

2009 HOUSE FINANCE AND TAXATION

HB 1241

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1241

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 21, 2009

Recorder Job Number: 7432

Committee Clerk Signature

Minutes:

Representative Dennis Johnson: I am from District 15, which includes Ramsey County and southern Towner County. This bill initially was brought to our attention by the local director of Tax Equalization and the counties asked us to introduce this. What it does is put back in line 8, the \$3000 clause along with the 10%. What has caused this situation is that in rural North Dakota, we have a lot of properties that are vacant. For example, a \$20,000 appraisal goes up 10% or \$2,000 and we have to notify these people to show that the market value on their property went up \$2,000. It creates a lot of paperwork.

Representative Pinkerton: This is the same thing we hear from our county. We appreciate your bringing it forward.

Terry Traynor, Assistant Director, ND Association of Counties: Along with a number of tax directors, we asked for the introduction of this bill and I am here to express our association's report. I have included in my testimony (**Testimony 1**) the language changes that were done to this section last session. As you can see, at that time there was a 15% threshold and a \$3,000 threshold. The \$3,000 was struck out and the 15% was changed to 10%. We have a couple of tax directors who will be talking more specifically of the particular burdens. We have a lot of small towns, a lot of vacant and low-value lots. If you take a \$400

lot in a little town that is vacant, the assessed value is \$200. The taxable value is \$18. If you go up 10%, (if there is a 300 mill consolidated levy on that), the tax is going up \$.84. It costs the county more than that to send the notice out. We feel that it is important that as well as a percentage threshold, we have a dollar threshold so we don't end up sending a whole bunch of paper out for a very small actual real change in taxes. That is the purpose of the bill and I hope that you can support it. I can try to answer your questions.

Representative Grande: If they are only going to raise the tax \$.84, why bother raising the tax?

Terry Traynor: The school may decide that they are going to raise taxes \$100,000 across all property. We can't show favoritism; every property goes up the same percentage so a \$100,000 house may go up \$30, but all the other properties have to go up the same percentage.

Representative Headland: Would it be possible to write into the code some kind of exemption that they did not have to send out the notice if the value is under a certain amount of dollars?

Terry Traynor: Either a certain dollar amount or the existing value. We thought the way it was written prior to last session that there was a dollar limit on the change. We restored the \$3,000 that was there last session. We need something that would make the low-value properties exempt from this requirement.

Chairman Belter: Do you have any idea how many extra notices you are having to send out in an average county because of this change?

Terry Traynor: I don't have a consolidated picture of that. We have a couple of tax directors who will be testifying and who can give a better picture of that.

Jerry Retzlaff, Ramsey County Tax Director: (Testimony 2) I come from Ramsey County and have been the tax director for quite awhile. I don't have an exact number; it varies from year to year; but when the sales ratio study that is required indicates that we have to raise properties, we don't discriminate between high-value properties and low-value properties unless it shows that. We have quite a few small towns in the county where the lots are valued at \$200. As my testimony says, that is about a \$.30 increase with a 10% threshold and no dollar limit, we would be sending notices out to all of those. We ran some numbers yesterday on this. If we increased all of the rural properties by 10% and put this \$3,000 threshold in, it would eliminate 2,400 notices in Ramsey County. A lot of those notices would be the \$.30 increases. It is not just the money for the postage and paper, but it is the time required to generate all these notices.

Chairman Belter: Are there any questions? So you are saying if we make this change, it would save 2,400 notices being sent out?

Jerry Retzlaff: That would be the maximum number if we would increase all the rural properties outside the City of Devils Lake; at the current level of assessment, it would save us 2,400 notices if we increased to 10%.

Chairman Belter: How many have you been sending out?

Jerry Retzlaff: I would guess it is in the hundreds. It varies year to year. That is for the small jurisdictions. The ones we feel should be sent out are the lakeshore properties. A 10% increase is a substantial amount of money there. They would still get the notices because they are all over \$3,000. This mainly relates to rural small towns and townships.

Chairman Belter: How often have you been increasing by more than 10%?

Jerry Retzlaff: Quite often in recent years. It could be just rounding, but market values have been going up for the last five to seven years so we are generating a lot of notices even in the

small towns and it could be just rounding values. A \$200 lot, if you rounded the value, it could be over a 10% increase.

Chairman Belter: Any other questions? Any further testimony?

Kevin Ternes, City Assessor from Minot: (Testimony 3). Just to answer Representative Grande's question, why would somebody raise an assessment on a lot that is only going to give \$.34-\$.80? The problem is that if the study indicates that all vacant lots are 8 to 10% or 15% below what they are selling for, the assessor has to come through and raise everything a certain percent. That might be an increase on a \$200 lot or a \$10,000 lot. In Minot this would save us about 500 notices because it would just be on the vacant lots. Many times you have a subdivision that will be subdivided; you have 300-400 lots in a subdivision and we just have a low land value on them at that point. Maybe there aren't any streets or curb and gutter so we a \$1,000 to \$2,000 in market value on a lot. The following year maybe the developer puts curb and gutter in on 5-10% of the lots so the lot value may change from \$1,000 to \$2,000. That's over 10% so they get notice. It is still a very insignificant part of the tax bill. It is a lot of time, paper and stamps. We are just asking to simplify things.

Chairman Belter: Further testimony on 1241?

Jerry Hjelmstad, ND League of Cities: We would like to go on record putting the threshold back in the law before these notices have to be sent out. Many of our smaller cities do contract with the counties so whatever efficiency we can create in this procedure would be an improvement. We ask for your support.

Chairman Belter: I can certainly see the problem we have created here from an expense standpoint, but a philosophical question for me is if we have property that has substantial value, you get a notice. If you don't have substantial value, you don't get a notice. That is an inequity to somebody who has property of low value because that tax increase is still there.

Jerry Hjelmstad: Mr. Chairman, the idea is that there should be some point where the dollar amount is low enough that it would be inconsequential.

Representative Pinkerton: If the state feels this is an important issue to send these notices out for these low numbers, would you think it would be fair that the state send an appropriation to the counties to pay for it?

Jerry Hjelmstad: I guess political subdivisions are always looking at mandates and how they are going to pay for them. That's not like an issue.

Chairman Belter: Any further testimony in support of 1241? Any opposition to 1241? Any neutral testimony on 1241: Does the committee have any questions of the Tax Department? If not, we will close the hearing on 1241.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB1241

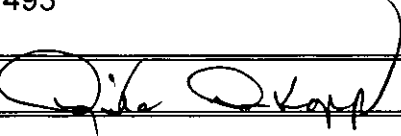
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 21, 2009

Recorder Job Number: 7493

Committee Clerk Signature



Minutes:

Chairman Belter: Committee, what are your wishes on HB 1241?

Representative Grande: I don't quite grasp what they are doing with that \$3,000. The bill has to be \$3,000 or the cost of the property is \$3,000?

Representative Weiler: The valuation has to increase, I believe, by more than \$3,000.

Representative Grande: My thought is that if the valuation increases more than \$200, I want them to send something out. I think people deserve to be notified if their taxes are changing. I can see where they don't want to send something out if it is only \$1, but this might be a big deal to somebody.

Representative Weiler: I just have a quick question. On the bill on page 1, line 7, it says "any assessor has increased the true and full valuation of any lot or tract of land", does that mean disregard if a home is on there?

Chairman Belter: That is my understanding that this is a bare lot. No, that's right. The improvements would be a home or a building.

Representative Drovdal: If the value is \$30,000 and it increases by 10%, that would be \$3,000. If the value was \$60,000 and it increased 10%, it would be \$6,000; (inaudible).

Representative Kelsh: Reading this almost makes it more restrictive because it says by \$3,000 or more and more than 10%. Current law says it only has to be 10% without any dollar increase.

Vice Chairman Drovdal: Their goal is if they have a small parcel not worth much money and it only results in a small value increase, they don't want to have to send the notice; but I don't know how to read it either.

Representative Grande: That's my confusion. I don't really know how to read this, but my point is that I want them to have to send out notice if there is a certain dollar amount you are raising from these taxes, I think you should get to know about it. I don't think you should have to wait until it is \$3,000 before somebody tells me my taxes went up.

Representative Weiler: If your home was valued at \$120,000 and they increased it to 1.3%, this means that they would have to send you a note.

Representative Froseth: If they increase the value by 10%, on a \$30,000 home, that would be \$3,000 so anything under \$30,000, they wouldn't have to send you a notice if they raised it 10% or an amount under \$3,000.

Representative Kelsh: Let me take a stab at this. Currently you pay your assessed value which is 9% for residential on \$30,000 so your tax is going to be half of that times your mill levy. What they are getting at here is that anything that has a value of less than \$30,000, by the time you put it through that formula, a 10% increase is not going to be more than a dollar or two. I think it works; I just think we are having trouble figuring it out.

Chairman Belter: At \$30,000 divided in half is \$15,000 times 9% which is \$435 so a 10% increase would be only \$1.35. They are talking about true and full valuation. If you have a \$30,000 piece of property and you divide that in half, take times 9% so the taxable valuation is

\$1,350 and you take your mill levy times that. Say 300 mills and you get \$39 in tax. If it jumps 10%, you are paying \$39, it will be about a \$4 jump in taxes if I did my arithmetic right.

Representative Weiler: House Bill 1375 is coming, which is the same thing, except it changes it from the current 10% to 5% so anytime the assessor has increased the true and full value of any land or tract or land or any improvements thereon to more than. Koppelman is on it, Berg is on it, I am on and so is Nathe.

Representative Brandenburg: Mr. Chairman on that small amount on the \$30,000, but what if it a \$1 million property?

Chairman Belter: Then it gets an order. We'll just hang onto this.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1241**

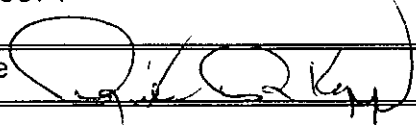
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 2, 2009

Recorder Job Number: 8371

Committee Clerk Signature



Minutes:

Chairman Belter: I ask for a motion to reconsider our actions where we inadvertently had a “do not pass” on HB 1241. I think we need to do it again to set the record straight. **I have a motion to reconsider our action on HB 1241 from Representative Drovdal and a second from Representative Grande.** Any discussion? **A voice vote resulted in 13 ayes, 0 nays.**

The motion passed.

Chairman Belter: I have a “do pass” motion from Representative Drovdal on HB 1241 and a second from Representative Grande. Is there any discussion? **A roll call voted on a “do pass” on HB 1241 resulted in 12 ayes, 1 nay, and 0 absent/not voting.**

Representative Headland will carry the bill.

Date: 9/2/09

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1241

House FINANCE AND TAXATION Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended

Motion Made By Drovdal Seconded By Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	/		Representative Froelich	/	
Vice Chairman David Drovdal	/		Representative Kelsh	/	
Representative Brandenburg	/		Representative Pinkerton	/	
Representative Froseth	/		Representative Schmidt	/	
Representative Grande	/		Representative Winrich	/	
Representative Headland	/				
Representative Weiler		/			
Representative Wrangham	/				

Total (Yes) 12 No 1

Absent 0

Floor Assignment Representative Headland

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

REPORT OF STANDING COMMITTEE

HB 1241: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO PASS (12 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1241 was placed on the Eleventh order on the calendar.

2009 SENATE FINANCE AND TAXATION

HB 1241

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1241

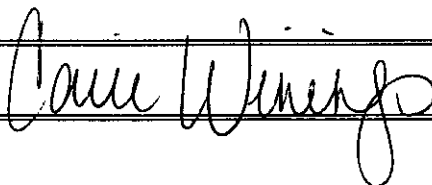
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 03/17/2009

Recorder Job Number: 11115

Committee Clerk Signature



Minutes:

Chairman Cook: Opened the hearing on HB 1241

Senator Dave Oehlke, District 15: Testified as sponsor and in support of the bill. (Explained the bill)

1.28 **Chairman Cook:** I believe we put the very same amendments on this bill.

1.55 **Terry Traynor, Assistant Director, North Dakota Association of Counties:** See Attachment #1 for testimony in support of the bill.

Chairman Cook: Either way we get it done?

Terry Traynor: Yes.

3.59 **Jerry Hjelmstad, North Dakota League of Cities:** Testified in support of the bill.

4.15 **Marcy Dickerson, State Supervisor of Assessments:** Testified in support of the bill. See Attachment #2 for amendment proposed.

5.58 **Chairman Cook:** So you would prefer we put these amendments on this bill?

Marcy Dickerson: Yes. HB 1166 just had townships taken out and that would be the only difference.

Chairman Cook: So we can leave that for a policy decision?

Marcy Dickerson: Yes. Our attorney did not believe it was necessary to put these amendments on but it does harmonize this bill with HB 1166. We want the two sections to be the same.

Chairman Cook: If we kill HB 1241 and HB 1166 does go to the Governor are we alright?

Marcy Dickerson: That is true; it wouldn't hurt to kill HB 1241 from that point of view.

Chairman Cook: Any further testimony? (no) Closed hearing.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1241

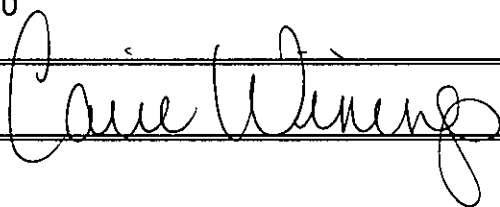
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 03/23/2009

Recorder Job Number: 11420

Committee Clerk Signature



Minutes:

Chairman Cook: Reopened the discussion on the bill.

Senator Triplett: My notes were that Marcy Dickerson suggested killing the bill.

Chairman Cook: Everything we are doing here is in HB 1166.

Vice Chairman Miller: Moved a Do Not Pass.

Senator Dotzenrod: Seconded.

A Roll Call vote was taken: Yea 7, Nay 0, Absent 0.

Senator Miller will carry the bill.

Date: 03/23/09

Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 1241

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended

Motion Made By Senator Miller Seconded By Senator Dotzenrod

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman	✓		Sen. Arden Anderson	✓	
Sen. Joe Miller - Vice Chairman	✓		Sen. Jim Dotzenrod	✓	
Sen. David Hogue	✓		Sen. Constance Triplett	✓	
Sen. Dave Oehlke	✓				

Total: Yes 7 No 0

Absent 0

Floor Assignment Senator Miller

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

REPORT OF STANDING COMMITTEE (410)
March 23, 2009 3:07 p.m.

Module No: SR-52-5634
Carrier: Miller
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1241: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO NOT PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1241 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

HB 1241

Testimony 1

**Testimony To
THE HOUSE FINANCE & TAXATION COMMITTEE
Prepared Wednesday, January 21, 2009 by
Terry Traynor, Assistant Director
North Dakota Association of Counties**

REGARDING HOUSE BILL No. 1241

Chairman Belter and members of the House Finance & Taxation Committee; county government requested the introduction of this bill and I am here today to express our support.

Last session, the case was made that the property assessment increase threshold at which notices must be sent to taxpayers should be adjusted from 15% to 10% (Excerpt from Legislation Attached). In this same bill, the dollar-threshold was also deleted, requiring thousands of additional notices of some very small valuation (and therefore tax) increases on very low value parcels.

We have expert testimony from a sample of those that worked to implement the changes enacted last Session, so I would only urge the Committee to consider that this impact was felt in every county in the State, increasing the labor and postage costs that ultimately must be paid by property taxes.

The Association of Counties urges your restoration of the dollar-limit in the notification threshold.

EXCERPT FROM ENROLLED SENATE BILL #2032 – 2007 SESSION

SECTION 2. AMENDMENT. Section 57-12-09 of the North Dakota Century Code is amended and reenacted as follows:

57-12-09. ~~Written notice~~ Notice of increased assessment to real estate owner. When any assessor has increased the true and full valuation of any lot or tract of land ~~together with~~ or any improvements thereon ~~by fifteen percent or more to more than ten percent more than the amount~~ of the last assessment, ~~written~~ notice of the amount of increase over the last assessment and the amount of the last assessment must be delivered in writing by the assessor to the property owner ~~or, mailed in writing~~ to the property owner at the property owner's last-known address ~~except that no notice need be delivered or mailed if the true and full valuation is increased by less than three thousand dollars, or provided to the property owner by electronic mail directed with verification of receipt to an electronic mail address at which the property owner has consented to receive notice. Delivery of notice to a property owner under this section must be completed not fewer than fifteen days before the meeting of the local equalization board.~~ The tax commissioner shall prescribe suitable forms for this notice and the notice must show the true and full value as defined by law of the property, including improvements, that the assessor used in making the assessment for the current year and for the year in which the last assessment was made and must also show the date prescribed by law for the meeting of the local equalization board of the assessment district in which the property is located and the meeting date of the county equalization board. The notice must be mailed or delivered ~~to the property owner at least ten days in advance of the meeting date of the local equalization board and must be mailed or delivered~~ at the expense of the assessment district for which the assessor is employed.

**Testimony before the House Finance and Taxation Committee
January 21, 2009**

House Bill 1241

**Jerry Ratzlaff, Tax Director
Ramsey County, ND**

Chairman Belter, Committee Members: My name is Jerry Ratzlaff. I am the Tax Director for Ramsey County and have been for about 25 years.

My testimony is concerning the requirement placed on jurisdictions by NDCC 57-12-09 to send out a notice to a property owner when an assessment is increased by 10% or more. This is understandable if the 10% results in a substantial amount of tax.

My concern is for smaller jurisdictions with lower valued properties. A 10% increase may result in a \$.30 (30 cent) tax increase. Currently a notice is required to be mailed to each property owner for this minor increase.

By adding the \$3,000 True and Full Value amendment, a notice in Rural Ramsey County would not be required until the tax increase is approximately \$45.

The cost of forms, postage and labor to send the mass mailings is but another burden for the already struggling small jurisdictions.

I am asking for a DO PASS on House Bill 1241.

This concludes my testimony. Thank you for your consideration and I would be happy to respond to any questions you may have.

Jerry Ratzlaff, Tax Director
Ramsey County

Testimony 3
HB 1241

**Testimony to the House Finance & Taxation Committee,
Chairman Wesley R. Belter**

1/21/2009 by
Kevin Ternes, City Assessor
City of Minot
kevin.ternes@minotnd.org

House Bill 1241

Mr. Chairman, my name is Kevin Ternes and I am the City Assessor in Minot.

I would like to ask for your support of this bill.

Assessments of low valued properties with True and Full Values from \$1,000 to \$30,000 are now getting notices of increase if the assessment changes 10%. That could be as little as a \$100 change in True and Full Value with a possible tax increase of anywhere from \$1.00 to \$2.00.

For those of us back home, this doesn't seem like the wisest use of resources like postage, time, print cartridges, stationary and envelopes.

I do appreciate your consideration of this bill.

Thank you.

#2

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1241

Page 1, line 1, after "57-12-09" insert "and subsection 4 of section 57-14-08"

Page 1, line 7, overstrike the second "or" and insert immediately thereafter ", including"

Page 1, line 8, overstrike "more than" and after "percent" insert "or"

Page 1, line 9, after the comma insert "written" and overstrike "over the last"

Page 1, line 10, overstrike the first "assessment"

Page 1, after line 22, insert:

"SECTION 2. AMENDMENT. Subsection 4 of section 57-14-08 of the North Dakota Century Code is amended and reenacted as follows:

4. When any special assessor has increased the true and full valuation of any lot or tract of land ~~together with~~ including any improvements to that lot or tract of land by ~~fifteen~~ three thousand dollars or more and to ten percent or more of the last assessment, written notice of the amount of increase over the last assessment and the amount of the last assessment must be delivered in writing by the special assessor to the property owner ~~or~~ , mailed in writing to the property owner at the property owner's last-known address ~~except that no notice need be delivered or mailed if the true and full valuation is increased by less than three thousand dollars~~ , or provided to the property owner by electronic mail directed with verification of receipt to an electronic mail address at which the property owner has consented to receive notice. The tax commissioner shall prescribe suitable forms for this notice and the notice must also show the true and full value as defined by law of the property, including improvements, that the special assessor used in making the reassessment and must also show the date prescribed by law for the meeting of the special board of equalization of the assessment district in which the property is located. ~~This Delivery of the notice must be mailed or delivered to the property owner under this subsection must be completed at least ten~~ fifteen days in advance of the meeting date of the special board of equalization ~~and~~ . The notice must be mailed or delivered at the expense of the assessment district for which the special assessor is employed."

Re-number accordingly

#1

**Testimony To
THE SENATE FINANCE & TAXATION COMMITTEE
Prepared March 17, 2009 by
Terry Traynor, Assistant Director
North Dakota Association of Counties**

REGARDING HOUSE BILL No. 1241

Chairman Cook and members of the Senate Finance & Taxation Committee; county government requested the introduction of this bill and I am here today to express our support.

Last session, the case was made that the property assessment increase threshold at which notices must be sent to taxpayers should be adjusted from 15% to 10% (Excerpt from Legislation Attached). In this same bill, the separate "dollar-threshold" was also deleted, requiring a great many additional notices of some very small valuation (and therefore tax) increases on very low value parcels.

Based on the 2007 change, thousands of small city lots and odd-sized agricultural parcels required notices for tax increases of a few cents to a few dollars. As this committee will understand, the \$3,000 valuation threshold would limit the notice to "assessed" value changes of more than \$1,500 and "taxable" value changes of more than \$150 (\$135 residential). For an average tax rate on these parcels of 350 mills, this bill would require notice if the actual taxes went up more than \$60 dollars.

As was explained last week to this Committee, this change was made to 57-12-09 in HB1166 as well, to make the Tax Department's technical corrections bill consistent with this one; and the same change was incorporated in HB1166 into 57-14-08 with respect to mobile home taxes, as that section was not changed in 2007 – leaving counties and cities with two different notice thresholds.

HB1166 is therefore the more complete version of this (in our estimation) corrective action. Counties however would still support passage of HB1241, as it was approved by the House – should there be disagreement with the Senate changes to HB1166. We however will accept the Senate Finance & Taxation Committee's decision on how to proceed with these two measures.

EXCERPT FROM ENROLLED SENATE BILL #2032 – 2007 SESSION

SECTION 2. AMENDMENT. Section 57-12-09 of the North Dakota Century Code is amended and reenacted as follows:

57-12-09. ~~Written notice~~ Notice of increased assessment to real estate owner. When any assessor has increased the true and full valuation of any lot or tract of land ~~together with~~ or any improvements thereon ~~by fifteen percent or more to more than ten percent more than the amount of the last assessment,~~ written notice of the amount of increase over the last assessment and the amount of the last assessment must be delivered in writing by the assessor to the property owner or, mailed in writing to the property owner at the property owner's last-known address except that no notice need be delivered or mailed if the true and full valuation is increased by less than three thousand dollars, or provided to the property owner by electronic mail directed with verification of receipt to an electronic mail address at which the property owner has consented to receive notice. Delivery of notice to a property owner under this section must be completed not fewer than fifteen days before the meeting of the local equalization board. The tax commissioner shall prescribe suitable forms for this notice and the notice must show the true and full value as defined by law of the property, including improvements, that the assessor used in making the assessment for the current year and for the year in which the last assessment was made and must also show the date prescribed by law for the meeting of the local equalization board of the assessment district in which the property is located and the meeting date of the county equalization board. The notice must be mailed or delivered ~~to the property owner at least ten days in advance of the meeting date of the local equalization board and must be mailed or delivered~~ at the expense of the assessment district for which the assessor is employed.