

2009 HOUSE FINANCE AND TAXATION

HB 1401

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1401

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 21, 2009

Recorder Job Number: 7433 and 7435 and 7481

Committee Clerk Signature

Minutes: (On Job 7433 Rep. Koppelman mistakenly testified on HB 1388/should be 1401)

Representative Koppelman: This bill essentially deals with true and full value of property for purposes of property tax. There is a bit of history to this as we hear about real estate concerns in our state. When I talk to school officials and city officials and county officials, I get very few complaints about high property taxes, but we legislators get a whole bunch in spite of the fact that we don't levy those taxes; they do. True and full value came, as I understand it, several years ago basically from a lawsuit. What occurred was that property bills used to say market value or true and full value on one line, then it would say taxable value on another line. Often times the taxable value was considerably lower than the market value. That was a practice followed in ND for a long time. My understanding is that there was a lawsuit filed by the railroads because railroad property had been valued at actual market value as opposed to property owned by citizens which had been valued lower for tax purposes. The court found that unconstitutional saying that we have a provision in our ND Constitution that says we have to have a fair and equitable system of taxation; therefore, all property has to be valued at true and full value. That has contributed greatly to the incredible rise in property taxes in ND over the years. This bill doesn't really attempt to get at that, but it is helpful to know some of that history to understand the whole problem. What this bill attempts to do is that true and full

value should mean just that, nothing more. The State Board of Equalization has a practice that they have adopted because they feel it is impossible to identify the exact true and full dollar to the penny, where they create a "fudge factor". I'm not sure what the technical term is where they say that we value property anywhere from 95-105% of its value and we think that is fine. I don't have an objection to having some sort of variance. I understand why that might be necessary, but I do think it is fundamentally wrong for anyone in ND to have to pay tax on 105% of what their property is worth. What this bill simply does is to say you cannot value property at any more than 100%. If you want a fudge factor, make it 95-100%, make it 90-100% or whatever it needs to be, but don't go over 100% especially in a day when our taxpayers are under the crushing burden of high property taxes, we certainly should not be unjustifiably burdening them further with a phantom tax higher than the value of what the property is really worth. The bill is pretty simple. That is a State Board of Equalization policy. **(Beginning of Job #7481)** Again, Mr. Chairman, my name is Representative Koppelman. As I explained earlier, this bill essentially seeks to ensure that no North Dakota taxpayer is paying taxes on a property that is valued at more than it is actually worth. You heard the explanation for that earlier so I don't want to take up more of your time unless you have questions. I would be happy to answer any questions you might have.

Chairman Belter: Are there any questions for Representative Koppelman? Further testimony in support of HB 1401?

Wayne Papke: (Testimony 1).

Chairman Belter: Further testimony in support of HB 1401? Any opposition to HB 1401?
Any neutral testimony on HB 1401?

Kevin Ternes, Minot City Assessor: I guess I just have a couple of questions on the mechanics. When I read this, I feel it is an oversimplification of what we are asked to do every year under current statute. My concern would be how it would all work.

Representative Headland: Mr. Ternes, in your assessment of properties, do you use computer models rather than going out and physically assessing?

Kevin Ternes: It is a two-part process. We do use the computer model; without the computer, we would be back to the days of pencil and paper and we really wouldn't have equity. Right now with computer models and human physical interaction with the property—going out and looking at it, measuring it and then reviewing that property every so many years. By coming back and using the computer to generate your values, you can become very equitable. We have great equity. Maybe assessments weren't as equitable 10 or 15 years ago as they are now, but I can guarantee now that even some of the smaller counties are going to models and there is greater consistency than we have ever seen. In fact, I would argue that the taxpayers would feel we are even too equitable, too accurate, and too consistent because we are generally pretty close. Now in Minot, our values are running about 88-89% assessments of market value as sold last year. There will probably be some adjustments upwards to get to the market value for this year. They will be done equitably. Will every house go up the same? No, some will go up more; some will go up less, depending upon the neighborhood, the age—we take all of that into consideration.

Representative Headland: Are there properties in Minot that are being assessed at over 100% of the true and full value?

Kevin Ternes: The only time that that would happen is we had 550 sales in Minot for 2008. I want to say maybe 10% of them might have sold for a few thousand dollars less than the assessed value. Part of that could be those were homes that weren't kept up. To be quite

honest with you, it is because people have pets and big pets can ruin a home within a few years. We were at a home five years ago that was in pretty nice shape. All of a sudden, the home needs new paint, new carpet and is really bad shape. That home might sell for a little less. When that happens, we try to go out and see what happened. If an adjustment needs to be made, we make that adjustment for the following year. Many times a home will sell for \$20,000, \$30,000, or \$40,000 more than the assessed value. We go out and look at that home to see what we missed, what is going on. There might have been a total remodel, something was done—maybe new construction done without a permit. There is a human interaction with every computer model and that is how all assessors do it throughout the state. That is how they are trained to do it, to go out and look. We are not just sitting and looking at a computer screen without going out and looking at the property.

Representative Headland: In the event that a property is valued at over 100%, do you then reassess it or will you reassess it?

Kevin Ternes: Let's say you pay \$105,000 for a home and we have it at \$110,000. We are probably not going to go out on that short of a difference because we don't go out on the other 90% that sold for more than what we have on them. But if there is a significant difference, we would use the threshold of 5-10% above. If we have that much more assessed than what you paid for it, we will go out and look at it and determine what happened. Maybe you bought it from your neighbor or your brother-in-law. Maybe you just wanted to live in that home because it was across the street from your mother-in-law. Maybe you wanted that home more than..., maybe there was something going on or maybe you paid more than market price—we are going to go out and look that all over. It has happened sometimes where the buyer and seller think the home is worth something and there are five other homes on the street that have sold that say it is worth something else. We look at all that, but surely I can tell you that if we have

a home overvalued and everybody agrees it is overvalued, we will be readjusting for the following year. The taxpayer has the right to file an abatement to go back and correct that assessment that he is holding in his hand right now. I will just echo what Representative Koppelman said. He said when he talks to the local people, he doesn't hear about a lot of problems. We had two people show up at the State Board of Equalization last April—two people who lived across the street from each other out of 14,700 properties. Most people know their home is assessed at what it is probably worth. In fact, most people probably think it is assessed a little lower than what it is worth.

Representative Headland: In the event that a homeowner came in to object to his assessment and he can show that he is paying over 100% of true and full value, you, as the assessor, would make that adjustment. The bill is just trying to get to the point where nobody is paying more than their value.

Kevin Ternes: The problem I have with this bill is that this bill is related to the overall market study and I think it would be very beneficial if Marcy Dickerson would talk about what this bill is trying to address. I don't see this bill as trying to address those isolated instances where somebody buys a home for less than the assessed value because you already have the abatement process which works very well. If I buy a home for \$100,000 and the city has \$120,000 on it, all I have to do is fill out a one-page document and go talk to my city council. Nine times out of ten, unless there is a really good reason I got the property so reasonably, that city council will lower that assessment and take a hard look at what I paid for that property, if that truly was all this was.

Representative Brandenburg: Why does it have to be over 100%? Why can't they stay under 100%?

Kevin Ternes: Why would it ever be over 100%? I don't know who is over 100%. Generally our assessments are geared to come in within that tolerance of 95-105%. We usually assess at that 96-97% range. It may be in some small towns that adjustments aren't being made. I don't know who is assessing at 103%; but I can tell you this. It is going to happen where somebody, once in awhile, is going to pay less for a home than it is assessed at. There is a mechanism right now in place where he can go and appeal that value. You don't need this. This, I believe, is related to a study and the overall study; I think you need to have Marcy explain. Where you are trying to go, Representative, I don't think this bill will get you there.

Representative Weiler: Mr. Ternes, do you think it is fair that people pay tax on an unrealized capital gain?

Kevin Ternes: I think I have to make a phone call. You are getting into a whole philosophical discussion. I don't know. Is it fair that I work hard and so my boss gives me a raise and then I have to pay more income tax? But it is true that if you bought your home in 1960, you probably paid \$20,000 for it and it is probably worth \$150,000 right now in Minot. You are probably paying tax on \$147,500. It is an unrealized gain; that's the property tax system.

Chairman Belter: Any other neutral testimony of 1401?

Leon Samuel, Morton County Director of Tax Equalization: I guess I just wanted to make one thing understood. We are always assessing a year in arrears. In other words, we are looking at 2008 sales to determine our 2009 values because February 1, 2009 is our assessment date. If you looked at all the sales that happened in 2008, basically in my jurisdiction, they are all selling for more (or 90% of them) are selling for more than what we are valuing them at. So again, when we do the sales ratio study and the state comes, we are going to need to increase possibly our values again for the 2009 year because that is what the 2008 figures said. I have had people come in and say that values are going down. It depends

upon how you are looking at it. You might want to sell your home at \$300,000 and you couldn't sell it. You come to \$280,000 and you couldn't sell it and you finally end up selling it at \$275,000. Yes, the value came down from \$300,000 to \$275,000. We looked at our value and we probably had it valued at \$250,000 so we are still valued below the sales price. Values have come down, but it is only the asking prices that have come down. Basically, when I send these into the state, the state says I am at \$250,000 and I should be at \$275,000, which is market value. I need to increase my assessments for the following year. Now 2009, we don't know what is going to happen, but I have had a few sales and sales are still coming in higher than we have property valued for. What we are going to value them for in 2009, we will have to look at 2008. That is the situation the assessors are put into. Like I said, as soon as tax statements go out, we get calls saying values are coming down. I agree with them; values are coming down, but our assessed values are still not as high as what the market says they should be for 2009. That's the kind of dilemma we are facing right now.

Marcy Dickerson, State Supervisor of Assessments: This is a very worthwhile discussion, but it has nothing to do with what this bill says. This bill says in equalizing valuation assessment of property among assessment districts, the State Board of Equalization may not approve valuation assessment in which the true and full value, etc. exceeds the true and full market value of these properties. I think what prompted this legislation was probably the State Board of Equalization's wiggle room they have instituted instead of requiring everything to be at exactly 100% of market value again in equalizing among the counties and the major cities, which are handled separately like counties, they have instituted a policy they have followed for many years that assessments that are within 95-105% of true and full value will be acceptable.

The way I read this is that that policy would have to be changed so that they are not over 100%. They could be up to 100% of true and full value. We are not talking about individual

parcels. Ideally no parcel would be assessed above or below 100%. In the real world, it is absolutely impossible to get that degree of accuracy, but what the sales ratio study does for the purposes of the State Board of Equalization is to look at a class of property throughout the county or in a major city, all those properties overall—if the median comes to within 95-105% of true and full value, the State Board says okay, your assessments are alright. That does not mean that every individual parcel is between 95-105%. We know it isn't. The sales ratio study indicates that some are going to be assessed lower than that, some are going to be assessed higher than that—but the median over that whole class of property in that county or that major city falls within that 95-105% range. Individuals may appeal assessments to the State Board of Equalization and be granted individual adjustment, but on a countywide basis or here where it says among assessment districts, which would be your counties and cities, the board looks at the median of that class of property in that jurisdiction. I interpret this just to say the board would not be able to approve a jurisdiction that was over 100%. I have no problem with that. I guess if I were at 101%, I would be madder than heck if my neighbor were at 99%. I have no problem with the concept of the bill, but this is the way I interpret the bill—not to address individual assessments, but to address State Board of Equalization which does not have jurisdiction over individual assessments unless an individual appeals.

Representative Brandenburg: We have talked before about how assessments probably fall under the 100% because the value of homes that have been sold at higher prices; but in years to come, if the economy stays bad and those home values start going lower even more, you are going to fall into the category where those homes will be over 100%. When the economy gets better, homes will go back up so you have to have so much room there to work with. I understand that. We may just be talking about what may happen in the future. By the time we come back from session, we may all be at 105%.

Marcy Dickerson: For the 2009 assessment, which is based on 2008 sales, which are probably still pretty good in most jurisdictions, the 2009 sales may indicate that values have come down so for the 2010 assessment, the assessors will be reducing those values. Not everybody is going to say you can't reduce those values; we need the tax base because section 57-15.01.1 allows the taxing district to raise the same number of dollars as they raised in the previous year, no matter what happens to the taxation base for the value. If a community lost 50% of its value, which isn't likely to happen, they could double their mill rate under that and still raise the same dollars so the incentive is not there to artificially keep those values up. If the market goes down, as it has in so many parts of the country, you are going to find those assessments going down.

Representative Brandenburg: Go from 100% to 105%, but then after that, you are going to have to raise the mills to get more dollars. It gives them cover to go from 100% to 105%, and then you will probably have to increase the mills a lot because once the economy changes and it goes back up and the houses increase. I can see a problem here with the valuation of the houses going down if what is happening nationwide happens to North Dakota, we are going to have these problems and the assessors are going to go to 105%, and they are going to be within state laws. Mills are going to have to go up substantially to make up the difference if the economy stays bad.

Marcy Dickerson: It doesn't matter. They can go from 95% to 105% or 145%. They are going to raise the mills to raise the necessary money no matter what the level of valuation is. I have no problem with saying they can't go over 100%. Fine, but they are still not going to keep the taxes down because of that. The budgeting is going to require an increase and they will have to increase the taxes to reach the desired numbers of the budget.

Chairman Belter: I have a mechanical question for you. When the State Board of Equalization meets and you get this information from the various taxing districts, does the information they present have a figure on there that says the average valuation is a certain percentage of property values or do you, as a board, determine what that percent is?

Marcy Dickerson: We have what we call our adjustment worksheets that make that determination. We get the actual sales information in from the counties showing the sales prices on properties and what the value placed on that property in the most recent assessment year was. Our computer program, yes, we do use a computer program, does figure that out and show what level the assessments are at—if they are over 100% as they come in, then our adjustment worksheet accounts for the changes that the local and county boards have made to the property since those numbers that were on the sales ratio study. We are looking at the prices of 2008 sales and what was on those properties for the 2008 assessment, and then we look at what the county has already done for the 2009 assessment on those same properties. Maybe they have increased the value, maybe they have decreased the value, but the adjustment worksheet adjusts all the figures so that we are up to the comparable numbers, the 2009 assessments that have been submitted to the State Board of Equalization. If the sales ratio study shows that the 2008 values were low and the counties have raised them enough for 2009 that they are now within this tolerance of 95-105%, then the Board says fine and doesn't do anything with them. We look at the relationship of 2008 assessments, the 2008 sales, but then we take into consideration the changes that the counties have made in their equalization process. If the results after the counties have finished their work are not within the tolerance that is when the State Board takes action.

Chairman Belter: So the taxing district, when they present the information to you, they know or they should know at what percent they are at, shouldn't they?

Mary Dickerson: Mr. Chairman, they do and they should know. Also before the State Board actually acts on anything, we send them copies of those adjustment worksheets so they know how it worked out. They can do their own adjustment worksheets and a lot of them do. For those counties that may not do their own, they get a copy from us so they know exactly what is being presented to the board and what is being recommended to the board.

Representative Headland: Assessments look backwards. Are there procedures in place to make adjustments when there are sharp declines in the market? Let's look what is going on in Florida, where housing has deflated by 30%. Are there procedures that are used today to make that market adjustment?

Marcy Dickerson: Yes, that is exactly what the purpose of the sales ratio study is. If it should come in that we had just a real drop and the bottom fell out of the real estate market in 2008, then it would be up to the cities and counties to reduce their valuations to get them down to what the current market value has indicated. That sales ratio study would show that everybody was over assessed in 2008. Then the county adjustment should bring those values down and our adjustment worksheets should show that they brought them down, hopefully within the tolerance.

Representative Headland: In theory, they could value all of these homes at 105%?

Marcy Dickerson: Yes they could at this point. The Board could have made a different decision on tolerance too, but that was a decision that they had made. Basically, what they say is that if you are within 95-105%, your assessments are acceptable. If you are below 95% or over 105%, then ordinarily they will move the assessments increase or decrease as necessary to within 3% so if you are 94%, they will move you to 97%; if you are at 95%, they would have left you at 95%; if you are at 108%, they will move you to 103%, where if you had been at 105%, they would leave you there. The only time this has ever been tested is when

one county a number of years ago requested an attorney general's opinion on whether that 95-105% tolerance on agricultural property was acceptable. The only question was on agricultural property, which as you all know, is assessed differently. In that case, the counties had to get to the average agricultural value per acre for the county as established by NDSU. In that case, the attorney general ruled that the Board's action of granting that 95-105% leeway was acceptable and reasonable. That was the only one that was ruled on--just the ag property, but it is the same concept. If you as legislators don't like that, you certainly have a right to change it. You can change it. I personally don't have any problem with it, but that will not assure that every individual assessment is at that level. There are always going to be properties that will sell for something different than what they are assessed at, no matter how much work you do.

Representative Weiler: In the scenario you gave about the bottom falling out and all of a sudden valuations fell way down, the locals at that point (inaudible) so if valuations go way down, they are just going to raise the mills up to get their money anyway.

Marcy Dickerson: That is true. There are no levy limitations, whether or not that is good (inaudible).

Chairman Belter: Any other testimony on HB 1401? If not, we will close the hearing on HB 1401.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB1401

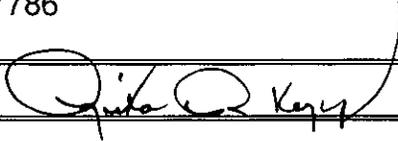
House Finance and Taxation Committee

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Hearing Date: January 26, 2009

Recorder Job Number: 7786

Committee Clerk Signature



Minutes:

Chairman Belter: Committee, what are your wishes on HB1401?

Representative Brandenburg: I move a "do pass" on 1401.

Representative Headland: Second.

Chairman Belter: We have a "do pass" from Representative Brandenburg and a second from Representative Headland. Any discussion? This is the bill where property cannot be valued over 100%.

Representative Pinkerton: My understanding from Marcy Dickerson was that the value of not more than 100% would refer to the whole district, but not have much effect at all on the individual. It won't affect individual values, won't affect dollars taxed and probably will make the assessing process more difficult. I understand the difficulties of assessors trying to keep things from going up so much, but I don't know if this is a good vehicle for that.

Vice Chairman Drovdal: I hate to say this, but I am going to oppose the "do pass" because I think this is a "bandaid" approach. I know PR wise that it sounds terrible to be assessing something at 105%, but it doesn't change a thing. You are going to have to pay the taxes the assessor puts out there. All they are going to do is create a lot of work and have the same tax bill.

Chairman Belter: I don't know if this is a legitimate argument, but I would contend that if you are going to value at 105%, you have the opportunity to raise your taxes without increasing the mill levies. If you hold them at 100% and you want more money, you have to increase the mill levy, which puts pressure on the local governing board and they will have to vote. Am I wrong in my theory?

Representative Brandenburg: I really think that 100% is adequate and what it does do is allow those tax assessors to go up to 105%. When asked why the tax bill is higher, they are going to say they have the authority to go to 105%. They will say the legislature allowed us to do it. That's what they will say every time. Why not be square with people, say it is 100% valuation, and raise the mills, take a vote and place the blame where the blame belongs? Why do we give them a variance to go to 105% when it should only be 100%? That's really what the bill is about. Taxes are going to go up, but why not do it by having them raise the mills versus letting the assessors value at 105%?

Chairman Belter: Does the local taxing board make the decision that they are going to put a valuation of over 105% or when the state board meets and looks at the valuations, are they the ones who determine that the value will be more than 100?

Dan Rouse, Tax Department: I am legal counsel to the Tax Department as well as legal counsel to the State Board of Equalization. In the years I have been here, I can count on one hand the number of times they have approved valuations that exceeded 100% and still have many fingers left. Would you repeat your question, Mr. Chairman?

Chairman Belter: Does the local board decide to value at 105% or does the State Board decide according to their information that a house is valued at 105% and it shouldn't be?

Dan Rouse: The Board of Equalization is the authority. The district presents what it proposes and the State Board of Equalization takes a look at it and they make the final approval. In

many cases, where there has been overvaluation, the Board has rejected it and it forces the county to go back and either reassess or re-evaluate that assessment. The State Board of Equalization is the final approval authority for that. Representative Pinkerton had a question about micro versus macro. It is district wide. It does not go down to the individual property level. The only time individual property level is ever an issue is if there is a personal protest of the value of property in a given year which has gone through the township and county level of appeals, then brought before the state board. That is different than what we are talking about here, taxing district wide is the measuring stick for the state board and they are the final authority.

Representative Headland: In the case of an economic downturn like we have had in Florida, you hear you can buy all kinds of houses for \$.50 on the dollar, where the whole district may have seen that kind of economic impact. Couldn't, in theory, if we didn't pass this, every house be valued at 105% and the State Board would have the ability to accept or not accept it? The local leaders could choose to not lower the value to lessen the impact on their budget?

Dan Rouse: I will agree with you in theory. Virtually anything is possible in theory. In reality it is not likely to happen. In theory, yes.

Representative Drovdal: The Board has rejected some valuations. Was that because they were over 105% or that they were under 95% in most cases?

Dan Rouse: Usually that they were over. If there was enough information to suggest that maybe there wasn't a clear reliance on the sales and marketing study used to come up with that assessed valuation for the whole district, it was pushed back to them to re-evaluate and reapproach the Board.

Chairman Belter: Because there was 105% of valuation, it gives the taxing authority the leeway to push valuation as high as they possibly can if they so choose to do that. It is an

instrument for them to raise valuations as high as they can, hoping they don't trigger the 105% if they don't want to raise the mill levy to get more money.

Dan Rouse: That is a likelihood that that could happen. For the record, the Tax Department is neutral on this and just answering technical questions.

Representative Headland: Where about, on an average, are they at right now?

Dan Rouse: The range almost always falls about 96-99%.

Chairman Belter: We have a "do pass" motion before us. Any other discussion?

Representative Pinkerton: I feel this is something that is working. If we add another level of bureaucracy to it, does that really serve us well on the governing body? It is so easy to get unintended consequences.

Chairman Belter: Any other comments? We have "do pass" before us.

A roll call vote was taken resulting in 7 ayes, 5 nays, and 1 absent/not voting (Froelich).

Representative Brandenburg will carry the bill.

Date: January 26, 2009

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1401

House FINANCE AND TAXATION Committee

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Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended

Motion Made By Brandenburg Seconded By Headland

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) 7 No 5

Absent 1 (Froelich)

Floor Assignment Brandenburg

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

REPORT OF STANDING COMMITTEE (410)
January 26, 2009 5:46 p.m.

Module No: HR-15-0980
Carrier: Brandenburg
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1401: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO PASS (7 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). HB 1401 was placed on the Eleventh order on the calendar.

2009 SENATE FINANCE AND TAXATION

HB 1401

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1401

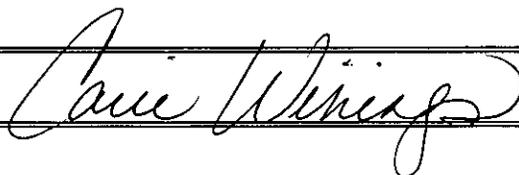
Senate Finance and Taxation Committee

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Hearing Date: 03/17/2009

Recorder Job Number:

Committee Clerk Signature



Minutes:

Chairman Cook: Opened the hearing on HB 1401.

Representative Kim Koppelman, District 13: Testified as sponsor and in support of the bill.

(Explains the bill) This would probably be considered property tax reform light.

3.15 **Chairman Cook:** If I was to protest the valuation on my home and it was found to be at 103%, in the past that would have been alright, but with the passage of this bill it would have to go down 3%?

Representative Koppelman: That would be the practical effect on it. That is not the wording, but I think that is the objective.

Senator Anderson: Who conducts the sales and market study and how often are they done?

Representative Koppelman: I am not sure. I think they are done by the local assessors and then they trickle up that information to the state level and then the tax department and board of equalization are involved. Others can answer to the specifics.

5.00 **Wayne Papke, Citizens for Responsible Government:** See Attachment #1 for testimony in support of the bill.

6.40 **Senator Anderson:** Do you know of any instances where the valuation over 100% is carried for any length of time?

Wayne Papke: I cannot think of one.

7.28 **Marcy Dickerson, State Supervisor of Assessments:** Testified in neutral capacity of the bill. (Asked for wording to be changed from "the sales and market study" to "the sales ratio study" or "sales/assessment ratio study") It would make more sense to go with what the normal terminology would be.

8.12 **Senator Hogue:** Is that referenced in statute somewhere or is it just commonly referenced terminology?

Marcy Dickerson: In the Tax Commissioners statute where it refers to the state supervisor of assessments it is stated that way there.

Senator Anderson: How often is the sales ratio studies conducted?

Marcy Dickerson: Annually.

Senator Anderson: Do you know of any instances where properties are overvalued to 105% that they are not corrected immediately?

Marcy Dickerson: What the state board of equalization generally looks at is the whole county or the whole city for a particular class of property. If a whole city or county is at 102-103% they will accept it but the next year they will probably get it down under 100%. Mostly they are trying to go between 95-100%. Once in a while something is over. None of these guarantee that a single property will not be over assessed.

Chairman Cook: So there are two consequences. The first one is the one that I mentioned where you take the over 100% and protest and it shows that you are at 103% you would get that reduced by 3%, is that correct?

Marcy Dickerson: Generally when people protest to the state board on an individual assessment they are not worried about their percentage, they just think they are too high and they bring in whatever evidence they have. If the board gives a reduction it is generally made

to a dollar amount. It has to be done by percentage but they don't necessarily bring them to 100%. They try to bring them to what the exact number they believe is the market value of that property. There are differences of opinion on market value. To say any one value is exactly 100% and exactly correct, probably no one can do that.

Chairman Cook: It is still awfully subjective.

Marcy Dickerson: There is a lot of subjectivity in appraisal no matter how technical you try to get. That is why we encourage the local people to do the best equalization possible right at the start of the process because by the time that it gets through the county and up to the state a blanket reduction or increase is not going to help any in equities that exist. If someone is assessed too low but you are bringing the whole city down because the whole city is too high you are going to bring that low one down even farther and put them more out of position. That is exactly why we encourage the townships and cities to do the best job they can do before it ever gets to the state.

Senator Dotzenrod: I want to make sure I understand how this sales ratio study works. What is the process that is used to put these numbers together?

Marcy Dickerson: The information does come from the counties. Before a deed can be recorded they have to either put the full consideration paid for the property on the face of the deed or file a statement of full consideration with the County Recorder or the State Board of Equalization. Every month the County Recorder has to send in the information from the one's where it is put on the face of the deed. They have to take that information and put it on a form and send it to the Tax Department. The one's that are a statement of full consideration filed with the County Recorder, they have to provide that information to us. The other statements of full consideration go directly to the State Board of Equalization and come to the Tax Department as we represent the State Board. All of that information is compiled before any of

it is entered into our program and all of the sales are sent out to the county tax directors for them to verify every sale. Every sale is to be verified and checked for whether it is a good sale or not, or anything they may have a problem with.

15.20 **Senator Hogue:** Asks a question pertaining to prior bill.

Marcy Dickerson: The final responsibility lies with the Tax Department. We are the final determination.

Senator Hogue: How do you distinguish between the people that are purchasing the property?

Marcy Dickerson: That is something that we would have to look at on an individual basis.

Chairman Cook: If there is a sale that you deem way to high, do you tax that particular piece of property of what the sale price was?

Marcy Dickerson: No we do not because that is what the law says. One sale does not make a market.

Senator Dotzenrod: If we pass 1401, as far as you are concerned this is not a problem?

Marcy Dickerson: It will not be a problem.

19.30 **Leon Samuel, Morton County Tax Assessor:** Testified in neutral capacity of the bill.

(Gave statement pertaining to the bill on personal experience)

Chairman Cook: Further testimony? Closed the hearing on HB 1401.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1401

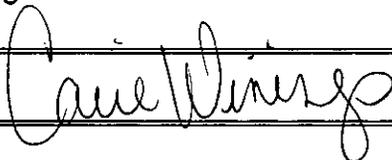
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 03/24/2009

Recorder Job Number: 11458

Committee Clerk Signature



Minutes:

Chairman Cook: Reopened discussion on HB 1401.

Senator Triplett: Moved Amendment.

Senator Dotzenrod: Seconded.

Chairman Cook: Discussion?

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

Motion passed.

Senator Triplett: Moved a Do Pass As Amended.

Senator Oehlke: Seconded.

Chairman Cook: Discussion?

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

Senator Triplett will carry the bill.

Date: 03/24/09

Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.: 1401

Senate Finance and Taxation Committee

Check here for Conference Committee A mend to ("and market")

Legislative Council Amendment Number Sales ratio study

Action Taken Do Pass Do Not Pass Amended

Motion Made By Senator Triplett 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					

All in favor

Total: Yes 7 No 0

Absent 0

Floor Assignment _____

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

REPORT OF STANDING COMMITTEE

HB 1401: Finance and Taxation Committee (Sen. Cook, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1401 was placed on the Sixth order on the calendar.

Page 1, line 3, replace "and market" with "ratio"

Page 1, line 12, replace "and market" with "ratio"

Renumber accordingly

2009 TESTIMONY

HB 1401

Testimony
January 21, 2009

Mr Chairman & Finance & Taxation Committee;

My name is Wayne Papke, I am a Mandan resident representing myself today.

I am here today in support of HB 1401.

I have been a 15 year student of property taxes. In my years of study, I've found many inequalities and a lot of unfair practices and procedures in the valuation of property. Each year I go to the county auditor's office and obtain the current final valuation summaries.

I find it very interesting that often I come across one of my neighborhood properties that are very unfairly and excessively valued. Often, I feel the valuation given is higher than what I feel the property would sell for – especially in volatile market conditions like we are in now.

I am not an appraiser or realtor but I've owned 13 houses in my life and I know that some valuations are greater than what I would offer on that property even in the ideal situation where I "needed" that property.

Over the years the valuations fluctuate as neighbors sell. For example, out of 5 houses in my neighborhood this last year, 4 sold. I am in the middle, being the only one not selling my property. Given sales of neighbor's property from \$200,000 to \$ 600,000 – far above current taxable valuations in a booming housing market at that time yet, what do you think will happen to my property? I am likely to get kicked to a valuation far greater than my current market value with my only recourse, the abatement process and a lot of time on my part.

If this law was enacted, assessors would intervene more in person prior to this process. They would not just let their computer system valuations take over as they don't have the likelihood of 4 out of 5 properties in a row selling in one year, which will throw their computerized valuation systems beyond reasonable increases and often pushing taxable valuations beyond current market values. With this bill, assessors would be more responsible and take a more hands on approach and correct computerized inequities before valuations are set, eliminating unique factors like in my neighborhood with 4 out of 5 houses in as row selling in one year.

Equalization boards have become "rubber stamp" entities with the flourishing real estate market of the '90's and up until 2008. This bill will again put purpose and accountability on these boards to insure the intent of their purpose is carried out to insure fair valuations. This will insure that both equalization boards and county & city assessors do their full due diligence instead of using a computer model that may work many years, but not in others. We need consistency in valuations and this bill will go along ways toward achieving that. We are about to enter the 2009 valuation phases in many counties in March of 2009. This will be a year where we will see a much higher percentage of abatement requests as the computer model will not work well in declining housing market values. We will see a higher than normal percentage of taxable valuations that are greater than the current, modestly diminished housing market values.

I can talk for hours on this, but I can tell you from my 15 years of research on property taxes, this bill is necessary. More reforms are needed and this is a great starting point.

I ask you to support HB 1401.

Thank you,

Wayne Papke

1612 River Dr NE, Mandan, ND 58554, Tel. 226-2739

January 31, 2009

HB 1401

Testimony 2

Chairman Belter and committee members

My name is Mike Motschenbacher, and I'm speaking on behalf of Citizens for Responsible Government of North Dakota. I'm asking for a vote of "Do Pass" on HB 1401.

Property taxes are the number one concern on the minds of North Dakota citizens. As you are all aware, property taxes that are owed are strictly based on taxable valuation of homes.

We believe that HB 1401 is a step in the right direction towards solving the property tax problem in North Dakota. By limiting the valuation increases of homes, you are essentially limiting growth of property taxes.

This bill, if passed, will be a great relief to the taxpayer looking forward. This will make it easier for taxpayers to estimate what their tax liability will be for the following year, allowing them to budget accordingly. It will prevent the shock that most homeowners felt when they recently received their property tax bills.

Once again, I ask you to consider a "Do pass" vote on HB 1401

Thank you for your time.

Mike Motschenbacher
Citizens for Responsible Government
701-471-9014
C4rgnd@bis.midco.net

#1

Chairman Cooke and members of Senate Finance and Taxation;

My name is Wayne Papke; I'm here today representing citizens for responsible government, a volunteer group based here in Bismarck.

I am here today in support of HB 1401.

As a 15 year student of property tax trends, concerns and reform needs, I see this bill as one of the corrections of inequities that can exist in property tax valuations.

This bill limits the valuations to no more than 100% of their fair and true value as it should be. Current ranges used by the State Board of Equalization are 95% to 105% of its true and full market value.

We are simply asking you to do what's right and fair in placing limits not to exceed 100% of the fair and true value.

105% limits that potentially subject districts to valuations and resulting taxes to unfair overvalued expenses to those taxpayers.

Realizing the assessments are allowing room for error, the 100% cap would still allow value ranges of 95% to 100% or 90% to 100%, both which are fair. Charging someone 105% of its value is not fair.

I ask you for your support of HB 1401 as a fairness vote for property tax payers.