

2009 SENATE FINANCE AND TAXATION

SB 2414

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2414

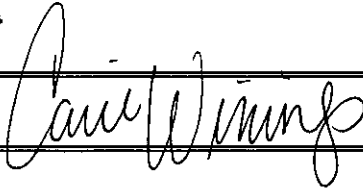
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 02/10/2009

Recorder Job Number: 9074

Committee Clerk Signature



Minutes:

Vice Chairman Miller: Opened hearing on SB 2414.

Senator Dwight Cook, District 34: Testified as sponsor of the bill. This is a bill that will deal with the farm resident's exemption. Times have changed; a lot of people that are living in the country are not farmers. It makes being neighbors being difficult because of the tax laws.

During the interim committee there were some of these issues that were not resolved. Gave an example of a township assessor who testified at the end of the day, he was the assessor for three townships, one elected and two contracted. He said in one township he had 17 residents and 4 were legitimate farmers and all 14 were getting the farm resident exemption. He put the 10 he thought should not have the farm resident tax exemption on the tax roll and he was fired. One of the problems you have with the farm resident exemption is that when someone is able to build a very expensive house in the country or maybe even close to the city because they qualify as a farmer. It doesn't take long and it gets out among their neighbors that they have this house and they are not paying any taxes at all. It causes a lot of concern. I think it is a fairness issue. The teachers that teaches the children that grow up on these farms of course they are all paying taxes on their homes; the fireman that come out to the farm to put the fire

out are paying taxes on their home. Hopefully the way it is drafted with the \$50,000 value exempted, it will be acceptable.

Senator Triplett: asked how he came up with the \$50,000.

Chairman Cook: through conversations with others, including Senator Triplett and I just picked a number.

Senator Oehlke: You mentioned firemen, I think it would be a rural fire department, it could be a farmer? It is a little different than the fireman that responds in town.

Chairman Cook: It is a fairness issue. This is the only group because of their occupation are exempt.

7.30 **Jerry Hjelmstad, North Dakota League of Cities:** Testified in support of the bill. This exemption has no time limits or amount limits. This causes a great disparity on how residential properties are treated. It would seem equitable and reasonable to put a limit on this exemption into law.

8.46 **Senator Triplett:** What would be an appropriate effective date?

Jerry Hjelmstad: At least a year delay.

9.19 **Bill Wilken, City Administrator for City of Bismarck:** Testified in support of the bill.

The concern is the unlimited nature of the exemption.

10.30 **Vice Chairman Miller:** Example: I am a part of Bismarck School District, and get taxed on the land but I live outside the Bismarck school district, I still get taxed on that land. There is a fairness issue right there. I don't get to vote when you raise your taxes but I have to pay that tax. Farmers own land everywhere, I don't understand why we have this problem.

11.50 **Senator Hogue:** How much does the city audit in this exemption?

Bill Wilken: I cannot answer that question.

Chairman Cook: That information is available. There really are no audits.

13.10 **Arvid Winkler, Farmer and assessor for Cuba Township:** See Attachment #1 for testimony in opposition to the bill.

25.20 **Chairman Cook:** We don't have the school house bill, let's stay on point. We will have the tax department up here and others that will help to make some changes and address your issues.

26.00 **Sandy Clark, North Dakota Farm Bureau:** See Attachment #2 for testimony in opposition of the bill.

38.05 **Chairman Cook:** I mentioned that I had two bills and no matter which one I would have introduced you could have offered the testimony to both?

Sandy Clark: Yes.

Chairman Cook: Why is there such difficulty when it is owned by a farmer?

Sandy Clark: It is partly what I said about location. It can have an impact on the valuation of the home. It operates as an entire unit. How are you going to sell just a house that you have other farm buildings on?

Chairman Cook: Argument of per Capita, we are supposed to equalize property tax, what does that mean to you when you make an argument on per Capita? Aren't you missing part of the equation here?

Sandy Clark: I think that is maybe two different issues. You equalize taxes based on property values but we believe that there is some validity to the amount that people pay.

Chairman Cook: The graph seems to be short of the value of the tax property.

Sandy Clark: That is correct. We are trying to demonstrate the amount of burden we already carry.

41.30 **Woody Barth, North Dakota Farmers Union:** Testified in opposition of the bill. We believe that the location of the home determines the value of it. I don't think any farm or ranch

land in my area has been sold because of the value of the home, it has been sold because of the productivity of the farm or grass land around it. It might be difficult to assess value of home. We to believe in strict enforcement and we want the assessors of local property of subdivisions to strictly enforce the law.

42.40 **Senator Triplett:** Do you have any advice on where we might want to set the limits at if we pass the bill?

Woody Barth: We stand in opposition to the bill and no changes to the current law.

Chairman Cook: I am sure you would not tell us what you think personally.

Woody Barth: When I take my badge off I will be happy to answer that question.

Chairman Cook: We have farms that have been valuations set on them.

Woody Barth: I am a resident of Morton County, and I understand, but we as a FU stand to keep the law as is.

45.50 **Julie Ellingson, North Dakota Stockmans Association:** Testified in opposition to the bill. The reason for the opposition is that it could result in a property tax increase for many of our members. Current law provides mechanisms for enforcement with strict requirements to qualify for this exemption. Many of our members see this as robbing Peter to pay Peter. The Stockman Association recognizes that farm homes are treated differently when it comes to property tax assessments but farm homes are unique in several ways. Sandy Clark already alluded to the different services rendered as farm homes do not carry the same type of value as homes located in urban areas because of the location. Implicating this would create an enormous work load for counties.

47.30 **Senator Triplett:** Do you have a recommendation for an amount?

Julie Ellingson: Our policy is to keep the law as it is.

48.30 Larry Syvertson, farmer from Mayvale and Chairman of ND Township Officers

Association: Testified in opposition to the bill. The effect of this bill would force us to appraise every farm home in our town ship and for very little financial reward for the township. Gives some figures and examples of what they would gain.

51.46 Chairman Cook: How many resident are in your township and how many pay taxes?

Larry Syvertson: About 56 and about 50% are taxed.

Chairman Cook: How many have protested?

Larry Syvertson: Not any.

Chairman Cook: How many time have you testified to have mill levees raised? You have testified?

Larry Syvertson: Yes I have.

53.27 Vice Chairman Miller: Mr. Syvertong how close is your township to Mayville.

Larry Syvertson: The northeast corner of township touches Mayville.

Vice Chairman Miller: Average home value in township?

Larry Syvertson: The highest assessed is about \$103,000 and the best home in the township would be higher than this but as soon as this bill would become law he would change his farm home exemption to a wheelchair one.

Vice Chairman Miller: My point is dealing with how close you are to Fargo and other cities.

There are farms that are out away from other larger cities. Where I live you can build a \$300,000 dollar home and you would be lucky to sell it for \$100,000. If my parent's house were in Fargo it would probably be a half million dollar home but where it is located it isn't

worth a thing because no one wants to live there. How do we assess the values? What would make the determination? I think it discourages building.

Chairman Cook: Maybe the best way to handle this is to ask Marcy Dickerson.

56.50 **Marcy Dickerson, State Supervisor of Assessments:** Everything does have market value; it may be more of a job to do so.

Chairman Cook: The value will be less based on location.

Vice Chairman Miller: There hasn't been a house sold in my area in years, how do you do that?

Marcy Dickerson: It would be more difficult but it can be done. There is nothing that isn't worth something.

Vice Chairman Miller: There is cost in doing this.

Marcy Dickerson: Then let's not assess anything.

Senator Oehlke: (unimportant question).

1.00.30 **Senator Triplett:** The difficulty in deciding what part of a farmstead should be appraised for residential purposes without doing survey work. How do you recommend doing this?

Marcy Dickerson: We have recommended that they place a reasonable amount of land around that residence. A percentage is estimated. Some have gone to two acres, we do not mandate that.

Senator Triplett: Once you take the land with residence, then it is subtracted from total land?

Marcy Dickerson: That is correct.

Chairman Cook: Effective Date?

Marcy Dickerson: At least one to two years.

Senator Triplett: Would they really need to be assessed, or could there be a blanket statement, or a summary assessment?

Marcy Dickerson: I suppose so. They could bypass the ones expected under.

1.04.18 **Scott Rising, Soybean Growers Association:** Testified in opposition to the bill. I see the concern on the larger homes(mansions) but I would suggest to you that most of these exists relatively close to urban areas and that the tax payer in me says, maybe there are some issues there, but that is as far as it goes. Other attractive homes in the rural areas generally facilitate the raising of families necessary to do the work of farmers and ranchers around the state. I for one prefer to see farmers and ranchers and families in farm homes than living in cities or small towns. Merit in the discussion on per capita issue, and it deserves some consideration to the education issue etc.

1.07.28 **Chairman Cook:** Comment on size of farms.

Vice Chairman Miller: You alluded to the larger homes outside the cities maybe that should be addressed. But if you're a livestock farmer you need to live on that farm. That is where you need to be.

Scott Rising: I cannot disagree with what you say. I think there is important value for farmers and ranchers to occupy residents in their place of business. There are a bunch of reasons and I don't think it is any more important for the rancher than the farmer. I don't think we want to do anything that causes people to leave the state. I think there is a real value to raise children on the farm.

Chairman Cook: Comment.

1.10.33 **Senator Dotzenrod:** Question on bar chart of Sandy Clark's. You say that about half of those people are paying taxes on their home?

Sandy Clark: That would be our rough guess.

Senator Dotzenrod: Are we making the gap larger in passing the bill?

Sandy Clark: That is our point and that is the way we read the bill.

Chairman Cook: What we are missing in this chart is the Ag land value.

Senator Dotzenrod: That is correct. Comments on equalization of land value.

Chairman Cook: You are right on section line, but equalization arguments are out there.

Closed hearing on the bill.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2414

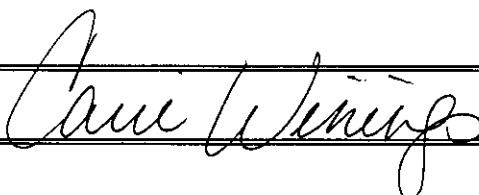
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 02/16/2009

Recorder Job Number: 9565

Committee Clerk Signature



Minutes:

Chairman Cook: Reopened discussion on SB 2414.

Vice Chairman Miller: In reference to the widow bill, would this play into that, or will there be any conflicts?

Chairman Cook: No.

Senator Triplett: I am not comfortable with limiting to \$50,000; I would be more inclined to support this bill if we could increase the level to \$75,000.

Senator Triplett: Motioned to amend \$50,000 to \$75,000.

Senator Oehlke: Seconded.

Chairman Cook: Discussion?

Senator Triplett: I think we all recognize that assess values of property in rural areas is less than it is in town, so this will go further in most rural areas than it does inside urban areas. I think a large number would be exempted with the \$75,000.

Chairman Cook: I think you could take a \$200,000 home from town out onto a gravel road and it would be worth under \$75,000. I could be wrong. I thought at \$50,000 we would be exempting 90% of the homes out there. I could live with \$75,000.

Senator Dotzenrod: These dollar amounts that are on line 9, currently when a tax statement goes out that farmer that lives there is getting a statement of the taxes due on the acres, excluding the house, so the \$75,000 would apply to the difference. Is that statement that comes going to show the house separate from the acres?

Chairman Cook: If it is over \$75,000 then yes, but it would also reduce the total acres for the productions formula; usually 2 acres. It would not be double taxed.

Senator Triplett: Those 2 acres is not set in stone. It was just a suggestion.

Chairman Cook: We have the amendments before us.

A Voice vote was taken: 6 yeas, 1 nays, 0 absent.

Motion passed.

Chairman Cook: I have one other set of amendments proposed. (See Attachment #1)

Committee: Reviews the amendment. (It puts 2244 and 2414 together)

Chairman Cook: Do we want these amendments added?

Senator Triplett: Then you want to just kill the other bill?

Chairman Cook: Yes, provided we pass this one. We need to add unremarried in front of surviving spouse.

Senator Triplett: I would hope that the farm groups in this state would put effort into reporting farm women as farmers before they retire in terms of shared income. We are talking mainly about farm wives here and they get into this situation because they haven't had their taxes done in a way that shows income coming to them as partner. I don't like this bill but I suppose I will vote for it.

Senator Dotzenrod: Mentions example given in testimony.

Chairman Cook: Stated that that was a poor example.

Vice Chairman Miller: What troubles me is where are we going with these? I would like to know what would happen if we enact this legislation. There are so many unanswered questions. How is this all going to translate?

Chairman Cook: They are going to do it the same as a non-farmer living in the country. Your house gets assessed for true and fair market value.

Vice Chairman Miller: I am still concerned about knowledge on what that might be.

Chairman Cook: It is more of guess work but it can be done.

Senator Triplett: Can we go back to the unremarried surviving spouse? I think I prefer to leave that word out. I think my notion of husbands and wives working together on the farm as partners and if you are thinking of it from a gender perspective and thinking of the farmer as the man and he retired and the wife died and he remarried and had another wife living there no one is going to take his exemption away because he is retired and remarried. The women are farmers too. So what if they remarry.

Chairman Cook: If we leave it out, the wife of a farmer that finds herself widowed at an early age and remarries someone with a large income and they live on the farm that they do not farm, they would always get the farm residence exemption on the first \$75,000.

Senator Triplett: I guess so.

Chairman Cook: I am not sure we want to offer the exemptions to the bill.

Discussion: A discussion followed on the surviving spouse and remarrying. The fact that the ones talking about now are not retired in this case.

Senator Triplett: Moved to amend page 3, line 13, to have the effective date go from 2008 to 2010.

Senator Oehlke: Seconded.

Chairman Cook: Discussion?

A Voice vote was taken: 7 yeas, 0 nays, 0 absent.

Motion Passed.

Chairman Cook: Your wishes?

Senator Oehlke: Moved a Do Not Pass.

Senator Dotzenrod: Seconded.

Senator Oehlke: We have offered these two amendments and gotten it in the best shape possible. Considering everything, I believe \$75,000 is still too low. This one makes me nervous. Brought up issues of assessors and what they do.

Discussion: A discussion occurred regarding assessors and how they play into the bills the committee is acting on.

Senator Anderson: I am going to vote for a Do Not Pass. I said no new property taxes when I was running.

Senator Dotzenrod: Just a couple of things. Part of the problem that the assessors talk about is the difficulty between people that are out there living in farm homes and those that are living in rural residences that don't farm. I know from experience that when you take a farmstead that is a working farm that has all the facilities and they are spread around the house. That house might be hard to sell or to know what it is worth. Where on the other hand you have rural residences, when those come up for sale they get a lot of interest and sell pretty good. I don't see how assessors have difficulty making that distinction. I see them very differently. Also, there is the idea of people that we would be bringing in here and taxing. They are already a major contributor into the tax system. I do think that we are going to see more taxes pushed onto the farmland and farm owners getting back to the productivity formula. I don't think I want to support it.

Senator Hogue: I have mixed thoughts about this bill, and I have given it some thought and we talked about the new amendments that were offered as far as a retired farmer. I was looking at the definition of farmer again, and the part that troubles me is that we permit that farmer who has farmed his entire career and he stopped farming, now he is in most cases renting out his crop land and probably bins and most of his equipment. Most of his income now is passive income and it seems to me I don't know why we give this exemption to a retired farmer who has all this passive income from his farm assets. I think that we should be removing this exemption that has been around a while. I will support the do not pass motion, but I think that this is an issue that should be addressed from a different angle.

Chairman Cook: Any other discussion? (No)

A Roll Call vote was taken: Yea 5, Nay 2, Absent 0.

Senator Dotzenrod will carry the bill.

FISCAL NOTE STATEMENT

Senate Bill or Resolution No. 2414

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

John Walstad
Code Revisor

February 10, 2009

PROPOSED AMENDMENTS TO SENATE BILL NO. 2414

Page 1, line 3, after "residence" insert "and continuation of the farm residence exemption for the surviving spouse of a deceased farmer"

Page 1, after line 4, insert:

"SECTION 1. AMENDMENT. Paragraph 2 of subdivision b of subsection 15 of section 57-02-08 of the North Dakota Century Code is amended and reenacted as follows:

- (2) "Farmer" means an individual who normally devotes the major portion of time to the activities of producing products of the soil, poultry, livestock, or dairy farming in such products' unmanufactured state and has received annual net income from farming activities which is fifty percent or more of annual net income, including net income of a spouse if married, during any of the three preceding calendar years. "Farmer" For purposes of this paragraph, "farmer" includes a "retired farmer" who is ~~retired because of illness or age and who at the time of retirement owned and occupied as a farmer the residence in which the person lives and for which the exemption is claimed.~~ "Farmer" includes a "beginning:
- (a) "Beginning farmer", which means an individual who has begun occupancy and operation of a farm within the three preceding calendar years; who normally devotes the major portion of time to the activities of producing products of the soil, poultry, livestock, or dairy farming in such products' unmanufactured state; and who does not have a history of farm income from farm operation for each of the three preceding calendar years.
- (b) "Retired farmer", which means an individual who is retired because of illness or age and who at the time of retirement owned and occupied as a farmer the residence in which the person lives and for which the exemption is claimed.
- (c) ^{Unremarried} "Surviving spouse of a farmer", which means the surviving spouse of an individual who is deceased, who at the time of death owned and occupied as a farmer the residence in which the surviving spouse lives and for which the exemption is claimed."

Page 3, line 12, replace "This" with "Section 1 of this Act is effective for taxable years beginning after December 31, 2008, and applies to the surviving spouse of a deceased farmer regardless of whether death occurred before or after January 1, 2009, if the occupancy by the surviving spouse has been continuous and otherwise qualifies under section 1 of this Act. Section 2 of this"

Page 3, line 13, replace "2008" with "2010"

Renumber accordingly

Date: 02/16/09

Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.: 2414

Senate Finance and Taxation Committee

Check here for Conference Committee

Amend
\$50,000 to \$75,000

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended

Motion Made By Triplet Seconded By Oehlke

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

All in favor?

Total: Yes 6 No 1

Absent _____

Floor Assignment Passed

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

Date: 02/14/09

Roll Call Vote #: 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO.: 2414

Senate Finance and Taxation

Committee

Check here for Conference Committee

Amendment Effective 2008 to 20010.
pg 3 line 13 1 yr delay

Legislative Council Amendment Number

Action Taken Do Pass Do Not Pass Amended

Motion Made By Senator Triplett Seconded By Senator Oehlke

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 1 No 0

Absent

Floor Assignment

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

Date: 02/16/09

Roll Call Vote #: 3

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 2414

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended ^{AS}

Motion Made By Senator Oehlke 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 5 No 2

Absent 0

Floor Assignment Senator Dotzenrod

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

REPORT OF STANDING COMMITTEE

SB 2414: Finance and Taxation Committee (Sen. Cook, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2414 was placed on the Sixth order on the calendar.

Page 1, line 9, replace "fifty" with "seventy-five"

Page 3, line 13, replace "2008" with "2010"

Renumber accordingly

2009 TESTIMONY

SB 2414

#1
Senate Finance & Taxation Committee
February 10, 2009
SB 2414 Farm Residence Exemption

My name is Arvid Winkler. I am a farmer and have been the assessor for Cuba Township of Barnes County since 1977.

While not surprised by the sponsor of this bill, I am surprised by the brevity of the sponsorship list.

This biggest problem I have with this bill is the effective date as stated on page 2 line 13. In real terms we are talking about the 2009 assessment year. The assessment date for 2009 is February 1, 2009. We are already into the assessment cycle for this year. I am supposed to be at an assessor seminar this afternoon with the other assessors for Barnes County. The assessment books need to be completed by the end of March. The township equalization meeting is to be on the second Monday in April, which this year is April 14.

You are proposing to change the rules in the middle of the game. Moreover, some of the proposed rules appear to be impossible to follow for this assessing cycle.

The Barnes County Director of Tax Equalization estimates that, using current procedures, that one person's time would be required to value all of the currently exempt farm residences. The taxable residences have been re-evaluated in the past two years using some computer software. One person has basically viewed all the taxable residences in the county.

To exempt "the first fifty thousand dollars of the true and full valuation" requires the valuation of the entire residence. At this time of the year the county personnel are already assessing jurisdictions which have chosen to hire the county to do their assessing. Unless you are purposely trying to upset the apple cart, delaying the effective date by one year would make considerably more sense in Barnes County.

There are 17 residences in Cuba Township which are being assessed. This is in an area which will average about 12 miles from Valley City. I have 16 farm residence applications. There are no exempt residences which come to mind which I would expect to have values outside of the value range for those currently being assessed.

The 16 farm exempt applications are paying taxes on close to four quarters of agricultural land per application in the township.

Page 2, line 30, refers to "a residence situated on agricultural land". For voting purposes, there currently are residences situated on agricultural land. They are exempt for purposes of taxation. Now if the residence becomes taxable, I would not expect to receive a property description as per NDCC 57-02-39 any time soon. I would not expect you to require an assessor, without the proper license, to describe one either. The easy way out is to permit a taxable residence to be "situated on agricultural land".

Something like half of the property taxes go towards the school districts. Years ago you could at least see the schools in Cuba Township. That is no longer the case. At night you can see the lights for Valley City, Oriska, and Tower City. We are now down to two school districts in the township. There are many situations where the same party owns agricultural land in both districts. That means that there is at least one school district where they cannot vote on school matters. Sounds like taxation without representation to me.

At 10:00 AM today the House Finance and Taxation Committee is hearing HB 1474 to "study the feasibility and desirability of elimination of property taxes". That bill has three times the sponsors as SB 2414. I do note that it appears to be the last bill on the hearing schedule and has been allocated a 15 minute time slot. There are also bills floating around that deal with the notice of increase in valuation. When the dust has finally settled, please be sure that it is physically possible to do all these things within the established time lines.

57-02-39. Irregularities of land to be platted into lots if required. If any tract or lot of land is divided into irregular shapes which can be described only by metes and bounds, or if any addition or subdivision which already has been platted into blocks and lots and subsequently sold into parts of blocks or lots which can be described only by metes and bounds, or if the courses, distances, and sizes of each lot or fractional lot are not given or marked upon the plat so that the precise location of each lot and fractional lot can be ascertained accurately, surveyed, or laid out, the owner of such tract or tracts, upon the request of the county auditor, shall have such land platted or replatted, as the case may be, into lots or blocks according to deeds on record. If such plat cannot be made without an actual survey of the land, the same must be surveyed and platted and the plat thereof recorded. If the owners of any such tract refuse or neglect to cause such plat and survey, when necessary, to be made and recorded within thirty days after such request, the county surveyor, or some other competent surveyor, upon the request of the county auditor, shall make out such plat from the records of the recorder if practicable, but if it cannot be made from such records, then the surveyor shall make the necessary survey and plat thereof, and the county auditor shall have the same recorded, but no such plat may be recorded until approved by the city engineer of the city affected thereby, and if there is no city engineer, then by the county surveyor. A certificate of the approval of such plat must be made by the officer making the same endorsed on the plat or map. Such certificate also must be recorded and forms a part of the record. When such plat has been duly certified and recorded, any description of the property in accordance with the number and description set forth in such plat must be deemed a good and valid description of the lots or parcels of land so described. No such plat or description may bear the name or number which already has been applied to any plat or description previously made and recorded as a part of any such city. When the owner of such land fails to comply with the provisions of this section, the cost of surveying, platting, and recording must be paid by the county, upon allowance by the board of county commissioners, and the amount thereof must be added to the taxes upon such tracts or lots the ensuing year. Such taxes, when collected, must be credited to the county general fund. The surveyor making such survey or plat is entitled to receive for services in making the same the compensation allowed by law for doing other county surveying or platting, and such fees become a legal charge upon such tracts of land.

#2



North Dakota Farm Bureau

Bringing ag home

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Senate Finance and Tax Committee

February 10, 2009

Testimony on SB 2414 by North Dakota Farm Bureau

presented by Sandy Clark, public policy team

Good morning, Chairman Cook and members of the Finance and Tax Committee. My name is Sandy Clark and I represent the members of North Dakota Farm Bureau.

We stand today in opposition to SB 2414. We believe farm homes should continue to be exempt from property taxes.

Current law is very clear about who qualifies for the farm home exemption. We have always supported strict enforcement and people who do not qualify under the law should not receive the exemption. We have supported efforts to utilize the affidavit that requires citizens to verify that they qualify.

The Tax Department provided information at an Interim Tax Committee indicating that a number of farm homes have been placed on the tax rolls in the last year. Tax assessors have taken more aggressive enforcement steps and we support a continuation of that effort. SB 2414 is not necessary if the counties remain diligent in their enforcement effort.

Maintaining farm home exemptions is logical and practical tax policy for North Dakota for many reasons.

Services rendered

First of all, farmers and ranchers do not receive services on their homes. We don't have water or sewer services. We don't have paved streets and snow removal. We don't have quick response fire and police protection, or rapid ambulance service.

On the one hand, the Legislature keeps looking for ways to make rural areas viable and SB 2414 is designed to drive more people off the rural land. If farmers have to pay property tax on their home, they'll move to town where at least their home is worth something.

Difficulty in accurately assessing homes

Location is the number one determining factor in valuing a home. A farmer can build a new home and the day they move in, it's worth less than half of what they paid for it. A farm home has little, or no, value in itself.

If you look at states that tax farm homes, you'll find they don't keep up their homes because they will be taxed more.

Assessors will have a difficult time assessing farm homes because there are very few, if any, comparable sales within the area.

Who's not receiving the farm home exemption?

In 2007, ND Ag Statistics reports there are 31,970 farmers in North Dakota. The report also indicates 17,243 have gross farm sales less than \$50,000. Many of these are hobby farmers and they have a primary job in town. Their homes are already taxed.

Of the remaining 14,727 farmers, other bonafide farmers have off-farm income. Particularly younger farmers have a need for one or both spouses working off the farm to supplement the farm income. In addition, a number of farmers live in town and commute to the farm. They are paying property tax on their home in town.

Now you have to consider the retired farmers, who still live on the farm. We just did a quick survey of a few townships and found that 33% of the farmers living in the township were retired.

Therefore, I think you would find that there are not nearly as many farmers receiving the farm home exemption as you might guess. I suspect, it will take more money and time to assess and collect the tax on these homes than the county and school districts will receive in taxes.

Per capita property taxes

Farmers and ranchers already pay a disproportionate share of property taxes on a per capita basis. Appendix A is from the Tax Department's 2007 Property Tax Statistical Report. You can review this table at your leisure, but you will notice that the rural counties lead the list on property taxes levied per capita.

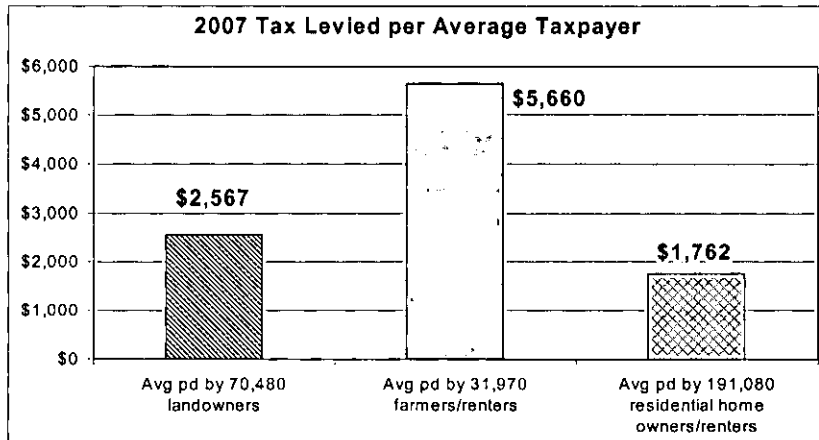
In rural counties, agricultural land is already paying the greater share of county services, because there is very little residential or commercial property. Why raise taxes just for the sake of raising taxes? The counties already levy what they need. This bill is just a tax increase to give the counties more money to spend.

If we break that down further, the following table demonstrates a really rough estimate of the taxes paid per farmer vs residential property owner.

Unfortunately, we are not able to provide data on commercial property owners because we have not found a database of how many commercial businesses are located in North Dakota or by county.

The N.D. Ag Statistics reports there are 31,970 farms in North Dakota and 70,480 landowners. There are approximately 191,080 owner occupied homes and rental homes in the state. This includes homes of one or two units, which are taxed as residential property. I could not find a database that broke down the three unit residences, which are also included as residential property. But if the three units were included, it would reduce the average residential property even more.

In both cases, we must assume that when an individual rents either a home or agricultural land, they are paying the property taxes within the lease price.



Furthermore, if you consider that school taxes represent 50% of the tax bill, an average farmer is paying almost \$1,284 toward education, while an average residential owner is paying \$881.

These are state averages and, obviously, there is a wide variation between counties. The State Constitution says the state carries the responsibility to pay the cost of education, but with such a heavy reliance on property taxes, farmers and ranchers are carrying a disproportionate share of the education tax burden.

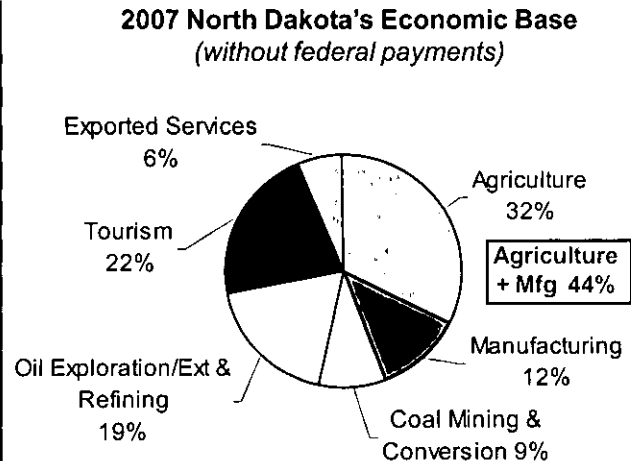
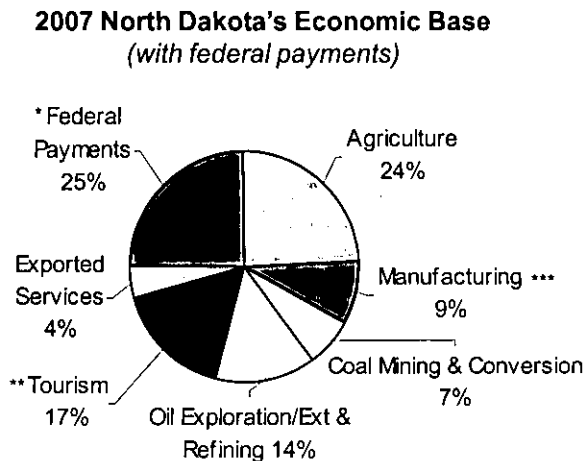
SB 2414 would require farmers and ranchers to carry an even larger share of the education burden.

Agriculture is the economic engine

Farm home exemptions are also logical because of the significant impact that agriculture has on the state's economy. It is unreasonable to tax people out of business, when that business is the economic engine that drives the economy.

We all recognize that the state's current budget surplus is a result of a booming oil industry and record commodity prices. But we also have to acknowledge that both industries are the most volatile of the state's industries.

The following table demonstrates the 2007 Economic Base as provided by Dr. Larry Leistritz, economist at NDSU. Commodity prices have since decreased dramatically, while production costs have spiraled upward.



* Federal payments include social security, federal salaries and wages of federal employees, federally funded construction, transfer payments and Conservation Reserve Program and land easement payments.

** Tourism includes activities involving service activities primarily serving out-of-state markets or clients (includes retail sales by Minnesota shoppers in Fargo and Grand Forks, etc.) Tourism also includes agri-tourism, which is an expanding market in North Dakota.

*** Ag manufacturing and ag processing represents the major share of manufacturing and processing in North Dakota. It is a rapidly growing segment of North Dakota exports. This segment would not be viable without production agriculture.

Agriculture, oil and coal are volatile industries in North Dakota because they are so dependent upon global market conditions. Agriculture is also reliant upon weather conditions.

The farm home exemption and the productivity formula for ag land brings some stability to the agricultural industry in North Dakota and keeps the economic engine well oiled and functioning.

Agriculture also turns dollars faster than any other industry in North Dakota.

Agriculture "Turns Dollars" Faster Than Any Other Industry

The gross receipts multiplier means that each dollar received from sales in an industry in North Dakota turns over that many times. Agriculture has the highest multiplier effect of any industry in North Dakota.

Agriculture Livestock	4.49	Business & Personal Services	2.71
Agriculture Crops	3.68	Finance, Insurance, Real Estate	3.67
Agricultural Processing & Misc Mfg	4.45	Professional & Social Services	3.41
Nonmetallic Mining	3.02	Households	3.07
Construction	2.44	Government	1.00
Transportation	3.05	Coal Mining	2.54
Communications & Public Utilities	2.79	Thermal-Electric Generation	2.19
Petroleum Exploration/Extraction	1.92	Retail Trade	2.08
Petroleum Refining	1.29		

Data source: "The Role of Agriculture in the North Dakota Economy", F. Larry Leistritz, David K. Lambert, and Randal C. Coon., NDSU Agribusiness & Applied Economics Statistical Series Report No. 57-S, November 2002.

In summary, agriculture is important to the present and future of North Dakota. It's important to each community in North Dakota, including Fargo and Grand Forks that rely on ag manufacturing and ag processing. The Mandan Tesoro refinery tells us that agriculture is an important part of their business as they produce diesel for the ag market. These industries provide jobs and income for their communities.

The farm home exemption for qualified farmers is logical and practical tax policy. We encourage you to give SB 2414 a "do not pass" recommendation.

Thank you for your time and I would try to answer any questions you may have.

Appendix A

Property Tax
per Capita

County	2007 Estimated Population	Ad Valorem Tax Levied	Per Capita
Steele	1,840	4,171,407.31	2,267.07
Cavalier	3,911	7,079,995.29	1,810.28
Towner	2,292	4,054,042.27	1,768.78
Sheridan	1,320	2,204,369.86	1,669.98
Slope	659	1,080,828.48	1,640.10
Sargent	4,110	6,581,766.83	1,601.40
Griggs	2,397	3,749,728.52	1,564.34
Pembina	7,531	10,955,808.05	1,454.76
Wells	4,269	6,201,698.97	1,452.73
Hettinger	2,427	3,505,884.33	1,444.53
Burke	1,862	2,664,481.59	1,430.98
LaMoure	4,110	5,840,212.61	1,420.98
Renville	2,314	3,277,034.65	1,416.18
Divide	2,004	2,797,212.58	1,395.81
Trails	8,069	11,172,237.79	1,384.59
Nelson	3,217	4,414,113.43	1,372.12
Kidder	2,349	3,213,929.19	1,368.21
Emmons	3,470	4,696,460.27	1,353.45
Cass	137,582	185,184,306.80	1,345.99
Bottineau	6,409	8,497,957.80	1,325.94
Richland	16,498	21,490,743.67	1,302.63
McHenry	5,224	6,735,314.10	1,289.30
Dunn	3,308	4,257,952.83	1,287.17
McIntosh	2,752	3,528,971.06	1,282.33
Barnes	10,783	13,815,658.57	1,281.24
Grant	2,467	3,160,287.95	1,281.02
Adams	2,279	2,881,080.33	1,264.19
Foster	3,490	4,354,791.14	1,247.79
Dickey	5,356	6,614,972.79	1,235.06
Pierce	4,103	5,038,896.91	1,228.10
Logan	1,956	2,396,394.50	1,225.15
Oliver	1,725	2,100,146.06	1,217.48
Ransom	5,682	6,860,789.17	1,207.46
Walsh	11,011	13,108,348.04	1,190.48
Grand Forks	66,983	78,676,346.92	1,174.57
Golden Valley	1,670	1,922,636.57	1,151.28
Morton	25,926	29,505,772.23	1,138.08
Eddy	2,430	2,729,578.06	1,123.28
Stutsman	20,480	23,000,544.93	1,123.07
Burleigh	77,316	86,440,050.54	1,118.01
Ramsey	11,189	11,827,297.05	1,057.05
Bowman	2,944	3,064,359.30	1,040.88
Mountrail	6,481	6,210,285.29	958.23
McLean	8,349	7,922,664.12	948.94
Ward	55,927	52,354,625.73	936.12
Williams	19,540	18,263,735.53	934.68
Stark	22,458	20,127,540.36	896.23
Mercer	7,972	6,992,217.71	877.1
Billings	798	673,348.48	843.8
McKenzie	5,617	3,808,607.41	678.05
Benson	6,971	4,671,291.06	670.1
Rolette	13,665	3,868,329.47	283.08
Sioux	4,223	793,683.71	187.94
State	639,715.00	740,540,738.21	1,157.61

Data Source: 2007
Property Tax Statistical
Report, ND Tax Dept.

Good morning, Chairman Cook and members of the Senate Tax and Finance Committee. For the record, my name is Julie Ellingson and I represent the North Dakota Stockmen's Association.

The Stockmen's Association respectfully opposes this bill and the requirement changes to qualify for the farm-home property tax exemption.

The reason for our opposition, of course, is that this would result in a property tax increase for many of our members at a time when they are contending with soft markets and volatile input costs.

While a property tax increase for those already carrying a heavy tax load may never be met with favor, it would be particularly unpopular this biennium after North Dakota citizens have been promised significant, broad-based property tax relief. You've heard the expression, "Robbing Peter to pay Paul." Many of our members view this proposed change as robbing Peter to pay Peter.

The Stockmen's Association recognizes that farm homes are treated differently when it comes to property tax assessments, but farm homes are unique in several ways, as previous speakers have alluded to.

Farm homes cannot carry the same type of value as homes located in urban areas because of the factor that location plays in that determination. For example, if you build a brand new home on a farm, the value diminishes the moment that it is erected, since it cannot be resold the same as a lot in town. The home is part of a larger farm unit which cannot be easily separated.

In addition, implementing a system to tax farm residences would create an enormous workload for counties, since all farm homes would have to be assessed in order to determine who is exempt, who is not and how much property tax farmers and ranchers must remit in order to comply. We've heard many times this session about the time and financial crunch many counties are already in as they work toward implementing the soil survey system of ag land assessments. This would only add to their burden.

For these reasons, we ask for a do-not-pass recommendation on SB 2414.