicaped home sits on had a 214% assessment increase in the 2005 tax year. This is property I bought 40 years ago for \$750.00 and had to dig a deep drainage ditch thru it to protect my Handicaped home from flooding, which also rendered the location unsuitable for future building purposes. Inflation has to be the only reason for this assessment increase as I see it. I would like to see the tax exemption limit raised as SB 2172 will provide.

With Respect may I say thank you in advance for your attention of these matters 1-17-2007.

Ray Diemert
Box 0123
Buffalo, ND 58011

1/15/2007

Morton / Oliver Veterans Service

202 2nd Ave. NW
Mandan, ND 58554

Lucy Rova, Secretary

Ronald D. Otto
Service Officer

701-667-3365
Fax 701-667-3284

email: rotto@state.nd.us

Testimony – Senate Bill No. 2172

Senate Bill 2172 would give tax relief for seriously disabled veterans on their homes.

Seriously disabled veterans are those veterans who are 50% service connected or above. There are approximately 2,100 veterans in the State of North Dakota who are above that most serious benchmark.

North Dakota, with over 600,000 population, has approximately 60,000 veterans. Ten percent of it's population has committed itself to the safety and well being of America and it's ideals. In the process of shouldering that commitment sacrifices are made and democracy's and freedom's tax is paid by those veterans.

There is no income test in this bill and the veterans' service had no income test. Well to do and poor alike stood shoulder to shoulder and shared the same danger and challenges and now with SB 2172, share the same thank you for their sacrifice. It is a test of disability, not income.

Out of those approximately 2,100 disabled North Dakota veterans are every type of individual that the general population of our state has. There will homeless, those in apartments, those with small homes and those with large homes and those that are institutionalized. Please give this bill a do pass.

600,000 people; 60,000 veterans (10%); 2,100 seriously disabled veterans (three tenths of a percent of our population)



Ronald D. Otto
Morton County Veterans Service Officer

NORTH DAKOTA VETERANS COORDINATING COUNCIL

My name is John L. Jacobsen. I am the Chairman of the Legislative Committee of the North Dakota Veterans Coordinating Council. I am also a member of the American Legion and the Veterans of Foreign Wars.

I served in the North Dakota National Guard and the US Army Reserve for a total of 30 years. I retired in 1995 as a Colonel. I served on Active Duty in 1991 during Operation Desert Shield/Desert Storm in the Persian Gulf, stationed in the United Arab Emirates.

The Coordinating Council is made up of 15 members, 3 from each of the five Veterans Organizations in North Dakota:

- American Legion
- AMVETS
- Disabled American Veterans
- Veterans of Foreign Wars
- Vietnam Veterans of America

It is the policy of the Coordinating Council to support legislation that will benefit the welfare of the members of the Armed Forces. The committee MUST concur totally, that is all 15 members must agree on the legislation to be supported or else it does not get the support.

In this case, I have been instructed to recommend to this legislative committee that a "DO PASS" is supported by the Legislative Committee of the Coordinating Council.

ND VETERANS COORDINATING COUNCIL

The Coordinating Council is composed of veterans appointed from the veterans organizations and represents North Dakota veterans. The purpose of the Coordinating Council is to determine the needs of North Dakota's veterans and to propose the means to alleviate those needs so that the veteran and his family may enjoy a satisfying quality of life. It is of the utmost importance that the members of this council be willing to work hard and spend the time needed to help their fellow veterans.

The Coordinating Council, through their Legislative Committee, is responsible for introducing legislation intended to meet and/or alleviate the needs of veterans and their family. The Legislative Committee may be made up of members of the Coordinating Council or may be other veterans appointed by the members of the Council from each of the veterans organizations represented. Only the Legislative Committee will develop proposed legislative bills. If the bill is approved by the Council the members of the Legislative Committee are responsible to actively promote that legislation by lobbying members of the state legislature.

Only the members of the Coordinating Council Legislative Committee are to testify before legislative committees and meet with and lobby members of the legislature. Other members of the Coordinating Council and other veterans will not testify nor lobby members of the legislature unless specifically asked to do so by the Legislative Committee and will limit their discussions to the particular piece of legislation they have been asked to help with. The reason for this is so the legislators will not be given differing points of view about a piece of legislation but only that agreed upon by the Council and the Legislative Committee.

The Coordinating Council is responsible for providing help and support to the Administrative Committee and their two sub-committees, the Veterans Home and the Department of Veterans Affairs. The Legislative Committee in particular is charged with providing support in the hearings in legislative committees for the budgets of the Administrative Committee and its sub-committees and any other bills they have before the legislature.

If the Administrative Committee becomes aware of an unmet need of veterans, or feels there is a need for a legislative bill, either through their sub-committees or other means, this information is to be brought to the Coordinating Council as well as any suggestions the Administrative Committee may have for meeting the need or the proposed bill. The Coordinating Council will review the information. If the suggestions of the Administrative Committee will require legislation the Coordinating Council will assign the Legislative Committee the responsibility to develop appropriate legislation. The Legislative Committee will report back to the Council and Administrative Committee with the proposed legislation for their discussion and approval.

SENATE FINANCE AND TAXATION COMMITTEE

Testimony of Marcy Dickerson, State Supervisor of Assessments
January 17, 2007

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

My testimony concerns Senate Bill 2172. This bill amends N.D.C.C. § 57-02-08(20) to exempt land, as well as fixtures, buildings and improvements. I believe it would be unconstitutional to exempt land under this subsection. Article X, § 5 of the North Dakota Constitution provides that the legislative assembly may exempt fixtures, buildings, and improvements. It provides for exemption of property of the United States ..., property of the state, county, and municipal corporations ..., and property used exclusively for schools, religious, cemetery, charitable, or other public purposes. The word "property" as used in Article X, § 5 is interpreted to include land. There is no provision to exempt residential or homestead land.

SB 2172 also increases the maximum true and value of an applicant's homestead that may be exempted from \$80,000 to \$200,000. This applies to all applicants under subdivisions a, b, and c.

SB 2172 removes the income limitation for disabled veterans under subdivision b. There is no income limitation in subdivisions a and c.

When we surveyed counties in 2006 they reported only 58 individuals were taking advantage of the exemption for disabled veterans. The income limitation probably is the major reason. I have been told there are 2,116 disabled veterans in North Dakota with disability greater

than 50 percent. Some of those individuals may be farmers who qualify for the farm residence exemption and therefore do not need the veteran's exemption.

It is unlikely that enactment of SB 2172 will increase the number of applicants under subdivisions a or c, because there is currently no income limit for persons qualifying under those subdivisions. However, the tax exemptions for those persons will increase because of the change in maximum true and full value allowed.

The State of North Dakota does not reimburse political subdivisions for exemptions under § 57-02-08(20).

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



STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER
Cory Fong, Commissioner

MEMORANDUM

TO: Chairman Urlacher
Senate Finance and Taxation Committee

FR: Kathryn L. Strombeck *KLS*
Office of Tax Commissioner

RE: Fiscal Impact of Proposed Amendments (70452.0102) to SB 2172

DT: February 5, 2007

This set of proposed amendments to SB 2172 continues with the removal of the income limitations for disabled veterans and increases the maximum true and full value of qualifying applicants' homesteads to \$168,000. The amendments also sunset the expanded homestead property tax exemption provisions after two years. If enacted with these amendments, SB 2172 is expected to reduce revenues to political subdivisions by an estimated \$8.766 million in the 2007-09 biennium. The estimated impact on major political subdivisions is as follows:

Counties:	-\$2,078,000
Cities:	-\$1,147,000
School Districts:	-\$4,872,000

The official fiscal note will be forthcoming as soon as the amendments are formally adopted.

2-27-07
#1 SB 2172-A
Am

SB 2172 - Disabled Veteran property tax exemption

Chairman Belter and members of the House Finance & Tax Committee, I am Gary Lee, Senator from District 22. I am here to introduce SB 2172 & ask that you endorse the bill.

Currently ND Law, under subsection 20 of section 57-02-08, does allow certain property tax exemptions on the homestead of a paraplegic veteran, those with 50% or greater disability and any permanently & totally disabled person who is confined to the use of a wheelchair. The reference to NDCC 47-18-01 on page 2, line 21 limits the exemption on the homestead to \$80,000.

The veteran with a 50% or greater disability is also subject to income limits of \$14,500.

This bill would eliminate the income limitation for the veteran, with a 50% or greater service connected disability. The changes would "sun set" at the end of tax year 2008.

Bill Walk Through:

Beginning on page 1, Line 18:

- A. Income limits for the 50% or greater disabled veteran are eliminated.**
 - 1. This makes all 3 sections consistent and more easily applied by the counties.**
 - 2. Recognizes & rewards those veterans for significant contributions to our country.**

Beginning on page 2, Line 26:

- A. The effective dates would be for the two taxable years starting after 12/31/06.**
 - 1. The "sun set" would allow opportunity to determine a realistic cost of this change.**

When asked to consider bringing this bill forward, it certainly caused me to reflect on my own military experience. A time & experience I talk about very little. But as a combat medic with an Infantry unit in Vietnam, it clearly stands out as the most challenging experience of my life. But by the grace of God, I walked away from that experience without a scratch. Many of my comrades did not. During the nearly 40 years since then, many of those not as fortunate as I, have had to face challenges I can't even comprehend.

I believe we recognize and reward what we value. I see this bill as "Just" recognition & a small reward, for those kinds of challenges. I value their service.

Chairman Belter & Committee Members, I hope you will look favorably on this bill.

SB 2172-A

#2

2-27-07

Am

HOUSE FINANCE AND TAXATION COMMITTEE

Testimony of Marcy Dickerson, State Supervisor of Assessments
Senate Bill 2172 – February 27, 2007

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

Senate Bill 2172 amends N.D.C.C. § 57-02-08(20) to remove the income limitation for disabled veterans under subdivision b. There is no income limitation for paraplegic disabled veterans or veterans who have been awarded specially adapted housing under subdivision a, or persons permanently confined to a wheelchair under subdivision c.

When we surveyed counties in 2006, they reported only 58 individuals were taking advantage of the exemption for disabled veterans. The income limitation probably is the major reason. I have been told there are 2,116 disabled veterans in North Dakota with disability greater than 50 percent. Some of those individuals may be farmers who qualify for the farm residence exemption and therefore do not need the veteran's exemption. Some of them probably rent their homes or are confined to care facilities. The number of qualifying veterans who, for one reason or another, will not apply for the property tax exemption even when the income limitation is removed will be offset, to some extent, by the number of unremarried surviving spouses of deceased veterans who remain eligible for the exemption.

SB 2172 will not increase the number of applicants under subdivision a or c, because there is currently no income limit for persons qualifying under those subdivisions. For subdivisions a, b, and c, SB 2172 continues to limit the amount of true and full value of fixtures,

buildings, and improvements that may be exempted to \$80,000, as found in the definition of "homestead" in § 47-18-01.

The State of North Dakota does not reimburse political subdivisions for exemptions granted under § 57-02-08(20).

The first engrossment of SB 2172 is effective for taxable years 2007 and 2008. After that, the income limitation in N.D.C.C. § 57-02-08.1 will again take effect for disabled veterans applying for exemption under subdivision b of § 57-02-08(20).

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

Owens, Mark S.

From: Dickerson, Marcy D.
Sent: Tuesday, April 10, 2007 10:41 AM
To: Owens, Mark S.
Cc: Strombeck, Kathy L.
Subject: SB 2172

Attachments: SB 2172-4 Owens.xls

Representative Owens, I have recalculated the estimated cost of the disabled veterans' exemption if the maximum eligible true and full value is \$160,000, there is no income test, minimum qualifying disability is 50 percent, and a disabled veteran is eligible for the percentage reduction in taxable value that corresponds with the disability percentage. I have made the following assumptions:

1. All eligible veterans will apply for the property tax exemption.
2. The number of unremarried surviving spouses who qualify will equal the number of veterans who do not apply for whatever reason: renting living quarters, living in a care facility, living in an exempt farm residence, etc.
3. 75 percent of qualifying veterans will have homestead fixtures, buildings, and improvements worth \$160,000; 25 percent will have homestead fixtures, buildings, and improvements valued at \$62,496 (84 percent of the median value of owner-occupied housing units per the 2000 federal census).
4. All counties provide the exemption.

Under those conditions, I estimate the cost of the program for the 2007-2009 biennium would be \$9,117,600. This



SB 2172-4
Owens.xls (30 K)

is approximately 5.85 percent greater than the example I did for you
and full value.

using \$150,000 as the maximum true

Marcy Dickerson
State Supervisor of Assessments
ND Office of State Tax Commissioner
mdickerson@nd.gov
(701) 328-3128

SB 2172-4 Owens.xls													
Amendment to section 57-02-08(20)(b) - disabled veteran													
Limit:	\$160,000	true and full value maximum credit allowed											
2005 Statewide avg. mill rate	0.40168												
Assume: All eligible veterans will apply for property tax exemption AND													
The number of unmarried surviving spouses who qualify will equal number of veterans who do not apply for whatever reason: renting living quarters, living in a care facility, living in exempt farm residence, etc.													
Scenario #1													
Assume all applicants' residential structures are valued at \$160,000 or more.													
	0	10	20	30	40	50	60	70	80	90	100	Total	Biennium
Number of veterans 9/06	28	2,592	1,192	961	684	456	518	410	275	171	860	7,947	
Exempt value per applicant						\$80,000	\$96,000	\$112,000	\$128,000	\$144,000	\$160,000		
Total exempt value each category						\$36,480,000	\$49,728,000	\$45,920,000	\$35,200,000	\$24,624,000	\$105,600,000	\$297,552,000	
Taxable value each category						1,641,600	2,237,760	2,066,400	1,584,000	1,108,080	4,752,000	13,389,840	
Tax reduction each category						\$659,385	\$886,819	\$829,990	\$636,229	\$445,071	\$1,908,688	\$6,378,163	\$10,786,328
Scenario #2													
Assume 75% of applicants' residential structures are valued at \$160,000 or more; assume 25% are valued at \$62,496 * (see SB 2172.xls Sheet 4)													
	0	10	20	30	40	50	60	70	80	90	100	Total	Biennium
Number of veterans 9/06	21	1,944	894	721	513	342	389	308	206	128	495	5,960	
Exempt value per applicant						\$80,000	\$96,000	\$112,000	\$128,000	\$144,000	\$160,000		
Total exempt value each category						\$27,360,000	\$37,296,000	\$34,440,000	\$26,400,000	\$18,468,000	\$79,200,000	\$223,164,000	
Taxable value each category						1,231,200	1,678,320	1,548,800	1,188,000	831,060	3,584,000	10,042,380	
Tax reduction each category						\$494,524	\$674,114	\$622,493	\$477,172	\$333,804	\$1,431,516	\$4,033,622	\$8,067,245
\$62,496 structures:	0	10	20	30	40	50	60	70	80	90	100	Total	
Number of veterans 9/06	7	648	298	240	171	114	130	103	69	43	165	1,987	
Exempt value per applicant						\$31,248	\$37,498	\$43,747	\$49,997	\$56,246	\$62,496		
Total exempt value each category						\$3,562,272	\$4,855,939	\$4,484,088	\$3,437,280	\$2,404,534	\$10,311,640	\$29,055,953	
Taxable value each category						160,302	218,517	201,784	154,678	108,204	464,033	1,307,518	
Tax reduction each category						\$64,387	\$87,770	\$81,049	\$62,128	\$43,461	\$186,383	\$525,178	\$1,060,365
Grand Total - Scenario #2													
												\$4,558,800	\$9,117,600
* Structure portion (84%) of median value owner-occupied housing units = 2000 (federal census)													

SB 2172

Page 1, Line 13, after "hundred" insert "Sixty"

Page 1, Line 14, after "improvements" insert "for their permanent place-of-residence property"

Page 1, Line 19, remove "if the income of the veteran and the spouse, or if the veteran is"

Page 1, Line 20 and 21, remove

Page 2, Line 3, after "hundred" insert "Sixty"

Page 2, Line 4, after "improvements" insert "for their permanent place-of-residence property"

Page 2, Line 21, Remove beginning with "Any person..."

Page 2, Line 21, after "inspection." Insert " After the initial filing it will be automatically renew each year. However, veterans or their unremarried surviving spouse will have to re-file, if their service-connected disability percentage changes, the veteran dies, ~~sales~~ the property or no longer claims that's property as their primary place of residence." *Sells*

Page 2, Line 22 and 23, Remove

[illegible]

Bracket Broadening v. Targeted Approach to Marriage Penalty Relief

A. Bottom Bracket Only

Begins at MFJ Taxable Income of	\$	53,200
Maximum benefit hits at MFJ Taxable Income of		63,700
Maximum Reduction per MFJ Taxpayer	\$	(191.10)
Fiscal Impact of Bracket Broadening Approach	\$	(16,188,000)
Fiscal Impact of Targeted Tax Credit Approach	\$	(8,094,000) (Assumes tax credit is capped at \$191)

B. Bottom Two Brackets Only

Begins at MFJ Taxable Income of	\$	53,200
Maximum benefit hits at MFJ Taxable Income of		154,200
Maximum Reduction per MFJ Taxpayer	\$	(299.04)
Fiscal Impact of Bracket Broadening Approach	\$	(17,700,000)
Fiscal Impact of Targeted Tax Credit Approach	\$	(8,850,000) (Assumes tax credit is capped at \$300)

SB-2172-