2013 HOUSE FINANCE AND TAXATION

HB 1465

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1465
February 6, 2013
Job #18387

☐ Conference Committee

Committee Clerk Signature	Mary Brucker

Explanation or reason for introduction of bill/resolution:

A Bill relating to statutory references to mills, property tax credits, and property tax levy limitations; relating to determination of taxable valuation and allocation of revenue to the state aid distribution fund; property tax levies.

Minutes:

Attached testimony #1, amendments #2, bill #3, testimony #4, #5, #6

Chairman Belter: Opened hearing on HB 1465.

Representative Owens: Introduced bill. Distributed testimony #1, amendments #2, and red and green copy of bill #3. (Ended testimony at 15:17)

Vice Chairman Headland: You stated this would be a credit to every parcel of property. Does that mean if you own more than one home you're going to receive tax relief on those parcels as well? On your state aid distribution now the counties would be mandated to apply that for tax relief where today the money is available for them to spend. Is that going to keep the counties whole?

Representative Owens: The answer to your first question is yes and no. Under the residential portion it limits it to one residence but under agriculture and commercial it is multiple parcels. There are no restrictions on how the counties and cities will use the money that is redistributed to them; all we are doing is filtering it through the credit to get back to them but there is no restriction on how they use it.

Vice Chairman Headland: How does that lower a person's property tax liability then?

Representative Owens: The appropriation is going to help lower that too because the credit is double what the state aid distribution is right now. It redirects part of the property tax to out of state because it's going to turn around the same money and it will show up as a credit on the North Dakota residents but it won't show up as a credit for the nonresidents.

Vice Chairman Headland: If you have a separate tax entity like a corporation and they own a residence does that give you two residences?

Representative Owens: Cited language in the bill. That's in there but under residence it is restricted to only one.

Representative Froseth: Now voters go to the polls and vote for a specific increase in mill levies for a specific expense or purpose. If you consolidate those funds what's going to stop that collection of revenue when a certain project is paid for?

Representative Owens: Your point is well taken. The process of having the specifications of mills was designated to say to insure we focus on certain money for certain categories. That is still in the code and won't change. Mills will change to a percentage of dollars so you'll still have a cap in that area. In this we will give them the consolidated authority to bring that money together to do the business of the people rather than force them to keep it to the specifications. If there was a particular situation where the voters approved it for one specific thing with a sunset then that mill levy is still there.

Representative Weisz: Co-sponsor on bill. This bill does a few things and one of them is it eliminates mills. It will help get away from the connection between valuations and property tax. In reality property tax isn't based on valuations, it's based on the spending of the political subdivisions and their budget. I firmly support the Homestead Act that is in this bill. If we take the money out of the state aid distribution then we allow the counties, political subdivisions, cities and counties to increase their levies to compensate for that then you're shifting the money to the North Dakota residents. It would make sense that we would offer a residential homestead credit for every piece of property owned by North Dakota residents. Every property owner in the state is going to get relief.

Representative Trottier: I think mills actually make the departments more accountable. Does it not?

Representative Weisz: I guess I would disagree. We elect our city commissioners or county commissioners and entrust them with our money. I think it puts more responsibility and makes them answer to the public better.

Representative Drovdal: You say nonresidents aren't here to help pay for our schools and such. The property tax is put on to pay for services that the political subdivisions offer to their people and nonresidents don't use these services so they're paying part of our costs. They pay our mill levies for schools which are the biggest part of our taxes yet they don't use our schools. Why are we picking on nonresidents because they pay tax like everybody else?

Representative Weisz: I don't believe I'm picking on them. Every resident in North Dakota will have property relief. That nonresident property owner benefits from that levy for roads because they are maintaining that road which makes his property more valuable. They still receive the benefits by having that parcel in town that will have that sewer and the water and everything else that their property taxes are paying for supports the value of that particular parcel. My only argument is that as residents we are contributing beyond that point so why not give us some extra reductions.

Representative Zaiser: Are you familiar with other states that have gone through this reform of converting mills to actual dollars and cents?

Representative Weisz: I have no idea how many states have eliminated mills and have gone through a straight levy.

Chairman Belter: Further testimony in support to 1465? Any opposition to 1465?

Terry Traynor, North Dakota Association of Counties: See attached testimony # 4.

Chairman Belter: Further testimony in opposition of 1465?

Connie Sprynczynatyk, North Dakota League of Cities: In many cases when cities began asking their voters to approve a home rule charter one of the things that people seem to like is the ability to consolidate levies under home rule. Cities all over the state have pressure for them to grow and grow very rapidly so having the mechanisms in place tied to CPI index would be fine. We have a lot of smaller cities that are already capped and have been capped for many years and they are not adding taxable valuation so their budgets on not growing so having that CPI index could be a good thing. This is very out of the box thinking and there are pieces that I think local government could really embrace. A mill levy is nothing more than a mathematical calculation. If you own a $100,000 home in this state you take half of that and then you simply do the math, 9% of that. When you get down to that mill levy calculation one mill on $100,000 is $4.50. I get that fact that people don't pay bills in mills they pay in dollars.

Vice Chairman Headland: Is it your belief that the property tax payer would never vote to raise his taxes?

Connie Sprynczynatyk: There is the ability in current state law for you to go back to the voters for an excess levy. There is one city that has an election every September. There is also a cost to that because we only have municipal elections every other year. I think it would work far better if we were like some of the New England states where they still have an annual town hall meeting where the electors come to vote on a budget. I think it would work better if we had that tradition but we've had representative democracy in this state for a long time where we're used to electing people to represent our best interests at the local tables.

Vice Chairman Headland: I don't recall your support on HB 1199 when you refer to voting on budgets.

Connie Sprynczynatyk: It isn't a practical matter. I'm not suggesting it work excellently in North Dakota today because that is not our tradition unlike the New England states. I believe there is a problem with that bill because as one of the testifiers pointed out you could be constantly referring a budget because you think it's too low or you think it's too high.

Chairman Belter: Any further testimony in opposition?

John Godfread, Greater North Dakota Chamber: There is one piece we have to stand in opposition to and that is in section 3, we envision that as a shift in property taxes more to the commercial property owners of our state and we don't think that's the right direction to be heading. In Minnesota they burned their commercial property with property taxes very heavily and it was a piece of the puzzle that has caused a significant slowdown in expansion in their state so we don't think it's a good direction to move in this state. We find some pieces in here that are interesting also.

Chairman Belter: Further testimony in opposition?

Merlin Leithold, North Dakota Weed Control Association: I don't understand the bill; I'm not a tax person. One thing we are in opposition to is the consolidation of mill levies. As a county weed officer we have carry over authority. At times we run 20,000-30,000 over and it's helped us. Some years our weed control is less than others, depending on the conditions of the climate, and we end up with some carry over. The following year we can increase our cost share to the land owners and we get rid of our carry over. With this consolidation we wouldn't have that; we'd be giving in this money at the end of the year and the commissioners would take it. We get grant money through the state for various projects. When you need the money you go after this grant money. A lot of our members may not save thinking that they wouldn't get the money the next year in that account so why go after the grant money. Another issue is when you're talking about getting rid of the mill levy. On our noxious weeds we get LAP and it's in century code that there is a 3 mill requirement so would the mills go away then? It's a concern if this would even work. You'd have to come back next biennium and change the law again. As a landowner I pay taxes in the county and it has gone up this year. I like to see where my money is going; if it's going to the weed board or the water district.

Vice Chairman Headland: You are aware that consolidation of levies is already in the law?

Merlin Leithold: Yes.

Chairman Belter: Any further testimony in opposition?

Sandy Clark, North Dakota Taxpayers Association: This is a very difficult bill for us to get up on because this is certainly a property tax relief bill and we support property tax relief. There are some sections that we like and some sections that we don't like. On section 4 page 7 regarding the limiting growth factors we like that section. On page 8 I understand this can't supersede city or county home rule but I'm not sure I understand "but" and those next A and B sections. We will support section 6 which repeals the highest of the last three years. We also would concur with the previous speaker that we would oppose the shift to on to commercial property. Concerning the amendment on consolidation of mill levies I understand that is already available in the law. Section 1 on the mills we can understand there are a lot of confusion about what is a mill but I question changing the century code because I don't know a lot of people from the general public that sit down and read the century code. Mills is an industry standard around the country so I think that could be solved by adding something on to the tax statement to explain the definition of a mill.

Representative Owens: I just want to make sure you understand that this law says that in this bill home rule cannot supersede this.

Sandy Clark: Absolutely and we would strongly concur with that as well.

Representative Owens: As far as mills versus dollars it is an industry standard but unfortunately the majority of taxpayers don't work in that industry.

Sandy Clark: Point taken.

Chairman Belter: Any further testimony in opposition? Any neutral testimony?

Eric Aasmundstead, North Dakota Farm Bureau: We like a lot of this bill however when we balance the parts of the bill we really like against one that gives us a lot of heartache and that is the shift. We like the reform and the relief parts but we think those can be accomplished without a tax shift. We have to get relief or reform across all classifications of property.

Representative Schmidt: Does that mean you are willing to offer an amendment?

Eric Aasmundstead: We are prepared to share information with the committee that makes the point that reform is needed and property tax relief is needed. When you look at what property taxes are doing today in spite of state funded property tax relief the unrealized gain on the value of my home and my business and my farm are being eaten up and that has got to stop. So yes we could offer amendments to the many proposals this session that could be melded into one bill.

Chairman Belter: Any further neutral testimony?

Marcy Dickerson, State Supervisor of Assessments: This is just a small technical suggestion I want to make. Property tax relief of a commercial property by federal law the same relief has to be extended to railroads and airlines. You could say that BNSF doesn't have owners who have residences in North Dakota and that's right but we have some very small railroads in the state now and I would suspect that a couple of them are owned by people who would qualify as North Dakota residents. I think federal law would apply to these small railroads so property tax relief would have to be extended to them as well. I don't think there is any airline that would qualify at this point.

Representative Owens: Let's say everybody in this room love this bill and you're saying that in order to cover this we would have to come up with a homestead portion for centrally assessed as well?

Marcy Dickerson: It wouldn't have to be for centrally assessed it would just need to be for railroads and airlines. The other industries do not have the federal legislation that provides this benefit to them.

Chairman Belter: As far as doing the change away from the mill levy, do you see any problems with dropping the mills?

Marcy Dickerson: I think that would be more confusing at least for the first two years until people really became too acclimated to it. Say if you have half a mill now on something if you go .005 as a percentage you could still put in .005 but when you start going to fractions of a percentage when describing it I think that would be more confusing.

Chairman Belter: Any other neutral testimony on 1465?

Jeb Oehlke, State Treasurer's Office: In section 5 of the bill the funding mechanism in the bill on taking the first $20 million per month out of state aid distribution, I don't know if there even is $20 million in there. I looked at the last distribution and saw that the total distribution for a quarter was just over $30 million and that's three months where it's $10 million per month of the funding that is sought in the bill. In looking at the fiscal year 2012 the total payout for state aid for the entire fiscal year was a little over $100 million. There may be other funding sources.

Chairman Belter: I think that was recognized by Representative Owens.

Representative Owens: I think he came in after I explained and I had previously mentioned that we had to change that from $20 million to $10 million.

Chairman Belter: Any other neutral testimony?

Representative Zaiser: Could I ask Mr. Fong a question? I'm curious if other states have gone through this significant C change in terms of mills and other aspects of this bill and if they have are they finding problems or successes?

Tax Commissioner Fong: I am not aware of other states that have gone through this transition. Marcy may have a better sense than I do and she is shaking her head but we can certainly find out from our sources across the nation. Property taxes overseen across the states vary as some states have a centralized property tax system but most are decentralized which is what we have with local governments that are making the decisions on property taxes so it might be difficult for some of my counterparts at my level to understand what has gone on with property tax but I will get back to you.

Chairman Belter: If no further questions I will close the hearing on HB 1465.

Further testimony dropped off in committee room by Wayne Papke, Mandan resident: See attached testimony #5 and #6.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1465
February 13, 2013
Job #18877

☐ Conference Committee

Committee Clerk Signature	Mary Brucker

Explanation or reason for introduction of bill/resolution:

A Bill relating to statutory references to mills, property tax credits, and property tax levy limitations; relating to determination of taxable valuation and allocation of revenue to the state aid distribution fund; property tax levies.

Minutes:

Attached amendments #1 and bill #2

Representative Owens: Distributed amendments #1 and red/green copy of bill #2 and reviewed.

Vice Chairman Headland: You mentioned about doubling it and I'm not able to find it in here.

Representative Owens: The bill originally said CPI for the previous 12 months of the past calendar year was level one and level two was you can then double whatever that CPI was provided you adhere to all the notice requirements currently set in law. The cap explanation begins on page 7 line 7 and the second stage is on page 8 line 21.

Vice Chairman Headland: It seems like 6% would be a bit generous when we're trying to slow down the growth of property taxes.

Representative Froseth: Your section 3 repeals a whole bunch of oil distributions. What does it specifically repeal?

Representative Owens: It has nothing to do with oil it is strictly property tax. It's only one item that it repeals. I said it was a relic of the 79-81 boom. In 79 we had an oil boom in the west and in 81 it collapsed and as part of the result of the collapsed property tax values the entire west just creamed downward. Because of that this section of law was created to allow taxing districts to ignore every mill levy limits we have in law. If your intent is to provide some type of control and cap none of those efforts will be worth the time that we spend debating them if we don't repeal this section of law.

Vice Chairman Headland: It looks like the effective date on section 2 would take place at the beginning of this calendar year and everything else would go into effect July 1 of 2013?

Representative Owens: That is correct.

Representative Dockter: It says in here special election 55% to approve so is there a reason why it's 55% instead of 60 percent?

Representative Owens: There are people with varying opinions on this. It doesn't really matter so I'll let this committee decide.

Representative Marie Strinden: Do you have any idea how much the subdivisions tend to raise property taxes every year in percent?

Representative Owens: If you look at the CPI the past three years we didn't quite hit 3% one time and a lot of times it's been below that. Statewide is the only number I've seen and that was 6-8% increases.

Vice Chairman Headland: In the title it references public notice of political subdivision's budgets. Where is that?

Representative Owens: That is a last minute change to assist to reduce cost at counties. If you look on page 8 line 23 it is where we are changing it from just being published in the newspapers to including their website. Some people don't purchase the newspaper so they wouldn't know when the meetings were being held.

Representative Zaiser: Have you considered the option of doubling the rate and using the clause "not to exceed" so that you would establish a ceiling?

Representative Owens: The ceiling was established in level 1 where it's not to exceed 3% so that in level 2 it says you can double so it creates that same effect.

Representative Zaiser: Then 6% would be the doubling on the ceiling?

Representative Owens: That is correct.

Representative Froseth: What's the difference between this bill and Representative Kasper's bill other than allowing them to double the CPI rate and changing it to a decimal system rather than a mill system?

Representative Owens: And repealing the one thing that eliminates the purpose for caps. The difference is a cap. This one is reforming the system from mills to dollars because the taxpayer does not live in the world where they work with mills.

Representative Schmidt: You're capping the tax with your proposal. Could another proposal be that we cap the true value and leave the mill levies up to the county commissioners to determine?

Representative Owens: I'm giving you an option to cap the entire tax budget for that region and if this committee wishes to change it to a taxing value then that is entirely possible.

Representative Schmidt: After speaking with our Morton County commissioners with their raising the parks three mills I'm inclined today at capping the tax but yesterday I liked the idea of the county commissioners being responsible to the locals with respect to adjusting their mills. Now I am not sure which way I will go with this

Vice Chairman Headland: Would you be amenable to putting language in the public notice hearing that they would have to have a required number of people attend that meeting before they could move forward with it?

Representative Owens: That's an intriguing idea but I think it would put an undo burden on the cities and counties because they can't force the people to show up. That almost creates a situation of hybrid of vote requirement and a notice requirement rather than just one or the other. I think it would be better to double it rather than limit it.

Vice Chairman Headland: I'm just thinking that a county commission that needs the money and has a viable reason for asking for the money from the property taxpayers ought to have enough responsibility and initiative to suggest to the people this is so vitally important to the local county government that we need you to show up.

Representative Owens: I don't disagree with what you're saying. You sell them on the idea of the importance of attending and participating. I just don't know how the citizens would react and to make that a requirement makes me a little nervous. The doubling thing can come completely out of there and leave it up to this committee.

Representative Trottier: How about a vote by mail?

Representative Owens: I'm not trying to change the entire system on how they get approval. I think that needs to be in a separate bill and it needs to follow the voting process under our voting laws. I was just trying to focus on basic reform in the way property tax is administered, assessed, and handled in the state right now.

Representative Marie Strinden: The thing not addressed is that there are already two notices in law of the budget meetings so will this one supersede those or do those need to be taken out or do they have to announce three times?

Representative Owens: Section 2 is designed to require them to meet the notice requirements that are currently in law. This is not intended to be a new notice.

Representative Hatlestad: On this doubling after you've held the public meeting there is no vote required?

Representative Owens: I didn't seek to put into code what is required at the county commission's public meetings. They will wind up voting among themselves anyway.

Representative Hatlestad: The public doesn't have the option of voting at the public meeting to stop the additional 3% hike?

Representative Owens: It wasn't my intent to state that they had but if you notice it does say that they have the right of repeal with the normal channel that is already in law for contesting.

Representative Kelsh: In a scenario that you have a western county experiencing a lot of growth due to oil activity and you're losing some personnel to the industry and suddenly you're hit with a large snowstorm causing extra overtime and emergency procedures and have to wait for a special election to come up with the money, how would we address that with a 3% cap?

Representative Owens: Thank you for that question. I left that out.

Vice Chairman Headland: That's already law so it wouldn't have to be added into new legislation.

Representative Owens: Under consolidated mill levies right now it carries a lot of additional rules, requirements, and authority with it. This was merely to allow the consolidation of mill levies to solve that problem.

Representative Zaiser: Would this consolidation address or solve the issue anyway?

Representative Owens: The intent on just allowing them to consolidate levy authority was designed to avoid them having to increase the taxes in one area because of an emergency when they were flush in other areas and could simply do their primary job of running the city, county, or state in the appropriation of the tax dollars to accomplish what they needed to do.

Vice Chairman Headland: On the 6%, that is probably less than the average increase in taxable value over the past 10 years.

Representative Owens: I looked at all those past 10 years across the state and I know it is equal to or less than the past three years when we know the CPI has been down and everything else has been greatly depressed yet property tax across the state went up 6-8 percent.

Vice Chairman Headland: Any further questions?

Representative Marie Strinden: Made a motion to move the amendment.

Representative Drovdal: Seconded.

Representative Kelsh: Are you going to have an amendment to add the consolidation part?

Representative Owens: In the interest of time I've asked the committee if they would just pass it and if it passes on the floor I will take the consolidated over as part of the amendment in the senate. I think it is a key component in the reform.

Representative Zaiser: Doesn't this provide redundancy in a negative way in the fact that we can already do that?

Representative Owens: The current item in law for consolidated levy authority brings with it a number of issues that some cities and counties don't care for. This would allow them to manage their budget as a complete item without having to worry about all the associated things.

Representative Zaiser: How do you define that you're going two to three steps up on a ten step ladder?

Representative Owens: In the amendment that I would provide it would be only the consolidation of levy authority and no other associated rights.

Vice Chairman Headland: We have the amended bill before us. What are the committee's wishes?

Representative Owens: Made a motion for a Do Pass as Amended.

Representative Kelsh: Seconded.

ROLL CALL VOTE: 11 YES 3 NO 0 ABSENT

Representative Owens will carry this bill.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1465
February 20, 2013
Job #19280

☐ Conference Committee

Committee Clerk Signature	Mary Brucker

Explanation or reason for introduction of bill/resolution:

A Bill relating to statutory references to mills, property tax credits, and property tax levy limitations; relating to determination of taxable valuation and allocation of revenue to the state aid distribution fund; property tax levies.

Minutes:

Attached amendments #1.

Representative Owens: Made a motion to reconsider our actions on HB 1465.

Representative Schmidt: Seconded.

VOICE VOTE: MOTION CARRIED.

Representative Owens: In the last set of amendments where we pulled everything out and we reduced it to just the reform there was one piece of reform left out and since then we discovered something we needed to reconsider on the limits. I'd like to make a motion whereby we reconsider our actions of amending and go back to the original bill. I have new amendments but Mr. Walstad still left out a paragraph that he is sending down so we will have to amend it again in order to get the full set of amendments in there.

Chairman Belter: Maybe we should wait for the other amendments.

Representative Owens: When we amended that bill we were taking out the Homestead Act and the changes of the taxable and leaving in the limits and a number of other things like that. I also said something about leaving in the consolidated levy authority but John Walstad accidentally pulled that out so what you have before you are the same amendments we passed last time with the consolidated levy authority placed back in. The only other change is on the second page of the amendment where it says "page 9 after line 10 insert item 7" it makes sure there is still an exemption to the limits applied when it comes to counting human services levy. Otherwise this is the exact same amendment that we did previously. **Made a motion to reconsider our actions on the amended bill and return it to its original state.**

Vice Chairman Headland: Seconded.

Representative Owens: Made a motion to adopt the amendments 2007. They take out the Homestead Act, the change in the taxable value percentages, add in the consolidated levy authority, and based on the limit in there it exempts from that limit the county human services levy.

Representative Klein: Seconded.

Representative Schmidt: You said the amendments took out the Homestead Act?

Representative Owens: Yes. We did that before and took out the change in the percentage of the taxable value calculation and the homestead portion which also eliminated the $240 million appropriation. It changed it from reform/relief to just reforming the current tax code associated with property tax.

Vice Chairman Headland: Can this be superseded by home rule?

Representative Owens: It cannot. As part of the existing bill initially the limitations on section 2 paragraph 5 may not be superseded by a city or county under home rule authority except the two general exceptions.

VOICE VOTE: MOTION CARRIED.

Representative Owens: Made a motion for a Do Pass as Amended.

Representative Dockter: Seconded.

ROLL CALL VOTE: 9 YES 2 NO 3 ABSENT

Representative Owens will carry this bill.

VK
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1 of 3

13.0769.02005
Title.03000

Prepared by the Legislative Council staff for
Representative Owens
February 13, 2013

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1465

Page 1, line 1, remove ", 57-02-08.9,"

Page 1, line 2, remove ", property tax credits,"

Page 1, line 3, replace "sections 57-02-27 and 57-39.2-26.1" with "section 57-15-02.1"

Page 1, line 4, remove "determination of taxable valuation and allocation of"

Page 1, line 5, replace "revenue to the state aid distribution fund" with "public notice of political subdivision budget hearings"

Page 1, line 6, remove "to provide an appropriation;"

Page 1, remove lines 16 through 24

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 30

Page 4, remove lines 1 through 30

Page 5, remove lines 1 through 31

Page 6, remove lines 1 through 31

Page 7, remove lines 1 through 6

Page 7, line 15, after "<u>exceed</u>" insert "<u>by more than three percent</u>"

Page 7, line 17, remove "<u>adjusted by a percentage equal to</u>"

Page 7, remove lines 18 and 19

Page 7, line 20, remove "<u>ended calendar year</u>"

Page 8, line 23, after "<u>newspaper</u>" insert "<u>or website, or both,</u>"

Page 9, remove lines 11 through 31

Page 10, remove lines 1 through 31

Page 11, replace lines 1 through 3 with:

"**SECTION 3. AMENDMENT.** Section 57-15-02.1 of the North Dakota Century Code is amended and reenacted as follows:

57-15-02.1. Property tax levy increase notice and public hearing.

Notwithstanding any other provision of law, a taxing district may not impose a property tax levy in a greater number of mills than the zero increase number of mills, unless the taxing district is in substantial compliance with this section.

1. The governing body shall cause publication of notice in its official newspaper <u>and on its official website, if any,</u> at least seven days before a public hearing on its property tax levy. A public hearing under this section

may not be scheduled to begin earlier than six p.m. The newspaper notice must have at least one-half inch [1.27 centimeters] white space margin on all four sides and must be at least two columns wide by five inches [12.7 centimeters] high. The heading must be capitalized in boldface type of at least eighteen point stating "IMPORTANT NOTICE TO (name of taxing district) TAXPAYERS". The proposed percentage increase must be printed in a boldface type size no less than two points less than the heading, while the remaining portion of the advertisement must be printed in a type face size no less than four points less than the heading. The text of the newspaper and website notice must contain:

a. The date, time, and place of the public hearing.

b. A statement that the public hearing will be held to consider increasing the property tax levy by a stated percentage, expressed as a percentage increase exceeding the zero increase number of mills.

c. A statement that there will be an opportunity for citizens to present oral or written comments regarding the property tax levy.

d. Any other information the taxing district wishes to provide to inform taxpayers.

2. If the governing body of the taxing district does not make a final decision on imposing a property tax levy exceeding the zero increase number of mills at the public hearing required by this section, the governing body shall announce at that public hearing the scheduled time and place of the next public meeting at which the governing body will consider final adoption of a property tax levy exceeding the tax district's zero increase number of mills.

3. For purposes of this section:

a. "New growth" means the taxable valuation of any property that was not taxable in the prior year.

b. "Property tax levy" means the tax rate, expressed in mills, for all property taxes levied by the taxing district.

c. "Taxing district" means a city, county, school district, or city park district but does not include any such taxing district that levied a property tax levy of less than one hundred thousand dollars for the prior year and sets a budget for the current year calling for a property tax levy of less than one hundred thousand dollars.

d. "Zero increase number of mills" means the number of mills against the taxing district's current year taxable valuation, excluding consideration of new growth, which will provide the same amount of property tax revenue as the property tax levy in the prior year."

Page 11, remove lines 5 through 9

Page 11, line 10, replace "Sections 2, 3, 4, and 6 of this Act are" with "Section 2 of this Act is"

Page 11, line 11, remove "Section 5 of this Act is effective for taxable events"

Page 11, remove line 12

Renumber accordingly

13.0769.02007
Title.04000

Prepared by the Legislative Council staff for
Representative Owens
February 20, 2013

VK
2/20/13
1 of 2

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1465

Page 1, line 1, remove ", 57-02-08.9,"

Page 1, line 2, remove ", property tax credits,"

Page 1, line 3, remove "; to amend and reenact sections 57-02-27 and 57-39.2-26.1 of the"

Page 1, remove line 4

Page 1, line 5, remove "revenue to the state aid distribution fund"

Page 1, line 6, remove "to provide an appropriation;"

Page 1, remove lines 16 through 24

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 30

Page 4, remove lines 1 through 30

Page 5, remove lines 1 through 31

Page 6, remove lines 1 through 31

Page 7, remove lines 1 through 6

Page 7, line 9, replace "**Cap**" with "**Limit**"

Page 7, line 9, after "**district**" insert "**without voter approval**"

Page 7, line 15, replace "all purposes" with "its consolidated tax levy"

Page 7, line 15, after "exceed" insert "by more than three percent"

Page 7, line 16, replace "all purposes" with "its consolidated tax levy"

Page 7, line 17, remove "adjusted by a percentage equal to"

Page 7, remove lines 18 and 19

Page 7, line 20, remove "ended calendar year"

Page 7, remove line 23

Page 7, line 24, replace "property is taxable and not subject to the limitation under this subsection" with "the amount of property taxes in dollars levied by the taxing district in the previous taxable year for purposes of this section must be increased by an amount equal to the sum determined by the application of the previous year's calculated mill rate for that taxing district to the taxable valuation of that property"

Page 7, line 26, remove "the portion of the taxable valuation of the"

Page 7, remove line 27

Page 7, line 28, replace "this subsection" with "the amount of property taxes in dollars levied by the taxing district in the previous taxable year for purposes of this section must be increased by an amount equal to the sum determined by the application of the previous year's calculated mill rate for that taxing district to the taxable valuation of that property"

Page 7, line 31, after "district" insert "in the previous year for purposes of this section"

Page 8, line 2, remove "before the increase allowable under this"

Page 8, line 3, remove "subsection is applied"

Page 8, after line 10, insert:

"e. A taxing district may consolidate any general or special fund mill levy authority to which it is entitled under any other provision of law if its consolidated tax levy remains within the limitations provided by this section."

Page 8, line 23, after "newspaper" insert "or website, or both,"

Page 9, after line 10, insert:

"7. The limitation under this section does not apply to the county human services levy under chapter 50-03 if the board of county commissioners makes the finding that any excess human services levy is attributable to an expenditure mandated by state or federal law."

Page 9, remove lines 11 through 31

Page 10, remove lines 1 through 31

Page 11, remove lines 1 through 3

Page 11, remove lines 5 through 9

Page 11, line 10, remove ", 3, 4,"

Page 11, line 10, replace "6" with "3"

Page 11, line 11, remove "Section 5 of this Act is effective for taxable events"

Page 11, remove line 12

Renumber accordingly

Date: 2-13-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1465

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number ______

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment (Rep. Owen's 02005)

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Strinden Seconded By Rep. Drovdal

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter			Rep. Scot Kelsh		
Vice Chairman Craig Headland			Rep. Steve Zaiser		
Rep. Matthew Klein			Rep. Jessica Haak		
Rep. David Drovdal			Rep. Marie Strinden		
Rep. Glen Froseth					
Rep. Mark Owens					
Rep. Patrick Hatlestad					
Rep. Wayne Trottier					
Rep. Jason Dockter					
Rep. Jim Schmidt					

Total (Yes) ______ No ______

Absent ______

Floor Assignment ______

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

Voice Vote
Motion Carried.

Date: 2-13-13
Roll Call Vote #: 2

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1465

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken: ☒ Do Pass ☐ Do Not Pass ☒ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Owens Seconded By Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter	✓		Rep. Scot Kelsh		✓
Vice Chairman Craig Headland	✓		Rep. Steve Zaiser		✓
Rep. Matthew Klein	✓		Rep. Jessica Haak	✓	
Rep. David Drovdal	✓		Rep. Marie Strinden	✓	
Rep. Glen Froseth		✓			
Rep. Mark Owens	✓				
Rep. Patrick Hatlestad	✓				
Rep. Wayne Trottier	✓				
Rep. Jason Dockter	✓				
Rep. Jim Schmidt	✓				

Total (Yes) 11 No 3

Absent 0

Floor Assignment Rep. Owens

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

Date: 2-20-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1465

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number ______

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☒ Reconsider we passed

Motion Made By Rep. Owens Seconded By Rep. Schmidt

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter			Rep. Scot Kelsh		
Vice Chairman Craig Headland			Rep. Steve Zaiser		
Rep. Matthew Klein			Rep. Jessica Haak		
Rep. David Drovdal			Rep. Marie Strinden		
Rep. Glen Froseth					
Rep. Mark Owens					
Rep. Patrick Hatlestad					
Rep. Wayne Trottier					
Rep. Jason Dockter					
Rep. Jim Schmidt					

Total (Yes) ______ No ______

Absent ______

Floor Assignment ______

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

Voice Vote
Motion Carried.

Date: 2-20-13
Roll Call Vote #: 3

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1465

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☒ Reconsider remove ~~amendments~~ to original state

Motion Made By Rep. Owens Seconded By Rep. Headland

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter			Rep. Scot Kelsh		
Vice Chairman Craig Headland			Rep. Steve Zaiser		
Rep. Matthew Klein			Rep. Jessica Haak		
Rep. David Drovdal			Rep. Marie Strinden		
Rep. Glen Froseth					
Rep. Mark Owens					
Rep. Patrick Hatlestad					
Rep. Wayne Trottier					
Rep. Jason Dockter					
Rep. Jim Schmidt					

Total (Yes) No

Absent

Floor Assignment

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

Voice Vote
Motion Carried

Date: 2-20-13
Roll Call Vote #: 3

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1465

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken: ☐ Do Pass ☐ Do Not Pass ☒ Amended 2007 ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Owens Seconded By Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter			Rep. Scot Kelsh		
Vice Chairman Craig Headland			Rep. Steve Zaiser		
Rep. Matthew Klein			Rep. Jessica Haak		
Rep. David Drovdal			Rep. Marie Strinden		
Rep. Glen Froseth					
Rep. Mark Owens					
Rep. Patrick Hatlestad					
Rep. Wayne Trottier					
Rep. Jason Dockter					
Rep. Jim Schmidt					

Total (Yes) No

Absent

Floor Assignment

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

Voice Vote
Motion Carried.

Date: 2-20-13
Roll Call Vote #: 5 4

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1465

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number ____________

Action Taken: ☒ Do Pass ☐ Do Not Pass ☒ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Owens Seconded By Rep. Dockter

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter	✓		Rep. Scot Kelsh		✓
Vice Chairman Craig Headland	✓		Rep. Steve Zaiser	AB	
Rep. Matthew Klein	✓		Rep. Jessica Haak		✓
Rep. David Drovdal	✓		Rep. Marie Strinden		✓
Rep. Glen Froseth	AB				
Rep. Mark Owens	✓				
Rep. Patrick Hatlestad	✓				
Rep. Wayne Trottier	✓				
Rep. Jason Dockter	✓				
Rep. Jim Schmidt	✓				

Total (Yes) 9 No 2

Absent 3

Floor Assignment Rep. Owens

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

REPORT OF STANDING COMMITTEE

HB 1465: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (11 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). HB 1465 was placed on the Sixth order on the calendar.

Page 1, line 1, remove ", 57-02-08.9,"

Page 1, line 2, remove ", property tax credits,"

Page 1, line 3, replace "sections 57-02-27 and 57-39.2-26.1" with "section 57-15-02.1"

Page 1, line 4, remove "determination of taxable valuation and allocation of"

Page 1, line 5, replace "revenue to the state aid distribution fund" with "public notice of political subdivision budget hearings"

Page 1, line 6, remove "to provide an appropriation;"

Page 1, remove lines 16 through 24

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 30

Page 4, remove lines 1 through 30

Page 5, remove lines 1 through 31

Page 6, remove lines 1 through 31

Page 7, remove lines 1 through 6

Page 7, line 15, after "<u>exceed</u>" insert "<u>by more than three percent</u>"

Page 7, line 17, remove "<u>adjusted by a percentage equal to</u>"

Page 7, remove lines 18 and 19

Page 7, line 20, remove "<u>ended calendar year</u>"

Page 8, line 23, after "<u>newspaper</u>" insert "<u>or website, or both,</u>"

Page 9, remove lines 11 through 31

Page 10, remove lines 1 through 31

Page 11, replace lines 1 through 3 with:

"**SECTION 3. AMENDMENT.** Section 57-15-02.1 of the North Dakota Century Code is amended and reenacted as follows:

57-15-02.1. Property tax levy increase notice and public hearing.

Notwithstanding any other provision of law, a taxing district may not impose a property tax levy in a greater number of mills than the zero increase number of mills, unless the taxing district is in substantial compliance with this section.

1. The governing body shall cause publication of notice in its official newspaper <u>and on its official website, if any,</u> at least seven days before a public hearing on its property tax levy. A public hearing under this section

may not be scheduled to begin earlier than six p.m. The newspaper notice must have at least one-half inch [1.27 centimeters] white space margin on all four sides and must be at least two columns wide by five inches [12.7 centimeters] high. The heading must be capitalized in boldface type of at least eighteen point stating "IMPORTANT NOTICE TO (name of taxing district) TAXPAYERS". The proposed percentage increase must be printed in a boldface type size no less than two points less than the heading, while the remaining portion of the advertisement must be printed in a type face size no less than four points less than the heading. The text of the newspaper and website notice must contain:

a. The date, time, and place of the public hearing.

b. A statement that the public hearing will be held to consider increasing the property tax levy by a stated percentage, expressed as a percentage increase exceeding the zero increase number of mills.

c. A statement that there will be an opportunity for citizens to present oral or written comments regarding the property tax levy.

d. Any other information the taxing district wishes to provide to inform taxpayers.

2. If the governing body of the taxing district does not make a final decision on imposing a property tax levy exceeding the zero increase number of mills at the public hearing required by this section, the governing body shall announce at that public hearing the scheduled time and place of the next public meeting at which the governing body will consider final adoption of a property tax levy exceeding the tax district's zero increase number of mills.

3. For purposes of this section:

a. "New growth" means the taxable valuation of any property that was not taxable in the prior year.

b. "Property tax levy" means the tax rate, expressed in mills, for all property taxes levied by the taxing district.

c. "Taxing district" means a city, county, school district, or city park district but does not include any such taxing district that levied a property tax levy of less than one hundred thousand dollars for the prior year and sets a budget for the current year calling for a property tax levy of less than one hundred thousand dollars.

d. "Zero increase number of mills" means the number of mills against the taxing district's current year taxable valuation, excluding consideration of new growth, which will provide the same amount of property tax revenue as the property tax levy in the prior year."

Page 11, remove lines 5 through 9

Page 11, line 10, replace "Sections 2, 3, 4, and 6 of this Act are" with "Section 2 of this Act is"

Page 11, line 11, remove "Section 5 of this Act is effective for taxable events"

Page 11, remove line 12

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1465: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (9 YEAS, 2 NAYS, 3 ABSENT AND NOT VOTING). HB 1465 was placed on the Sixth order on the calendar.

Page 1, line 1, remove ", 57-02-08.9,"

Page 1, line 2, remove ", property tax credits,"

Page 1, line 3, remove "; to amend and reenact sections 57-02-27 and 57-39.2-26.1 of the"

Page 1, remove line 4

Page 1, line 5, remove "revenue to the state aid distribution fund"

Page 1, line 6, remove "to provide an appropriation;"

Page 1, remove lines 16 through 24

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 30

Page 4, remove lines 1 through 30

Page 5, remove lines 1 through 31

Page 6, remove lines 1 through 31

Page 7, remove lines 1 through 6

Page 7, line 9, replace "**Cap**" with "**Limit**"

Page 7, line 9, after "**district**" insert "**without voter approval**"

Page 7, line 15, replace "all purposes" with "its consolidated tax levy"

Page 7, line 15, after "exceed" insert "by more than three percent"

Page 7, line 16, replace "all purposes" with "its consolidated tax levy"

Page 7, line 17, remove "adjusted by a percentage equal to"

Page 7, remove lines 18 and 19

Page 7, line 20, remove "ended calendar year"

Page 7, remove line 23

Page 7, line 24, replace "property is taxable and not subject to the limitation under this subsection" with "the amount of property taxes in dollars levied by the taxing district in the previous taxable year for purposes of this section must be increased by an amount equal to the sum determined by the application of the previous year's calculated mill rate for that taxing district to the taxable valuation of that property"

Page 7, line 26, remove "the portion of the taxable valuation of the"

Page 7, remove line 27

Page 7, line 28, replace "this subsection" with "the amount of property taxes in dollars levied by the taxing district in the previous taxable year for purposes of this section must be increased by an amount equal to the sum determined by the application of the previous year's calculated mill rate for that taxing district to the taxable valuation of that property"

Page 7, line 31, after "district" insert "in the previous year for purposes of this section"

Page 8, line 2, remove "before the increase allowable under this"

Page 8, line 3, remove "subsection is applied"

Page 8, after line 10, insert:

"e. A taxing district may consolidate any general or special fund mill levy authority to which it is entitled under any other provision of law if its consolidated tax levy remains within the limitations provided by this section."

Page 8, line 23, after "newspaper" insert "or website, or both,"

Page 9, after line 10, insert:

"7. The limitation under this section does not apply to the county human services levy under chapter 50-03 if the board of county commissioners makes the finding that any excess human services levy is attributable to an expenditure mandated by state or federal law."

Page 9, remove lines 11 through 31

Page 10, remove lines 1 through 31

Page 11, remove lines 1 through 3

Page 11, remove lines 5 through 9

Page 11, line 10, remove ", 3, 4,"

Page 11, line 10, replace "6" with "3"

Page 11, line 11, remove "Section 5 of this Act is effective for taxable events"

Page 11, remove line 12

Renumber accordingly

2013 SENATE FINANCE AND TAXATION

HB 1465

2013 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB 1465
3/19/2013
Job Number 20156

☐ Conference Committee

Committee Clerk Signature	Angela Rittmiller

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact sections 46-03-10.1 and 57-15-01.2 of the North Dakota Century Code, relating to statutory references to mills and property tax levy limitations; to repeal section 57-15-01.1 of the North Dakota Century Code, relating to property tax levies; and to provide an effective date.

Minutes:

Testimony Attached

Chairman Cook opened the hearing on HB 1465.

Representative Owens introduced HB 1465 and handed out proposed amendments, attachment 1.

Chairman Cook - On section 1 when you instruct the legislative council to rearrange statutory reference to mills, Mr. Walstad indicate how easy of a job that's going to be?

Representative Owens - It would be about 50 pages and it will take over the next couple of years to do it throughout the entire code. That is why we made the reference to that, that as these code sections are changed, it is a simple change in and of itself because it's simply moving the decimal point over 3 places from mill to percentage of dollars but to go through the entire century code it might take the interim.

Chairman Cook - So instead of saying 1 mill it's going to say .001 dollars, or is it going to say .01 cent?

Representative Owens - It will actually say $.001 for one mill.

Senator Burckhard - Explain to me again where you said in truth there is no caps in this bill.

Representative Owens - There are no caps. At no point is there a limit that cannot be exceeded and that's what a cap is. (11:32)

Senator Miller - Since there is no caps do you think it will do anything?

Representative Owens - Yes, it's going to put the motor in direct connection with their tax bill. They are going to have to approve anything over 6%.

Chairman Cook - The section you are repealing did you do any investigating, studying to see how many times in code that section is referenced?

Representative Owens - I did not.

Chairman Cook - Isn't that kind of the cornerstone of our mill levy buy down and if we were to repeal that would we not have to go into the way we fund education? I believe that section of code is referenced in numerous other tax policies.

Representative Owens - I do know it's referenced in a number of places. It also nullifies every single limit that is in tax code right now.

Representative Weisz stood up to add support to HB 1465.

Senator Oehlke - I noticed on the back page of the bill, number 7 it says basically that the human services side of county government would not be affected by this because of mandated expenditures that come out from the state or the feds. Are there other areas of state or federal government that maybe should fall into a similar category where there is really no control over that piece of the pie?

Representative Weisz - There is a bill on your side that is in the Human Service Committee right now that somewhat deals with that. As it came out of our committee and that was an issue, there's approximately for the counties, total cost is around $102 million. These are state mandated services that are provided by the counties. The bill that came out of our committee did away with that, it was amended down, and so in discussions at least in relationship to this bill was at, if you are going to have a limitation, which is in the bill, and you're going to say anything over that has to be by vote, how can we then say that the human service segment should be part of that limitation when they have no say in that funding stream or the costs involved in that. (18:19)

Chairman Cook - We also require counties in the oil producing counties to levy 10 mills if they want any road money. I guarantee before this hearing is over somebody from a county is going to come up and ask me about that. Any response?

Representative Weisz - I think in that case, because again this is road funds for their own roads, that's part of that consolidated mill levy that we are looking at. I don't think we should require say, 10 mills for road funds. That should be up to the counties. (20:24)

Sandy Clark, North Dakota Taxpayers Association - We stand today in support of HB 1465. As you heard from the sponsor certainly property tax is the issue that everyone is talking about across the state. Measure 2 has not gone away, it is still an issue that everybody talks about so we think this is a property tax reform bill and we think the time is right and the time is now. (21:40)

Vice Chairman Campbell - Do you think passing this bill will eliminate the possibility of measure 2 more so than doing nothing?

Sandy Clark - I don't believe so. I think that question is easier answered after you hear from the opposition and you see where the opposition to this bill is coming from. (30:44)

Eric Aasmundstad, North Dakota Farm Bureau - We would support both HB 1465 and HB 1290. Sandy pointed out the differences in them are semantics. We believe that HB 1465 goes a bit further together they work quite well. In HB 1465 we too have a little problem with allowing going to 6% without a question of the people but there again that's one of those things that can be worked out. (31:49)

Senator Oehlke - That makes it easier from the state's standpoint at this point in time at least, but it's a little harder when the feds come down and say you have to do this or that.

Eric Aasmundstad - Even at 3%, if you put in 3% your 3% on 3% on 3% it compounds. You're not very long before your right back to where you were anyway. Caps in and of themselves aren't the answer. (34:56)

Mark Johnson, North Dakota Association of Counties - We are back with this issue we dealt with 4 years ago and we've got a number of people in the room that want to testify and provide information to the committee. We've made every effort in combining the bills to try to eliminate and reduce duplication of testimony.

Roger Chinn, McKenzie County Commissioner - See attachment 2.

Senator Miller - You talk about people not attending budget meetings, but when I campaign I have people complaining about property taxes constantly. I ask them, do you ever talk to your county commissioner, they say no because they don't understand the origin of their property tax. Often they think we levy the property tax. Sometimes people think that I go to Washington D.C. What do you say to that?

Roger Chinn - I can't answer that, I can only echo at our meetings we get very limited. I have gone through 20 some budget hearings on the county level and I can name the people on my 2 hands that have attended. We get blamed for the school mill levy simply because the county sends a statement out, collects the money, and then turns it over to the school.

Doug Graupe, North Dakota Commissioners Association - See attachment 3.

Brad Wimmer, North Dakota League of Cities - See attachment 4.

Chad Peterson, Cass County Commissioner - See attachment 5.

Chairman Cook - You talk about an effective tax rate. How many people do you think understand what the effective tax rate is?

Chad Peterson - Very few.

Chairman Cook - In 2007 we passed our first property tax bill, that was an income tax credit based on I think 10% of what your property tax bill was with a cap. Along with that bill we had language that is still in century code today that required the legislature to study property tax reform with the goal that nobody in the state paid more than 1.5% by the year 2012. We've got it in code that our goal was 1.5% effective tax rate. I've asked myself the question all along, when are taxes no longer too high.

Chad Peterson - I think if we as a team presented it and as you said better explained it there's got to be a number whether it's 1.5% or 1.4% or 1.6% I don't know but I think if we presented it clearly and concisely with both state and local leaders I do think they would understand. (1:02:33)

Chairman Cook - You talked about 2 ways of measuring property taxes. You talked about the effective rate and you talked about the mills. There is a 3rd way and that's the dollars and that is the way the taxpayers look at it.

Chad Peterson - I think if we had a unified message it would be more easily accepted. I personally have no problem going to dollars relative to mills. I think the only issue would be how that would relate as a percentage to what it really is. What is really a mill? That might be confusing. I can't see anything that would prevent me as a commissioner that would be a hindrance going to a dollar figure.

Chairman Cook - We have all kinds of study resolutions to study various parts of property taxes this coming interim. It will be an interim committee of legislators. Are you suggesting that maybe what we need to do is have all of our partners at the table together and work on a solution to resolve property tax issues in the state of North Dakota?

Chad Peterson - Just one person speaking I would be honored if that was the case sir.

Bev Neilson, North Dakota School Board Association - I'm going to talk about our general concerns and then I have 3 superintendents if we could stay on schools all at once that would be helpful I think. We are on opposition of both of these bills. I'm going to speak first to HB 1465 and to just remind you all even though we've talked about it already here this morning that the schools really took the hit and the responsibility and everything that came from the mill levy buy down grants. How it impacted our formula, we had some school districts who were frozen at 2008 which they are still very upset about and we believe we've done our part in that regard. The problem and maybe the difference, I'm not that familiar with city and county government, our entire funding formula revolves around mills and state aid. The formula in HB 1319 even combines that more. We are under that formula for instance, the value of 50 mills as the governor proposed it, 70 as it came out of the House, but the value of 50 mills in your school district is automatically deducted from your state aid. If you have valuation increasing to where your number of mills go down, we've got the state saying we expect you to contribute 50 mills of local property tax to the state's funding formula. (1:09:10)

Brad Rinas, Washburn School District - See attachment 6.

Mike Bitz, Mandan School District - See attachment 7.

Senator Dotzenrod - You made a point in your testimony that it's important thinking of the future to get these mills on because if you don't get them on they are lost forever and you could get caught and trapped in a situation where you can't get the revenues you need. In 2009 we set up the first mill levy buy down and those schools that were behind in their mills have sort of been permanently disadvantaged and I'm wondering, has the message gone out to the schools from the legislature that if you don't get your mills up we will punish you?

Mike Bitz - I believe it has. (1:19:55)

Dr. Larry Nybladh, Grand Forks Public Schools - I have to say we are very grateful in Grand Forks and across the state for the effort the legislature has made to address property tax issues and pick up a heavier burden of the cost of K-12 public education. In terms of these 2 bills HB 1465 and HB 1290 we are in opposition of them. These are unnecessary and redundant pieces of legislation and there are plenty controls right now in terms of restricting and limiting and providing citizen input and control over some of these local taxes. (1:21:20)

C J Craven, Minot Fire Chief - See attachment 8.

Bruce Striden, Morton County Commission - See attachment 9.

Dana Achaar, North Dakota Parks & Recreation Association - See attachment 10 on behalf of Jim Larson.

Ken Yantes, North Dakota Township Officers Association - I come here today to let you know that townships are in opposition to the bill. (1:36:35)
Ed McConnell, Casselton - See attachment 11.

Richard Schlosser, North Dakota Farmers Union - I would like to quote Doug Graupe who said "local governments provide services". Our township roads are probably going to need some repair again and of course the other issues dealing with some bridges and bridge problems that we have. Now is not the time to deal with this. (1:40:46)

Tina Gustafson, City of West Fargo - See attachment 12.

Casey Bradley, Auditor/COO Stutsman County - See attachment 13.

Roger Bailey, North Dakota Newspaper Association - You're dealing with some very weighty issues at this time and I'm just a mouse that wants to squeak a little bit. On page 3 of the bill, lines 8-10 it makes a provision for publication of the notices. In the official newspaper of the government entity or on a website and we are opposed to that and would hope that if you do proceed with this action on this bill that you could eliminate that provision. (1:48:38)

Marcy Dickerson, Tax Department - I have just one technical issue I want to bring to your attention on page 3 of HB 1290 line 17 there is a reference to section 57-20-07.2. I do not find that section in existence and it isn't created in this bill so I think that probably is a typo and probably should be 07.1.

Chairman Cook closed the hearing on HB 1465.

(Testimony 14-16 was handed out after the hearing.)

2013 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB 1465
4/9/2013
Job Number 20988

☐ Conference Committee

Committee Clerk Signature	Angela Rittenbaugh

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact sections 46-03-10.1 and 57-15-01.2 of the North Dakota Century Code, relating to statutory references to mills and property tax levy limitations; to repeal section 57-15-01.1 of the North Dakota Century Code, relating to property tax levies; and to provide an effective date.

Minutes:

Chairman Cook opened discussion on HB 1465.

Chairman Cook distributed amendments provided by Representative Owens numbered 13.0769.04002.

Senator Oehlke - The amendment I don't think really does anything to make any political sub comfortable. Political subs only recourse with the 3% limitation is to make sure they increase 3% every year and keep doing it no matter what whether they need it or not in case they are nervous about something that might happen 2 or 5 years down the road. I guess I don't think it does the job that people are hoping it would.

Chairman Cook - I tend to agree with you but it might be wise to let Representative Owens explain his amendments.

Chairman Cook closed discussion on HB 1465.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB 1465
4/9/2013
Job Number 21013

☐ Conference Committee

Committee Clerk Signature	Angela Rittmiller

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact sections 46-03-10.1 and 57-15-01.2 of the North Dakota Century Code, relating to statutory references to mills and property tax levy limitations; to repeal section 57-15-01.1 of the North Dakota Century Code, relating to property tax levies; and to provide an effective date.

Minutes:

Chairman Cook opened discussion on HB 1465.

Marcy Dickerson, Tax Department has no problems with the proposed amendments.

Senator Oehlke moved amendment 13.0769.04002.

Seconded by **Senator Dotzenrod**.

Roll Call on Amendment 5-0-2

Senator Oehlke - I'll move a **Do Not Pass as Amended**.

Seconded by **Senator Triplett**.

Roll Call Vote 6-0-1

Carried by **Senator Oehlke**.

13.0769.04002
Title.05000

Prepared by the Legislative Council staff for
Representative Owens
April 5, 2013

4-9-13

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1465

Page 1, line 24, replace "preceding" with "previous"

Page 2, line 6, after "the" insert "increase in"

Page 2, line 11, after "the" insert "increase in"

Page 2, line 17, after "the" insert "reduction in the"

Page 3, line 14, after "district" insert "and the consolidated levy increased by a percentage stated on the ballot"

Page 3, line 17, after the first "in" insert "consolidated"

Page 3, line 21, replace "base" with "previous"

Page 3, line 21, after "year" insert "for purposes of this section"

Page 3, line 22, replace "base" with "previous"

Page 3, line 24, replace "budget" with "current"

Page 3, line 25, replace "base" with "previous"

Page 3, line 25, after "year" insert "for purposes of this section"

Page 3, line 26, replace "budget" with "current"

Page 3, line 28, replace "base" with "previous"

Page 4, line 1, after "an" insert "increase in the"

Page 4, line 2, after the underscored period insert "The limitation under this section does not apply to any levy mandated by state or federal law or mandated by a ballot measure approved by the qualified electors of the taxing district."

Renumber accordingly

Date: 4-8-13
Roll Call Vote #: 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1465

Senate Finance & Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 13.0769.04002

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Senator Oehlke Seconded By Senator Dotzenrod

Senators	Yes	No	Senator	Yes	No
Chariman Dwight Cook	X		Senator Jim Dotzenrod	X	
Vice Chairman Tom Campbell	X		Senator Connie Triplett	X	
Senator Joe Miller					
Senator Dave Oehlke	X				
Senator Randy Burckhard					

Total (Yes) 5 No 0

Absent 2

Floor Assignment

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

Date: 4-8-13
Roll Call Vote #: 2

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1465

Senate Finance & Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number ____________

Action Taken: ☐ Do Pass ☒ Do Not Pass ☒ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Senator Oehlke Seconded By Senator Triplett

Senators	Yes	No	Senator	Yes	No
Chariman Dwight Cook	X		Senator Jim Dotzenrod	X	
Vice Chairman Tom Campbell	X		Senator Connie Triplett	X	
Senator Joe Miller					
Senator Dave Oehlke	X				
Senator Randy Burckhard	X				

Total (Yes) 6 No 0

Absent 1

Floor Assignment Senator Oehlke

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

REPORT OF STANDING COMMITTEE

HB 1465, as engrossed: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1465 was placed on the Sixth order on the calendar.

Page 1, line 24, replace "preceding" with "previous"

Page 2, line 6, after "the" insert "increase in"

Page 2, line 11, after "the" insert "increase in"

Page 2, line 17, after "the" insert "reduction in the"

Page 3, line 14, after "district" insert "and the consolidated levy increased by a percentage stated on the ballot"

Page 3, line 17, after the first "in" insert "consolidated"

Page 3, line 21, replace "base" with "previous"

Page 3, line 21, after "year" insert "for purposes of this section"

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Page 3, line 24, replace "budget" with "current"

Page 3, line 25, replace "base" with "previous"

Page 3, line 25, after "year" insert "for purposes of this section"

Page 3, line 26, replace "budget" with "current"

Page 3, line 28, replace "base" with "previous"

Page 4, line 1, after "an" insert "increase in the"

Page 4, line 2, after the underscored period insert "The limitation under this section does not apply to any levy mandated by state or federal law or mandated by a ballot measure approved by the qualified electors of the taxing district."

Renumber accordingly

2013 TESTIMONY

HB 1465

#/

HOUSE FINANCE AND TAX COMMITTEE
Feb 5, 2013
9:30 AM
HB 1465
Testimony

Section 1

Changes throughout the century code the references of mills to a percentage in dollars, thus eliminating term mills from the century code.

Section 2

Establishes a Homestead Act provision for all Residents of the State of North Dakota and all classes of property. It provides for a property tax credit for North Dakotans that certify as Primary Residence for Residential, Commercial, and Agricultural. Limited to a single credit per parcel.

Residential Credit may be applied with other exemptions or credit however at no time can be total exceed the tax liability. This credit for residential property may be up to $4000 or 50% whichever is less.

Estates, trust, corporations, or pass-through entity owning residential property may claim this credit there is a resident that is not otherwise exempt and is occupied as a primary residence by a beneficiary of the estate or trust or someone that holds ownership interest in the corporation or pass-through entity.

If the owner is absent due to nursing home, hospital, other care facility confinement the credit still applies.

Multiple taxpayers residing within a single residential property is entitled to only one credit for that property. If more than one taxpayer owns together the property, each is entitled to the credit at the percentage of ownership interest in the property to a total of a single full credit.

Commercial Property is entitled to a credit equal to $2000 of taxable value or 50% whichever is less if all individuals collectively owning a majority of the ownership are a primary residence.

If owned by corporations or pass-through entity owning, if all individuals collectively owning a majority of the ownership are a primary residence.

Agricultural Property is entitled to a credit equal to $2000 of taxable value or 50% whichever is less if all individuals collectively owning a majority of the ownership are a primary residence.

If owned by corporations or pass-through entity owning, if all individuals collectively owning a majority of the ownership are a primary residence.

Residents of North Dakota certify that their primary residence is the State of North Dakota. This certification remains in effect until property changes ownership. An assessor may request an owner to renew the certification at any time.

The Tax Commissioner will develop the forms necessary.

Social Security Number is used to track claims.
Credit is valid for the entire year.

Should a claim of homestead be found to be fraudulent, the homestead exemption is cancelled; applicant is barred from any future homestead credits, and must repay any reduction received plus a 10% penalty.

Determination of residency eligibility for credit may appeal.

Definition and timing of application for claim.

State Treasurer and county treasurer responsibilities.

Section 3

Changes the Percentage of assessment for the different classes of property based on it's ability to produce income.

Residential Property is not designed for income production, yet it's current rate is only 1% below that of Commercial.
Resident Property from 9% to 8%

Commercial Property is designed for income production and therefore is simply passed on.
Commercial Property from 10% to 13%

Agricultural is income producing property, however it is not at the same level or allowed to play by the same rules. It must put up with "Acts of God" and it can't pass on property tax as it is not allowed to set it's own price for its product.
Agricultural Property from 10% to 8%

Finally, Centrally Assessed is property designed to facilitate income production.
Centrally Assessed Property From 10% to 13%.

While these changes should go just a little further, this result is a cost neutral or as close as we can get with the current formula. 1.4 million Annually Statewide difference. See attachment B.

#1
P. 3

Section 4

Restricts the taxing district on the annual increase of property tax in dollars. Allows for increases in a 3 level format.

Level 1

Allows for an increase equal to the CPI for small urban Midwest region areas equal to the previous taxable year. This increase may take place without special notice.

Level 2

The taxing authority may elect to double the increase percentage as referenced at Level 1 with notice and advertisement as required within current law.

Level 3

The taxing authority may submit for approval to the electorate any amount above level 2 and with a 55% percent approval raise to the new percentage.

Section 5

Requires the County to list on the statement the total property tax assessed against the property, then they have to list "legislative property tax relief" and list the amount of each credit and subtract it from the tax assessed for the final property due.

Section 6

Allocates from the State Aid Distribution Fund the 1st 20 million each month to the property tax credit fund.

Should the fund property tax credit fund even be repealed or otherwise cease to exist, the transfer of 20 million each month will cease and remain in the State Aid Distribution.

Section 7

Repeals Section 57-15-01.1.

This section allows the taxing authorities to level in dollars the same amount as was levy for the highest year during the past three years. This section allows the taxing authorities to bypass any restriction imposed by limitations in dollars or mills elsewhere in law.

Section 8

Appropriates the $240,000,000 within the Property Tax credit fund.

Effective Dates.

#1 p. 4

In Closing, this bill is 80% reform of our property tax system and by no means addresses all the parts of current law that should be reviewed. It is a Swiss watch in that it has a lot of parts. Some can be taken out and it still works, while other parts if removed will slow or stop the reform completely.

As a result, there remains three things that must be changed/added in more amendment to complete the plan.

Page 3 lines 6 and 20. The credit applies to each parcel owned by a North Dakotan, not a credit for only one parcel.

Page 10, line 26

Change 20 Million to 10 million, as the current State Aid Distribution is 250 million a biennimum not annually.

And last, consolidated levy authority has been left out of the bill. This allows and requires the taxing authorities to perform their primary duties, that of managing the public accounts. Rather than money held in specific accounts limited for use in those accounts, this allows those responsible to first manage the funds collectively before requiring an increase in levies against the public.

Mr. Chairman I will bring that amend to the committee in short order. That amendment will complete the plan as outlined for this bill.

A Quick review

1. It changes mills throughout the Century Code to pennies, dimes, quarters, and dollars.
2. Changes the taxable value calculation percentage.
3. Creates a 3 level cap on dollars taxes and the method for administrating increases.
4. Repeals a section of the code that is left over from the 79-81 oil boom and bust.
5. Establishes a Homestead Act for North Residents, redirects existing dollars from the State Aid Distribution Fund back to Cities/Counties applying a property tax to only ND resident for all types of property and appropriates additional $240 Million for enhancement of this property tax credit.
6. Requires the property tax statements to show the "Legislative Property Tax Relief".
7. Consolidates the Levy Authority for all taxing authorities.

13.0769.02002
Title.

Prepared by the Legislative Council staff for
Representative Owens
February 2, 2013

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1465

Page 1, line 3, after "57-02-27" insert ", 57-20-07.1,"

Page 1, line 4, after "valuation" insert ", contents of property tax statements,"

Page 1, line 20, replace "reduction" with "credit"

Page 1, line 22, replace "reduction" with "credit"

Page 1, line 23, replace "reduction in" with "credit against"

Page 2, line 1, replace "reduction" with "credit"

Page 2, line 2, replace "reduction" with "credit"

Page 2, line 3, after "reduction" insert "or credit"

Page 2, line 6, replace "reduction" with "credit"

Page 2, line 13, replace "reduction" with "credit"

Page 2, line 15, replace "reduction" with "credit"

Page 2, line 21, replace "reduction" with "credit"

Page 2, line 23, replace "reduction" with "credit"

Page 2, line 25, replace "reduction" with "credit"

Page 2, line 28, replace "reduction" with "credit"

Page 2, line 30, replace "reduction" with "credit"

Page 3, line 2, replace "reduction" with "credit"

Page 3, line 3, replace "reduction" with "credit"

Page 3, line 5, replace "reduction" with "credit"

Page 3, line 6, remove "up to six hundred"

Page 3, line 7, remove "forty acres [258.99 hectares] of"

Page 3, line 9, replace "reduction" with "credit"

Page 3, line 10, replace "and do not" with "or"

Page 3, line 12, replace "reduction" with "credit"

Page 3, line 15, replace "and do not" with "or"

Page 3, line 16, replace "reduction" with "credit"

Page 3, line 18, replace "reduction" with "credit"

Page 3, line 19, replace "reduction" with "credit"

Page 3, line 21, replace "reduction" with "credit"

#2

Page 3, line 24, replace "reduction" with "credit"

Page 3, line 30, after the second "to" insert "the loss of the credit as provided in subsection 12 and"

Page 4, line 9, replace "reduction" with "credit"

Page 4, line 11, replace "reduction" with "credit"

Page 4, line 12, replace "exemption" with "credit"

Page 4, line 15, replace "reduction" with "credit"

Page 4, line 16, replace "reductions" with "credits"

Page 4, line 18, replace "reduction" with "credit"

Page 4, line 19, replace "reduction" with "credit"

Page 4, line 20, replace "reduction" with "credit"

Page 4, line 23, replace "reduction" with "credit"

Page 5, line 4, replace "reduction" with "credit"

Page 5, line 6, remove "and which is not exempt from property taxes as a farm"

Page 5, line 7, remove "residence"

Page 5, line 11, replace "reduction" with "credit"

Page 5, line 13, replace "reduction in" with "credit against"

Page 5, line 19, replace "reduction" with "credit"

Page 5, line 30, replace "reduction" with "credit"

Page 6, line 5, replace "reduction" with "credit"

Page 6, line 16, replace "twelve" with "thirteen"

Page 6, line 17, replace "twelve" with "thirteen"

Page 7, line 15, replace "all purposes" with "its consolidated tax levy"

Page 7, line 16, replace "all purposes" with "its consolidated tax levy"

Page 23, remove line 23

Page 7, line 24, replace "property is taxable and not subject to the limitation under this subsection" with "the amount of property taxes in dollars levied by the taxing district in the previous taxable year must be increased by an amount equal to the sum determined by the application of the previous year's calculated mill rate for that taxing district to the taxable valuation of that property"

Page 7, line 26, remove "the portion of the taxable valuation of the"

Page 7, remove 27

Page 7, line 28, replace "this subsection" with "the amount of property taxes in dollars levied by the taxing district in the previous taxable year must be increased by an amount equal

2 #

to the sum determined by the application of the previous year's calculated mill rate for that taxing district to the taxable valuation of that property"

Page 8, line 2, remove "before the increase allowable under this"

Page 8, line 3, remove "subsection is applied"

Page 9, after line 10, insert:

"**SECTION 5. AMENDMENT.** Section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

57-20-07.1. County treasurer to mail real estate tax statement.

On or before December twenty-sixth of each year, the county treasurer shall mail a real estate tax statement to the owner of each parcel of real property at the owner's last-known address. The statement must be provided in a manner that allows the taxpayer to retain a printed record of the obligation for payment of taxes and special assessments as provided in the statement. If a parcel of real property is owned by more than one individual, the county treasurer shall send only one statement to one of the owners of that property. Additional copies of the tax statement will be sent to the other owners upon their request and the furnishing of their names and addresses to the county treasurer. The tax statement must ~~include~~:

1. Include a dollar valuation of the true and full value as defined by law of the property and the total mill levy applicable. ~~The tax statement must include~~

2. Include, or be accompanied by a separate sheet, with three columns showing, for the taxable year to which the tax statement applies and the two immediately preceding taxable years, the property tax levy in dollars against the parcel by the county and school district and any city or township that levied taxes against the parcel.

3. Include, for the taxable year to which the statement applies and the two immediately preceding taxable years, line items showing the total dollar amount of the property taxes levied for the taxable year, an item identified as "legislative property tax relief" showing the amount deducted against the taxes levied against the parcel which was paid through legislative appropriation pursuant to chapter 57-64 or section 57-02-08.9, and the net amount of property taxes due on the parcel.

Failure of an owner to receive a statement will not relieve that owner of liability, nor extend the discount privilege past the February fifteenth deadline."

Page 11, line 5, remove "general"

Page 11, line 6, replace "fund" with "residential, agricultural, and commercial property tax credit fund "

Page 11, line 10, replace "6" with "7"

Page 11, line 11, replace "5" with "6"

Renumber accordingly

3

Sixty-third
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1465

Introduced by

Representatives Owens, K. Koppelman, Rohr, Weisz

A BILL for an Act to create and enact sections 46-03-10.1, 57-02-08.9, and 57-15-01.2 of the North Dakota Century Code, relating to statutory references to mills, property tax credits, and property tax levy limitations; to amend and reenact sections 57-02-27, 57-20-07.1, and 57-39.2-26.1 of the North Dakota Century Code, relating to determination of taxable valuation, contents of property tax statements, and allocation of revenue to the state aid distribution fund; to repeal section 57-15-01.1 of the North Dakota Century Code, relating to property tax levies; to provide an appropriation; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 46-03-10.1 of the North Dakota Century Code is created and enacted as follows:

46-03-10.1. Expression of mills references in decimal form.

In arranging the laws for publication and in publishing and maintaining the laws, the legislative council shall change statutory references to mills in reference to property tax imposition to a decimal expression in numerals of the number of cents per dollar of taxable valuation equivalent to the number of mills stated.

SECTION 2. Section 57-02-08.9 of the North Dakota Century Code is created and enacted as follows:

57-02-08.9. Residential, agricultural, and commercial property tax credit - Certification - Distribution.

1. An individual is entitled to receive a ~~reduction~~credit of four thousand dollars or fifty percent, whichever is less, of the taxable valuation of the individual's primary residence as provided in this section. A ~~reduction~~credit under this section applies regardless of whether the individual is the head of a family. If an individual is entitled to a ~~reduction in~~credit against taxable valuation under this section and section

#3

57-02-08.1 or 57-02-08.8, any reduction under sections 57-02-08.1 and 57-02-08.8 must be applied first and then the ~~reduction~~credit under this section must be applied. The ~~reduction~~credit under this section, alone or in combination with any other reduction or credit allowed by law, may not exceed the taxable valuation of the primary residence.

2. An estate or trust, or a corporation or passthrough entity that owns residential property used as part of a farming or ranching operation is entitled to a ~~reduction~~credit as provided in subsection 1 if that residential property is not exempt from property taxes as a farm residence and is occupied as a primary residence, as of the assessment date of the taxable year, by an individual who is a beneficiary of the estate or trust or who holds an ownership interest in the corporation or passthrough entity. Either the occupant or the entity that owns the residence may be the applicant for purposes of this subsection and the definition of primary residence under subsection 15. An estate, trust, corporation, or passthrough entity may not claim a ~~reduction~~credit for more than one property under this subsection.

3. The ~~reduction~~credit under subsection 1 or 2 continues to apply if the individual does not reside in the primary residence because the individual's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as that confinement lasts and the portion of the primary residence previously occupied by the individual is not rented to another individual.

4. Individuals residing together, as spouses or when one or more is a dependent of another, are entitled to only one ~~reduction~~credit between or among them under subsection 1 or 2. Individuals residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full ~~reduction~~credit under subsection 1 or 2 equal to their ownership interests in the property.

5. The owner of a parcel of commercial property is entitled to receive a ~~reduction~~credit of two thousand dollars or fifty percent, whichever is less, of the taxable valuation of the property if all individuals collectively owning a majority of the ownership interest in that parcel of commercial property reside in a primary residence eligible for the ~~reduction~~credit under subsection 1 or 2. If a parcel of commercial property is owned in

#3

whole or in part by a corporation or passthrough entity, the ~~reduction~~credit under this subsection applies to that property only if all individuals collectively owning a majority of the ownership interest in that corporation or passthrough entity reside in a primary residence eligible for the ~~reduction~~credit under subsection 1 or 2. An owner of commercial property is entitled to the ~~reduction~~credit under this subsection for only one parcel of commercial property in this state.

6. The owner of agricultural property is entitled to receive a ~~reduction~~credit of two thousand dollars or fifty percent, whichever is less, of the taxable valuation of ~~up to six hundred forty acres [258.99 hectares] of~~ agricultural property owned by the applicant if all individuals collectively owning a majority of the ownership interest in that agricultural property reside in primary residences eligible for the ~~reduction~~credit under subsection 1 or 2 ~~and do not~~or reside in residential property exempt from property taxes as a farm residence. If agricultural property is owned in whole or in part by a corporation or passthrough entity, the ~~reduction~~credit under this subsection applies to that property only if individuals collectively owning a majority of the ownership interest in the corporation or passthrough entity reside in a primary residence eligible for the reduction under subsection 1 or 2 ~~and do not~~or reside in residential property exempt from property taxes as a farm residence. An owner of agricultural property is eligible for only one ~~reduction~~credit under this section against all agricultural property owned by that person in this state.

7. To claim a ~~reduction~~credit under this section, an applicant must sign and file with the assessor, by October first of the year for which a ~~reduction~~credit is initially claimed, a claim form containing a verified statement of facts establishing the applicant's eligibility as of February first of that year. A claim of the ~~reduction~~credit under this section remains in effect for the property until the ownership of the property changes.

8. The assessor shall attach the statement filed under subsection 7 to the assessment sheet and shall show the ~~reduction~~credit on the assessment sheet.

9. The tax commissioner shall prescribe, design, and make available all forms necessary to effectuate this section. Claim forms must include the full name, address, and social security or taxpayer identification number of the applicant, and any other information prescribed by the tax commissioner. The tax commissioner shall include on claim

#3

forms a statement to the effect that the applicant, by signing, declares the application to be true, correct, and complete and subject to the loss of the credit as provided in subsection 12 and the penalties under section 12.1-11-02 for making a false statement in a government matter. The county director of tax equalization shall make these forms available to applicants upon request.

10. A social security or taxpayer identification number contained in any form under this section is confidential and may be disclosed only to county officers, the tax commissioner, or a court and only for purposes of administering this section. A county officer, the tax commissioner, or a court in possession of a form or other document under this section shall delete or obscure any social security or taxpayer identification number on any copy of the form or other document released to the public.

11. A ~~reduction~~credit under this section is valid for the entire taxable year for which the application was approved, without regard to any change of ownership of the property which occurs after the assessment date. A ~~reduction~~credit remains effective for succeeding taxable years without the owner filing a claim for the ~~exemption~~credit, but the assessor may require the owner to file a renewed claim or verify eligibility for succeeding taxable years.

12. If any applicant is found to have fraudulently claimed a ~~reduction~~credit under this section to which that applicant is not entitled, all ~~reductions~~credits under this section for that applicant for that taxable year must be canceled and that applicant is forever barred from claiming or receiving a ~~reduction~~credit under this section. If an applicant received a ~~reduction~~credit that is canceled under this section, the auditor of the county in which such property is located shall enter the amount of the canceled ~~reduction~~credit plus a penalty of ten percent as omitted property on the assessment roll of property that has escaped taxation.

13. Determinations concerning eligibility for a ~~reduction~~credit under this section may be appealed through the informal equalization process and formal abatement process.

14. This section does not reduce the liability of any individual for special assessments levied upon any property.

15. For the purposes of this section:

a. "Dependent" has the same meaning it has for federal income tax purposes.

#3

b. "Owned" means the applicant holds a present ownership interest, including ownership in fee simple, holds a present life estate or other terminable present ownership interest, or is a purchaser under a contract for deed, but does not include a mere right of occupancy or a tenancy under a lease.

c. "Primary residence", for purposes of a residential property taxable valuation ~~reduction~~credit under this section, means a dwelling in this state owned and occupied by the applicant as that applicant's primary residence as of the assessment date of the taxable year ~~and which is not exempt from property taxes as a farm residence~~.

16. Before April first of each year, the county auditor of each county shall certify to the tax commissioner, on forms prescribed by the tax commissioner, the full name, address, and social security or taxpayer identification number of each individual or entity for whom the ~~reduction~~credit under this section was allowed for the preceding year, the legal description of the property, the taxable value of the property, the dollar amount of each ~~reduction in~~credit against taxable value allowed, and the total of the tax mill rates for the preceding year of all taxing districts in which the property was contained, exclusive of any state mill rates, and any other information prescribed by the tax commissioner.

17. By June first of each year, the tax commissioner shall review the certifications under subsection 16, make any required corrections, and certify to the state treasurer for payment to each county the sum of the amounts computed by multiplying the ~~reduction~~credit allowed for each qualifying property in the county for the preceding year by the total of the tax mill rates for the preceding year of all taxing districts in which the property was contained. In reviewing certifications, the tax commissioner may refer to any income tax return information or other information available to the tax commissioner.

18. Upon receipt of the payment from the state treasurer, the county treasurer shall apportion and distribute it without delay to the county and to the taxing districts of the county on the same basis the general real estate tax for the preceding year is apportioned and distributed.

#3

19. The tax commissioner shall certify annually to the state treasurer for deposit in the state medical center fund the amount computed by multiplying one mill times the ~~reduction~~credit allowed under this section for the preceding year for all eligible property in the state.

20. Supplemental certifications by the county auditor and the tax commissioner and supplemental payments by the state treasurer may be made after the dates prescribed in this section to make any corrections necessary because of errors or approval of any application for equalization or abatement filed by an individual or entity because all or part of the ~~reduction~~credit under this section was not allowed.

SECTION 3. AMENDMENT. Section 57-02-27 of the North Dakota Century Code is amended and reenacted as follows:

57-02-27. Property to be valued at a percentage of assessed value - Classification of property - Limitation on valuation of annexed agricultural lands.

All property subject to taxation based on the value thereof must be valued as follows:

1. All residential property to be valued at ~~nine~~eight percent of assessed value. If any property is used for both residential and nonresidential purposes, the valuation must be prorated accordingly.
2. All agricultural property to be valued at ~~ten~~eight percent of assessed value as determined pursuant to section 57-02-27.2.
3. All commercial property to be valued at ~~ten~~~~twelve~~thirteen percent of assessed value.
4. All centrally assessed property to be valued at ~~ten~~~~twelve~~thirteen percent of assessed value except as provided in section 57-06-14.1.

The resulting amounts must be known as the taxable valuation. In determining the assessed value of real and personal property, except agricultural property, the assessor may not adopt a lower or different standard of value because the same is to serve as a basis of taxation, nor may the assessor adopt as a criterion of value the price at which said property would sell at auction, or at forced sale, or in the aggregate with all the property in the town or district, but the assessor shall value each article or description by itself, and at such sum or price as the assessor believes the same to be fairly worth in money. In assessing any tract or lot of real property, there must be determined the value of the land, exclusive of improvements, and the value of all taxable improvements and structures thereon, and the aggregate value of the

#3

property, including all taxable structures and other improvements, excluding the value of crops growing upon cultivated lands. In valuing any real property upon which there is a coal or other mine, or stone or other quarry, the same must be valued at such a price as such property, including the mine or quarry, would sell for at a fair voluntary sale for cash. Agricultural lands within the corporate limits of a city which are not platted constitute agricultural property and must be so classified and valued for ad valorem property tax purposes until such lands are put to another use. Agricultural lands, whether within the corporate limits of a city or not, which were platted and assessed as agricultural property prior to March 30, 1981, must be assessed as agricultural property for ad valorem property tax purposes until put to another use. Such valuation must be uniform with the valuation of adjoining unannexed agricultural land.

SECTION 4. Section 57-15-01.2 of the North Dakota Century Code is created and enacted as follows:

57-15-01.2. Cap on property taxes levied by a taxing district.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section limits that authority. This section may not be interpreted as authority to increase any levy limitation otherwise provided by law and may be applied only to limit any levy authority that a taxing district may otherwise be entitled to use.

2. Property taxes in dollars levied by a taxing district for ~~all purposes~~its consolidated tax levy may not exceed the amount levied in dollars by that taxing district for ~~all purposes~~its consolidated tax levy against taxable property in that taxing district in the preceding taxable year adjusted by a percentage equal to the percentage change in the consumer price index for urban consumers in the midwest region as compiled by the bureau of labor statistics for the most recently ended calendar year, subject to the following:

    a. When a taxable improvement to property has been made or property has been added to the taxing district which was not taxable in the previous taxable year, ~~the additional taxable valuation attributable to the improvement or additional property is taxable and not subject to the limitation under this subsection~~the amount of property taxes in dollars levied by the taxing district in the previous taxable year must be increased by an amount equal to the sum determined by

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the application of the previous year's calculated mill rate for that taxing district to the taxable valuation of that property.

b. When a property tax exemption that existed in the previous taxable year has been reduced or no longer exists, ~~the portion of the taxable valuation of the property which is no longer exempt is taxable and not subject to the limitation in this subsection~~the amount of property taxes in dollars levied by the taxing district in the previous taxable year must be increased by an amount equal to the sum determined by the application of the previous year's calculated mill rate for that taxing district to the taxable valuation of that property.

c. When a property tax exemption exists for property that was taxable in the previous year, the amount levied in dollars in the previous taxable year by the taxing district must be reduced by the amount determined by applying the previous year's calculated mill rate for that taxing district to the previous year's taxable valuation of that property ~~before the increase allowable under this subsection is applied~~.

d. When temporary mill levy increases authorized by the electors of the taxing district or mill levies authorized by state law existed in the previous taxable year but are no longer applicable or have been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increases and the reduced or eliminated mill levies authorized by state law before the increase allowable under this subsection is applied.

3. The limitation under subsection 2 does not apply to:

a. New or increased mill levies authorized by state law or the electors of the taxing district which did not exist in the previous taxable year.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota.

4. The mill rate applied to property that was not taxed in the previous taxable year may not exceed the mill rate determined by law for the current taxable year for property that was taxed in the previous taxable year.

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5. The limitation under this section may not be superseded by a city or county under home rule authority but:

   a. The allowable percentage increase under subsection 2 may be doubled if the governing body provides notice published one each week for two consecutive weeks in the official newspaper of the taxing district and states in that notice when a public hearing will be held at which the governing body will hear and consider protests of the increase; and

   b. The percentage increase limitations of this section may be suspended within a taxing district by approval of at least fifty-five percent of electors of the taxing district voting on the question at a regular or special election of the taxing district. A ballot measure for levy increase authority under this subsection must state the percentage rate of the proposed increase in levy authority in dollars and state for which years the increase in levy authority would apply.

6. The limitation determined for a school district under this section is also subject to the following adjustments:

   a. The dollar amount levied in the base year must be increased by the amount the school district's mill levy reduction grant under section 57-64-02 for the base year exceeds the amount of the school district's mill levy reduction grant under section 57-64-02 for the budget year.

   b. The dollar amount levied in the base year must be reduced by the amount the school district's mill levy reduction grant under section 57-64-02 for the budget year exceeds the amount of the school district's mill levy reduction grant under section 57-64-02 for the base year.

SECTION 5. AMENDMENT. Section 57-20-07.1 of the North Dakota Century Code is amended and reenacted as follows:

57-20-07.1. County treasurer to mail real estate tax statement.

On or before December twenty-sixth of each year, the county treasurer shall mail a real estate tax statement to the owner of each parcel of real property at the owner's last-known address. The statement must be provided in a manner that allows the taxpayer to retain a printed record of the obligation for payment of taxes and special assessments as provided in the statement. If a parcel of real property is owned by more than one individual, the county

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treasurer shall send only one statement to one of the owners of that property. Additional copies of the tax statement will be sent to the other owners upon their request and the furnishing of their names and addresses to the county treasurer. The tax statement must ~~include~~:

1. Include a dollar valuation of the true and full value as defined by law of the property and the total mill levy applicable. ~~The tax statement must include~~

2. Include, or be accompanied by a separate sheet, with three columns showing, for the taxable year to which the tax statement applies and the two immediately preceding taxable years, the property tax levy in dollars against the parcel by the county and school district and any city or township that levied taxes against the parcel.

3. Include, for the taxable year to which the statement applies and the two immediately preceding taxable years, line items showing the total dollar amount of the property taxes levied for the taxable year, an item identified as "legislative property tax relief" showing the amount deducted against the taxes levied against the parcel which was paid through legislative appropriation pursuant to chapter 57-64 or section 57-02-08.9, and the net amount of property taxes due on the parcel.

Failure of an owner to receive a statement will not relieve that owner of liability, nor extend the discount privilege past the February fifteenth deadline.

SECTION 6. AMENDMENT. Section 57-39.2-26.1 of the North Dakota Century Code is amended and reenacted as follows:

57-39.2-26.1. Allocation of revenues among political subdivisions.

Notwithstanding any other provision of law, a portion of sales, gross receipts, use, and motor vehicle excise tax collections, equal to forty percent of an amount determined by multiplying the quotient of one percent divided by the general sales tax rate, that was in effect when the taxes were collected, times the net sales, gross receipts, use, and motor vehicle excise tax collections under chapters 57-39.2, 57-39.5, 57-39.6, 57-40.2, and 57-40.3 must be deposited by the state treasurer so the first twenty million dollars each month is deposited in the residential, agricultural, and commercial property tax credit fund and the remainder is deposited in the state aid distribution fund. The state tax commissioner shall certify to the state treasurer the portion of sales, gross receipts, use, and motor vehicle excise tax net revenues that must be deposited in the residential, agricultural, and commercial property tax credit fund and the state aid distribution fund as determined under this section. If the residential, agricultural, and

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<u>commercial property tax credit fund ceases to be used for residential, agricultural, and commercial property tax credit allocations, any unexpended and unobligated balance in the fund must be transferred by the state treasurer to the state aid distribution fund.</u> Revenues deposited in the state aid distribution fund are provided as a standing and continuing appropriation and must be allocated as follows:

1. Fifty-three and seven-tenths percent of the revenues must be allocated to counties in the first month after each quarterly period as provided in this subsection.
   a. Sixty-four percent of the amount must be allocated among the seventeen counties with the greatest population, in the following manner:
      (1) Thirty-two percent of the amount must be allocated equally among the counties; and
      (2) The remaining amount must be allocated based upon the proportion each such county's population bears to the total population of all such counties.
   b. Thirty-six percent of the amount must be allocated among all counties, excluding the seventeen counties with the greatest population, in the following manner:
      (1) Forty percent of the amount must be allocated equally among the counties; and
      (2) The remaining amount must be allocated based upon the proportion each such county's population bears to the total population of all such counties.

   A county shall deposit all revenues received under this subsection in the county general fund. Each county shall reserve a portion of its allocation under this subsection for further distribution to, or expenditure on behalf of, townships, rural fire protection districts, rural ambulance districts, soil conservation districts, county recreation service districts, county hospital districts, the Garrison Diversion Conservancy District, the southwest water authority, and other taxing districts within the county, excluding school districts, cities, and taxing districts within cities. The share of the county allocation under this subsection to be distributed to a township must be equal to the percentage of the county share of state aid distribution fund allocations that township received during calendar year 1996. The governing boards of the county and township may agree to a different distribution.

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2. Forty-six and three-tenths percent of the revenues must be allocated to cities in the first month after each quarterly period based upon the proportion each city's population bears to the total population of all cities.

A city shall deposit all revenues received under this subsection in the city general fund. Each city shall reserve a portion of its allocation under this subsection for further distribution to, or expenditure on behalf of, park districts and other taxing districts within the city, excluding school districts. The share of the city allocation under this subsection to be distributed to a park district must be equal to the percentage of the city share of state aid distribution fund allocations that park district received during calendar year 1996, up to a maximum of thirty percent. The governing boards of the city and park district may agree to a different distribution.

SECTION 7. REPEAL. Section 57-15-01.1 of the North Dakota Century Code is repealed.

SECTION 8. APPROPRIATION. There is appropriated out of any moneys in the ~~general fund~~residential, agricultural, and commercial property tax credit fund in the state treasury, not otherwise appropriated, the sum of $240,000,000, or so much of the sum as may be necessary, to the tax commissioner for the purpose of residential, agricultural, and commercial property tax credit allocations under section 2 of this Act, for the biennium beginning July 1, 2013, and ending June 30, 2015.

SECTION 9. EFFECTIVE DATE. Sections 2, 3, 4, and ~~6~~7 of this Act are effective for taxable years beginning after December 31, 2012. Section ~~5~~6 of this Act is effective for taxable events occurring after June 30, 2013.

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	Total Parcels	ND Resident	Out-of-State	% of Out of State
Statewide	643,640			
Resdiential	208,837	198,301	10,536	5.00%
Agricultural	320,640	270,941	49,699	15.50%
Commerical	114,163	71,580	42,583	37.30%

Estimated Tax Credit		
Resdiential	198,301	\$5 - \$1248
Agricultural	270,941	\$5 - \$624
Commerical	71,580	\$5 - \$624

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Old vs. New Property Type Taxable Value Percentage

	Current Taxable Value					New Taxable Value				
	RES	COM	AG	CEN		RES	COM	AG	CEN	
	9.00%	10.00%	10.00%	10.00%	Total Taxable Value	8.00%	13.00%	8.00%	13.00%	Total Taxable Value
2002	$612,695,393	$346,602,739	$316,582,029	$88,697,551	$1,364,577,713	$544,618,127	$450,583,561	$253,265,624	$115,306,817	$1,363,774,128
2003	$641,011,520	$362,621,216	$331,213,079	$92,796,768	$1,427,642,584	$569,788,018	$471,407,581	$264,970,464	$120,635,798	$1,426,801,861
2004	$659,524,750	$373,094,179	$340,778,936	$95,476,857	$1,468,874,722	$586,244,222	$485,022,433	$272,623,148	$124,119,914	$1,468,009,718
2005	$689,132,502	$389,843,331	$356,077,373	$99,763,057	$1,534,816,263	$612,562,224	$506,796,330	$284,861,898	$129,691,974	$1,533,912,427
2006	$737,560,049	$417,238,869	$381,100,070	$106,773,726	$1,642,672,714	$655,608,932	$542,410,530	$304,880,056	$138,805,844	$1,641,705,362
2007	$798,139,283	$451,508,637	$412,401,590	$115,543,549	$1,777,593,059	$709,457,141	$586,961,228	$329,921,272	$150,206,613	$1,776,546,254
2008	$847,886,387	$479,650,651	$438,106,106	$122,745,245	$1,888,388,390	$753,676,789	$623,545,846	$350,484,885	$159,568,819	$1,887,276,339
2009	$893,799,667	$505,623,865	$461,829,672	$129,391,934	$1,990,645,138	$794,488,593	$657,311,025	$369,463,738	$168,209,514	$1,989,472,869
2010	$954,261,175	$539,827,035	$493,070,362	$138,144,714	$2,125,303,286	$848,232,156	$701,775,145	$394,456,290	$179,588,128	$2,124,051,719
2011	$1,027,813,951	$581,435,954	$531,075,360	$148,792,665	$2,289,117,930	$913,612,401	$755,866,740	$424,860,288	$193,430,465	$2,287,769,894
2012	$1,090,380,000	$616,829,666	$563,403,474	$157,850,111	$2,428,463,252	$969,226,667	$801,878,566	$450,722,780	$205,205,145	$2,427,033,157

RES = Residential COM = Commical AG = Agricultural CEN = Centrally Assessed $1,430,095

Current Rates	$100,000	$250,000	$400,000	$500,000	$650,000	$750,000	$1,000,000	$1,500,000	$2,000,000
RES	$1,391	$3,476	$5,562	$6,953	$9,038	$10,429	$13,905	$20,858	$27,810
COM	$1,545	$3,863	$6,180	$7,725	$10,043	$11,588	$15,450	$23,175	$30,900
AG	$1,545	$3,863	$6,180	$7,725	$10,043	$11,588	$15,450	$23,175	$30,900
CEN	$1,545	$3,863	$6,180	$7,725	$10,043	$11,588	$15,450	$23,175	$30,900

New Rates	$100,000	$250,000	$400,000	$500,000	$650,000	$750,000	$1,000,000	$1,500,000	$2,000,000
RES	1236	3090	4944	6180	8034	9270	12360	18540	24720
COM	2008.5	5021.25	8034	10042.5	13055.25	15063.75	20085	30127.5	40170
AG	1236	3090	4944	6180	8034	9270	12360	18540	24720
CEN	2008.5	5021.25	8034	10042.5	13055.25	15063.75	20085	30127.5	40170

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	Current Ra	$100,000	$250,000	$400,000	$500,000	$650,000	$750,000	$1,000,000	$1,500,000	$2,000,000
	RES	$1,391	$3,476	$5,562	$6,953	$9,038	$10,429	$13,905	$20,858	$27,810
	COM	$1,545	$3,863	$6,180	$7,725	$10,043	$11,588	$15,450	$23,175	$30,900
	AG	$1,545	$3,863	$6,180	$7,725	$10,043	$11,588	$15,450	$23,175	$30,900
	CEN	$1,545	$3,863	$6,180	$7,725	$10,043	$11,588	$15,450	$23,175	$30,900

	New Rates	$100,000	$250,000	$400,000	$500,000	$650,000	$750,000	$1,000,000	$1,500,000	$2,000,000
	RES	$1,236	$3,090	$4,944	$6,180	$8,034	$9,270	$12,360	$18,540	$24,720
	COM	$2,009	$5,021	$8,034	$10,043	$13,055	$15,064	$20,085	$30,128	$40,170
	AG	$1,236	$3,090	$4,944	$6,180	$8,034	$9,270	$12,360	$18,540	$24,720
	CEN	$2,009	$5,021	$8,034	$10,043	$13,055	$15,064	$20,085	$30,128	$40,170

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RES

100,000	150,000	200,000	250,000	300,000
0.5	0.5	0.5	0.5	0.5
50000	75000	100000	125000	150000
0.09	0.09	0.09	0.09	0.09
4500	6750	9000	11250	13500
31.21%	31.21%	31.21%	31.21%	31.21%
$1,404.45	$2,106.68	$2,808.90	$3,511.13	$4,213.35

100,000	150,000	200,000	250,000	300,000
0.5	0.5	0.5	0.5	0.5
50000	75000	100000	125000	150000
0.08	0.08	0.08	0.08	0.08
4000	6000	8000	10000	12000
31.21%	31.21%	31.21%	31.21%	31.21%
$1,248.40	$1,872.60	$2,496.80	$3,121.00	$3,745.20

COM

250,000	500,000	750,000	1,000,000	1,250,000
0.5	0.5	0.5	0.5	0.5
125000	250000	375000	500000	625000
0.1	0.1	0.1	0.1	0.1
12500	25000	37500	50000	62500
31.21%	31.21%	31.21%	31.21%	31.21%
$3,901.25	$7,802.50	$11,703.75	$15,605.00	$19,506.25

250,000	500,000	750,000	1,000,000	1,250,000
0.5	0.5	0.5	0.5	0.5
125000	250000	375000	500000	625000
0.13	0.13	0.13	0.13	0.13
16250	32500	48750	65000	81250
31.21%	31.21%	31.21%	31.21%	31.21%
$5,071.63	$10,143.25	$15,214.88	$20,286.50	$25,358.13

AG

250,000	500,000	750,000	1,000,000	1,250,000
0.5	0.5	0.5	0.5	0.5
125000	250000	375000	500000	625000
0.1	0.1	0.1	0.1	0.1
12500	25000	37500	50000	62500
31.21%	31.21%	31.21%	31.21%	31.21%
$3,901.25	$7,802.50	$11,703.75	$15,605.00	$19,506.25

250,000	500,000	750,000	1,000,000	1,250,000
0.5	0.5	0.5	0.5	0.5
125000	250000	375000	500000	625000
0.08	0.08	0.08	0.08	0.08
10000	20000	30000	40000	50000
31.21%	31.21%	31.21%	31.21%	31.21%
$3,121.00	$6,242.00	$9,363.00	$12,484.00	$15,605.00

CEN

100,000	150,000	200,000	250,000	300,000
0.5	0.5	0.5	0.5	0.5
50000	75000	100000	125000	150000
0.1	0.1	0.1	0.1	0.1
5000	7500	10000	12500	15000
31.21%	31.21%	31.21%	31.21%	31.21%
$1,560.50	$2,340.75	$3,121.00	$3,901.25	$4,681.50

100,000	150,000	200,000	250,000	300,000
0.5	0.5	0.5	0.5	0.5
50000	75000	100000	125000	150000
0.13	0.13	0.13	0.13	0.13
6500	9750	13000	16250	19500
31.21%	31.21%	31.21%	31.21%	31.21%
$2,028.65	$3,042.98	$4,057.30	$5,071.63	$6,085.95

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Testimony to the
House Finance and Taxation Committee
Prepared February 6, 2013 by
Terry Traynor, Assistant Director
North Dakota Association of Counties

Regarding: House Bill No. 1465

Mr. Chairman and Committee Members, the North Dakota Association of Counties is supportive of a number of the efforts by the Legislature to reduce the taxes our citizens pay, particularly property taxes. We appreciate the "out-of-the-box" approach that sponsors took with HB1465 and thank them for discussing this concept with us during its development. It may be that we, as yet, don't fully understand the concept, but county officials do not believe it can be supported based on the following factors.

Section 1 of the bill, while the goal is understandable, does not appear to really accomplish the simplification and clarity that is desired. Because we would be going from applying mills to the taxable value; to applying a percentage of the taxable value – I don't believe this changes much. As the taxable value is 50% times some factor (specific to the property class) of the True & Full value, we still leave the taxpayers with a decimal fraction of some number.

Section 2 is a bit confusing when it is combined with Section 3, because it credits up to $4,000 of residential taxable value, $2,000 for commercial and agricultural. At the new taxable value factors, that appears to credit up to $100,000 in residential true & full value, but $40,000 in agricultural and about $33,500 in commercial.

As with other credit proposals, it is difficult for some jurisdictions to wait until June for the distribution of funds, as provided by section 3 (subsection 17). It will be particularly true because of the large amount of revenue for which jurisdictions will be waiting.

The taxable value changes of Section 3 clearly reduce total residential and agricultural values, and raise the combined commercial and centrally assessed. By our calculations (below) it shifts about 9% of the tax burden to the commercial sector, but also results in a net reduction in total taxable value – prompting an immediate 4% increase in the mills (or percentage) levied – without increasing the dollars collected. A problem when combined with Section 4.

Statewide Total Taxable Value

	Current Taxable Value		HB1465 Taxable Value	
Residential	1,000,144,238	41%	889,017,100	38%
Agricultural	676,942,232	28%	541,553,786	23%
Commercial	751,376,782	31%	901,652,138	39%
Total	2,428,463,252	100%	2,332,223,024	100%

The property tax caps of Section 4 are certainly less onerous then some presented in the past, however problems remain. The CPI factor will be taken from the previous December, for budgets prepared and taxes levied in the following fall, which will then be used for the expenditures of the upcoming year. By the time a jurisdiction reaches the end of their budget; the CPI factor will be 24 months old. One could also argue that North Dakota's inflation, especially for our western counties, cities, townships and schools has had little correlation with the rest of the "Midwest Region."

The option to double the CPI through a straightforward notification is applauded; however this bill does nothing with the two additional notifications already in law. Since statehood counties have been publishing their preliminary budget and notice of budget meeting in the official paper. Last session the Truth in Taxation notice was added, without addressing the existing notice – so now many jurisdictions paid for two. If growth is warranted, this bill will add a third, without addressing the other two. It seems the only taxes to be increased are those to pay for publications.

Section 5 is, of course, the most objectionable to counties. It takes away the only major source of non-property tax, general fund revenue for most counties – without replacing it. This can only result in an enormous increase in property taxes. In CY2012, counties shared approximately $50 million in state aid distribution fund revenues, while collecting $230 million in property taxes. The simple math is that counties will have to increase property taxes by an average of 22% just to maintain their budgets at current levels.

For these reasons, county officials urge a Do Not Pass recommendation.

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February 6, 2013

Dear Honorable Representatives of the Great State of North Dakota, serving on the House Finance and Taxation committee for the 2013 legislative session.

I apologize that I am unable to stay and read my testimony in person to you. I am a registered "volunteer" lobbyist so I have my family and my business as my #1 priority which is preventing me from staying and reading this in testimony to you today, 2/6/2013.

I have followed property tax and the nuances of the system for over 20 years now. I have 6 Bankers boxes of data that I have collected since the late 1980's. I know property taxes.

I serve on Mandan schools finance committee, I attend city and school meetings and I monitor tax incentive programs and general fund budget trends each year. I attend each City of Mandan and Mandan Schools annual budget meetings in the creation of the budgets all the way through the public hearing and adoption process each year.

The overall nature of the elected officials at the local level seems to be one that has lost the desire to become knowledgeable in the fiscal operations of that entity. The primary motivation of being a public servant in "SERVING THE TAXPAYER" first and foremost has been lost. School boards, park boards, many county commissions (excluding ours in Morton, they are the best of all our local entities) and city commissions today sound like ***paid lobbyists***. School boards demonstrate clearly that they are now on the same side of the table as school administrators' instead of serving the checks and balances oversight link between school administration and the taxpayer.

I thank you for reading the following testimony on my "Real life" experiences with Property taxes which outline the core of why and where property tax reform is needed. Without reform, fixing the cracks won't last. Thank you.

Wayne Papke

Wayne Papke

Lobbyist #249, 1612 River Dr NE, Mandan, ND 58554, Telephone: 701-226-2739, email: wpapke@bis.midco.net – Profession – Financial Advisor, Financial Planning Specialist

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HB 1465 – In Favor of – Testimony on 2/6/2013 – House Finance & Taxation

MY ACTUAL PROPERTY TAX EXPERIENCE by Wayne Papke, Mandan, ND

- We need Property tax reform instead of "piecemeal" attempts to repair it. This HB1465 takes a great first step in what needs to be an overall repair of the Property tax SYSTEM in ND.

- What other tax is charged on something I paid $170,000 for in 1995 with the full intent of living in it until my death that I now am paying $4590 per year in property tax on which is rising 2x the cost of inflation each year. I don't care what the selling value is, I don't plan on selling. My tax now equals 2.7% of what I paid for 18 years ago and I pay it year after year.

- What other tax has a subjective abatement process where in 2012 I went to the city for a 2011 flood abatement and I was turned down by a 5 -0 vote with a stated reason that "They did not want to set a precedent for fear of a flood of people coming in requesting similar flood abatements". Then only to take this abatement to an appeal process at the county and get my abatement fully approved by the county by a 5 – 0 vote.

- What other tax can received "threats" from a city assessor that if I don't quit complaining about my assessment, that the assessor will <u>raise</u> my taxable value. This again was followed by an abatement being approved lowering my value after a long, time consuming abatement process where I had to get private assessments to prove my home was in the wrong building classification which resulted in my home receiving over a 10% reduction in taxable value.

- If I were a farmer today and I bought a big new combine 2 years ago, that combine costs more than my house, that combine has not been depreciating in value in this booming farm economy. Do we continue to tax that combine year after year at increasing appreciated values? Certainly not.

- What other tax enables me to throw a stone 50 yards and have it land on property where if my same home were located there, my tax would be 40% less because it is in a different county and I would be outside city limits – yet I would still receive full snow removal and garbage collection, police protection, schools, park access and all of the same services. About 1000 yards away where the city of Bismarck city limits start, I would pay 25% less and still be in city limits of a major city.

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- Honorable Representatives, you must close the discretionary controls and random personality elements of property tax.

- Today we must lock property values at either today's values or the original purchases prices & you must cap taxation increases at or below inflation or CPI levels or a fixed cap increase of 2% or less.

- The inflation rates on city, school, park and county general fund expenditure budgets has gone through the roof and they are running at an average of 4% in my city and 8% in my schools over the last 5 years. This has been enabled by the loose property tax system, SB2199 Property tax relief 75 mill funding & property valuation increases as their stated excuse to the average citizen who does not understand the fund accounting general fund budget process in setting property taxes.

- Direct uncontrolled funding via SB2199 must stop. I personally sit on the Mandan Public schools finance committee and I saw the abuse of the 75 mill property tax relief bill which, as a result of the misuse, became the schools slush fund and "extraordinary" expenditure funding source.

- 2012, after having a fantastic business year, will be the first time I pay more in state income tax than property taxes since 1997. Now look at the services my state income tax buys vs. what my property tax buys. I would estimate that I receive 10x the value per dollar on my state income tax payment than I do my property tax payment.-

- In the first year that the 75 mill funding hit our local schools the Mandan schools general fund expenditure budget went up 11.7%. In that same year the Bismarck Public schools general fund expenditure budget went up 17.4%.

#6 p.3

- The result was that very little of this "Property tax relief" as the bill was called ever relieved anything other than handing K-12 schools an open checkbook for this same 75 appropriation from the State.

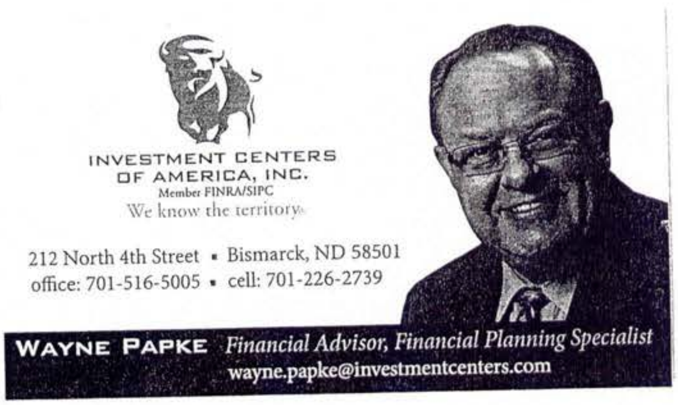
- We need total Property tax reform all the way from the Assessment process, which I believe should be from the State level to controls on expenditures of "special funding" sources from the State which were intended as Property tax relief but were not structured as such to place restrictions on this appropriation that it ever got to the Property tax payer as very little of it ever did.

- In an effort to eliminate the personalities that do come to the surface in property tax disputes, I urge you to place all assessors in the state under the control of the State Tax Commissioner. During these boom years with the state receiving tax revenues and oil royalties higher than anyone ever thought possible, the Legislature has been sending more and more money back to local political subdivisions in the name of property tax relief. Through this process, while the state is supplying the money to those political subdivisions and replacing property tax revenues at those local levels, it just seem right to me that the state should accept the responsibility of making certain the property tax assessment process is clear and above board. I do believe placing all assessing activities under the full control of the State Tax Commissioner would do just that

- Thank you for your time and consideration of my life experiences on property tax in my residential setting.

Wayne Papke

Wayne Papke
1612 River Dr NE
Mandan, ND 58554
Telephone: 701-226-2739



13.0769.02005
Title.

Prepared by the Legislative Council staff for Representative Owens
February 12, 2013

#1

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1465

Page 1, line 1, remove ", 57-02-08.9,"

Page 1, line 2, remove ", property tax credits,"

Page 1, line 3, replace "sections 57-02-27 and 57-39.2-26.1" with "section 57-15-02.1"

Page 1, line 4, remove "determination of taxable valuation and allocation of"

Page 1, line 5, replace "revenue to the state aid distribution fund" with "public notice of political subdivision budget hearings"

Page 1, line 6, remove "to provide an appropriation;"

Page 1, remove lines 16 through 24

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 30

Page 4, remove lines 1 through 30

Page 5, remove lines 1 through 31

Page 6, remove lines 1 through 31

Page 7, remove lines 1 through 6

Page 7, line 15, after "<u>exceed</u>" insert "<u>by more than three percent</u>"

Page 7, line 17, remove "<u>adjusted by a percentage equal to</u>"

Page 7, remove lines 18 and 19

Page 7, line 20, remove "<u>ended calendar year</u>"

Page 8, line 23, after "<u>newspaper</u>" insert "<u>or website, or both,</u>"

Page 9, remove lines 11 through 31

Page 10, overstrike lines 1 through 31

Page 11, overstrike lines 1 through 3

Page 11, remove lines 5 through 9

Page 11, line 10, overstrike "Sections 2, 3, 4, and 6 of this Act are" and insert immediately thereafter "<u>Section 2 of this Act is</u>"

Page 11, line 11, overstrike "Section 5 of this Act is effective for taxable events"

Page 11, overstrike line 12

Renumber accordingly

Sixty-third
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1465

Introduced by

Representatives Owens, K. Koppelman, Rohr, Weisz

A BILL for an Act to create and enact sections 46-03-10.1~~, 57-02-08.9,~~ and 57-15-01.2 of the North Dakota Century Code, relating to statutory references to mills~~, property tax credits,~~ and property tax levy limitations; to amend and reenact ~~sections 57-02-27 and 57-39.2-26.1~~section 57-15-02.1 of the North Dakota Century Code, relating to ~~determination of taxable valuation and allocation of revenue to the state aid distribution fund~~public notice of political subdivision budget hearings; to repeal section 57-15-01.1 of the North Dakota Century Code, relating to property tax levies;~~ to provide an appropriation;~~ and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 46-03-10.1 of the North Dakota Century Code is created and enacted as follows:

46-03-10.1. Expression of mills references in decimal form.

In arranging the laws for publication and in publishing and maintaining the laws, the legislative council shall change statutory references to mills in reference to property tax imposition to a decimal expression in numerals of the number of cents per dollar of taxable valuation equivalent to the number of mills stated.

~~**SECTION 2.** Section 57-02-08.9 of the North Dakota Century Code is created and enacted as follows:~~

~~**57-02-08.9. Residential, agricultural, and commercial property tax credit - Certification - Distribution.**~~

~~1. An individual is entitled to receive a reduction of four thousand dollars or fifty percent, whichever is less, of the taxable valuation of the individual's primary residence as provided in this section. A reduction under this section applies regardless of whether the individual is the head of a family. If an individual is entitled to a reduction in taxable valuation under this section and section 57-02-08.1 or 57-02-08.8, any reduction under~~

#2 p.2

~~sections 57-02-08.1 and 57-02-08.8 must be applied first and then the reduction under this section must be applied. The reduction under this section, alone or in combination with any other reduction allowed by law, may not exceed the taxable valuation of the primary residence.~~

~~2. An estate or trust, or a corporation or passthrough entity that owns residential property used as part of a farming or ranching operation is entitled to a reduction as provided in subsection 1 if that residential property is not exempt from property taxes as a farm residence and is occupied as a primary residence, as of the assessment date of the taxable year, by an individual who is a beneficiary of the estate or trust or who holds an ownership interest in the corporation or passthrough entity. Either the occupant or the entity that owns the residence may be the applicant for purposes of this subsection and the definition of primary residence under subsection 15. An estate, trust, corporation, or passthrough entity may not claim a reduction for more than one property under this subsection.~~

~~3. The reduction under subsection 1 or 2 continues to apply if the individual does not reside in the primary residence because the individual's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as that confinement lasts and the portion of the primary residence previously occupied by the individual is not rented to another individual.~~

~~4. Individuals residing together, as spouses or when one or more is a dependent of another, are entitled to only one reduction between or among them under subsection 1 or 2. Individuals residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full reduction under subsection 1 or 2 equal to their ownership interests in the property.~~

~~5. The owner of a parcel of commercial property is entitled to receive a reduction of two thousand dollars or fifty percent, whichever is less, of the taxable valuation of the property if all individuals collectively owning a majority of the ownership interest in that parcel of commercial property reside in a primary residence eligible for the reduction under subsection 1 or 2. If a parcel of commercial property is owned in whole or in part by a corporation or passthrough entity, the reduction under this subsection applies to that property only if all individuals collectively owning a majority of the ownership~~

#3e
p. 3

~~interest in that corporation or passthrough entity reside in a primary residence eligible for the reduction under subsection 1 or 2. An owner of commercial property is entitled to the reduction under this subsection for only one parcel of commercial property in this state.~~

~~6. The owner of agricultural property is entitled to receive a reduction of two thousand dollars or fifty percent, whichever is less, of the taxable valuation of up to six hundred forty acres [258.99 hectares] of agricultural property owned by the applicant if all individuals collectively owning a majority of the ownership interest in that agricultural property reside in primary residences eligible for the reduction under subsection 1 or 2 and do not reside in residential property exempt from property taxes as a farm residence. If agricultural property is owned in whole or in part by a corporation or passthrough entity, the reduction under this subsection applies to that property only if individuals collectively owning a majority of the ownership interest in the corporation or passthrough entity reside in a primary residence eligible for the reduction under subsection 1 or 2 and do not reside in residential property exempt from property taxes as a farm residence. An owner of agricultural property is eligible for only one reduction under this section against all agricultural property owned by that person in this state.~~

~~7. To claim a reduction under this section, an applicant must sign and file with the assessor, by October first of the year for which a reduction is initially claimed, a claim form containing a verified statement of facts establishing the applicant's eligibility as of February first of that year. A claim of the reduction under this section remains in effect for the property until the ownership of the property changes.~~

~~8. The assessor shall attach the statement filed under subsection 7 to the assessment sheet and shall show the reduction on the assessment sheet.~~

~~9. The tax commissioner shall prescribe, design, and make available all forms necessary to effectuate this section. Claim forms must include the full name, address, and social security or taxpayer identification number of the applicant, and any other information prescribed by the tax commissioner. The tax commissioner shall include on claim forms a statement to the effect that the applicant, by signing, declares the application to be true, correct, and complete and subject to the penalties under section 12.1-11-02~~

#2
p.4

~~for making a false statement in a government matter. The county director of tax equalization shall make these forms available to applicants upon request.~~

~~10. A social security or taxpayer identification number contained in any form under this section is confidential and may be disclosed only to county officers, the tax commissioner, or a court and only for purposes of administering this section. A county officer, the tax commissioner, or a court in possession of a form or other document under this section shall delete or obscure any social security or taxpayer identification number on any copy of the form or other document released to the public.~~

~~11. A reduction under this section is valid for the entire taxable year for which the application was approved, without regard to any change of ownership of the property which occurs after the assessment date. A reduction remains effective for succeeding taxable years without the owner filing a claim for the exemption, but the assessor may require the owner to file a renewed claim or verify eligibility for succeeding taxable years.~~

~~12. If any applicant is found to have fraudulently claimed a reduction under this section to which that applicant is not entitled, all reductions under this section for that applicant for that taxable year must be canceled and that applicant is forever barred from claiming or receiving a reduction under this section. If an applicant received a reduction that is canceled under this section, the auditor of the county in which such property is located shall enter the amount of the canceled reduction plus a penalty of ten percent as omitted property on the assessment roll of property that has escaped taxation.~~

~~13. Determinations concerning eligibility for a reduction under this section may be appealed through the informal equalization process and formal abatement process.~~

~~14. This section does not reduce the liability of any individual for special assessments levied upon any property.~~

~~15. For the purposes of this section:~~

~~a. "Dependent" has the same meaning it has for federal income tax purposes.~~

~~b. "Owned" means the applicant holds a present ownership interest, including ownership in fee simple, holds a present life estate or other terminable present~~

p. 5 #2

~~ownership interest, or is a purchaser under a contract for deed, but does not include a mere right of occupancy or a tenancy under a lease.~~

~~c. "Primary residence", for purposes of a residential property taxable valuation reduction under this section, means a dwelling in this state owned and occupied by the applicant as that applicant's primary residence as of the assessment date of the taxable year and which is not exempt from property taxes as a farm residence.~~

~~16. Before April first of each year, the county auditor of each county shall certify to the tax commissioner, on forms prescribed by the tax commissioner, the full name, address, and social security or taxpayer identification number of each individual or entity for whom the reduction under this section was allowed for the preceding year, the legal description of the property, the taxable value of the property, the dollar amount of each reduction in taxable value allowed, and the total of the tax mill rates for the preceding year of all taxing districts in which the property was contained, exclusive of any state mill rates, and any other information prescribed by the tax commissioner.~~

~~17. By June first of each year, the tax commissioner shall review the certifications under subsection 16, make any required corrections, and certify to the state treasurer for payment to each county the sum of the amounts computed by multiplying the reduction allowed for each qualifying property in the county for the preceding year by the total of the tax mill rates for the preceding year of all taxing districts in which the property was contained. In reviewing certifications, the tax commissioner may refer to any income tax return information or other information available to the tax commissioner.~~

~~18. Upon receipt of the payment from the state treasurer, the county treasurer shall apportion and distribute it without delay to the county and to the taxing districts of the county on the same basis the general real estate tax for the preceding year is apportioned and distributed.~~

~~19. The tax commissioner shall certify annually to the state treasurer for deposit in the state medical center fund the amount computed by multiplying one mill times the reduction allowed under this section for the preceding year for all eligible property in the state.~~

#2 p. 6

~~20. Supplemental certifications by the county auditor and the tax commissioner and supplemental payments by the state treasurer may be made after the dates prescribed in this section to make any corrections necessary because of errors or approval of any application for equalization or abatement filed by an individual or entity because all or part of the reduction under this section was not allowed.~~

~~**SECTION 3. AMENDMENT.** Section 57-02-27 of the North Dakota Century Code is amended and reenacted as follows:~~

~~**57-02-27. Property to be valued at a percentage of assessed value - Classification of property - Limitation on valuation of annexed agricultural lands.**~~

~~All property subject to taxation based on the value thereof must be valued as follows:~~

~~1. All residential property to be valued at nineeight percent of assessed value. If any property is used for both residential and nonresidential purposes, the valuation must be prorated accordingly.~~

~~2. All agricultural property to be valued at teneight percent of assessed value as determined pursuant to section 57-02-27.2.~~

~~3. All commercial property to be valued at tentwelve percent of assessed value.~~

~~4. All centrally assessed property to be valued at tentwelve percent of assessed value except as provided in section 57-06-14.1.~~

~~The resulting amounts must be known as the taxable valuation. In determining the assessed value of real and personal property, except agricultural property, the assessor may not adopt a lower or different standard of value because the same is to serve as a basis of taxation, nor may the assessor adopt as a criterion of value the price at which said property would sell at auction, or at forced sale, or in the aggregate with all the property in the town or district, but the assessor shall value each article or description by itself, and at such sum or price as the assessor believes the same to be fairly worth in money. In assessing any tract or lot of real property, there must be determined the value of the land, exclusive of improvements, and the value of all taxable improvements and structures thereon, and the aggregate value of the property, including all taxable structures and other improvements, excluding the value of crops growing upon cultivated lands. In valuing any real property upon which there is a coal or other mine, or stone or other quarry, the same must be valued at such a price as such property, including the mine or quarry, would sell for at a fair voluntary sale for cash. Agricultural lands~~

#2 p.2

~~within the corporate limits of a city which are not platted constitute agricultural property and must be so classified and valued for ad valorem property tax purposes until such lands are put to another use. Agricultural lands, whether within the corporate limits of a city or not, which were platted and assessed as agricultural property prior to March 30, 1981, must be assessed as agricultural property for ad valorem property tax purposes until put to another use. Such valuation must be uniform with the valuation of adjoining unannexed agricultural land.~~

SECTION 2. Section 57-15-01.2 of the North Dakota Century Code is created and enacted as follows:

57-15-01.2. Cap on property taxes levied by a taxing district.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section limits that authority. This section may not be interpreted as authority to increase any levy limitation otherwise provided by law and may be applied only to limit any levy authority that a taxing district may otherwise be entitled to use.
2. Property taxes in dollars levied by a taxing district for all purposes may not exceed by more than three percent the amount levied in dollars by that taxing district for all purposes against taxable property in that taxing district in the preceding taxable year ~~adjusted by a percentage equal to the percentage change in the consumer price index for urban consumers in the midwest region as compiled by the bureau of labor statistics for the most recently ended calendar year~~, subject to the following:
    a. When a taxable improvement to property has been made or property has been added to the taxing district which was not taxable in the previous taxable year, the additional taxable valuation attributable to the improvement or additional property is taxable and not subject to the limitation under this subsection.
    b. When a property tax exemption that existed in the previous taxable year has been reduced or no longer exists, the portion of the taxable valuation of the property which is no longer exempt is taxable and not subject to the limitation in this subsection.
    c. When a property tax exemption exists for property that was taxable in the previous year, the amount levied in dollars in the previous taxable year by the taxing district must be reduced by the amount determined by applying the

#8 p. 8

previous year's calculated mill rate for that taxing district to the previous year's taxable valuation of that property before the increase allowable under this subsection is applied.

d. When temporary mill levy increases authorized by the electors of the taxing district or mill levies authorized by state law existed in the previous taxable year but are no longer applicable or have been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increases and the reduced or eliminated mill levies authorized by state law before the increase allowable under this subsection is applied.

3. The limitation under subsection 2 does not apply to:

a. New or increased mill levies authorized by state law or the electors of the taxing district which did not exist in the previous taxable year.

b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota.

4. The mill rate applied to property that was not taxed in the previous taxable year may not exceed the mill rate determined by law for the current taxable year for property that was taxed in the previous taxable year.

5. The limitation under this section may not be superseded by a city or county under home rule authority but:

a. The allowable percentage increase under subsection 2 may be doubled if the governing body provides notice published one each week for two consecutive weeks in the official newspaper or website, or both, of the taxing district and states in that notice when a public hearing will be held at which the governing body will hear and consider protests of the increase; and

b. The percentage increase limitations of this section may be suspended within a taxing district by approval of at least fifty-five percent of electors of the taxing district voting on the question at a regular or special election of the taxing district. A ballot measure for levy increase authority under this subsection must state the percentage rate of the proposed increase in levy authority in dollars and state for which years the increase in levy authority would apply.

#2 p. 9

6. The limitation determined for a school district under this section is also subject to the following adjustments:

   a. The dollar amount levied in the base year must be increased by the amount the school district's mill levy reduction grant under section 57-64-02 for the base year exceeds the amount of the school district's mill levy reduction grant under section 57-64-02 for the budget year.

   b. The dollar amount levied in the base year must be reduced by the amount the school district's mill levy reduction grant under section 57-64-02 for the budget year exceeds the amount of the school district's mill levy reduction grant under section 57-64-02 for the base year.

~~**SECTION 5. AMENDMENT.** Section 57-39.2-26.1 of the North Dakota Century Code is amended and reenacted as follows:~~

~~**57-39.2-26.1. Allocation of revenues among political subdivisions.**~~

~~Notwithstanding any other provision of law, a portion of sales, gross receipts, use, and motor vehicle excise tax collections, equal to forty percent of an amount determined by multiplying the quotient of one percent divided by the general sales tax rate, that was in effect when the taxes were collected, times the net sales, gross receipts, use, and motor vehicle excise tax collections under chapters 57-39.2, 57-39.5, 57-39.6, 57-40.2, and 57-40.3 must be deposited by the state treasurer so the first twenty million dollars each month is deposited in the residential, agricultural, and commercial property tax credit fund and the remainder is deposited in the state aid distribution fund. The state tax commissioner shall certify to the state treasurer the portion of sales, gross receipts, use, and motor vehicle excise tax net revenues that must be deposited in the residential, agricultural, and commercial property tax credit fund and the state aid distribution fund as determined under this section. If the residential, agricultural, and commercial property tax credit fund ceases to be used for residential, agricultural, and commercial property tax credit allocations, any unexpended and unobligated balance in the fund must be transferred by the state treasurer to the state aid distribution fund. Revenues deposited in the state aid distribution fund are provided as a standing and continuing appropriation and must be allocated as follows:~~

~~1. Fifty-three and seven-tenths percent of the revenues must be allocated to counties in the first month after each quarterly period as provided in this subsection.~~

#2
p.10

~~a. Sixty-four percent of the amount must be allocated among the seventeen counties with the greatest population, in the following manner:~~

~~(1) Thirty-two percent of the amount must be allocated equally among the counties; and~~

~~(2) The remaining amount must be allocated based upon the proportion each such county's population bears to the total population of all such counties.~~

~~b. Thirty-six percent of the amount must be allocated among all counties, excluding the seventeen counties with the greatest population, in the following manner:~~

~~(1) Forty percent of the amount must be allocated equally among the counties; and~~

~~(2) The remaining amount must be allocated based upon the proportion each such county's population bears to the total population of all such counties.~~

~~A county shall deposit all revenues received under this subsection in the county general fund. Each county shall reserve a portion of its allocation under this subsection for further distribution to, or expenditure on behalf of, townships, rural fire protection districts, rural ambulance districts, soil conservation districts, county recreation service districts, county hospital districts, the Garrison Diversion Conservancy District, the southwest water authority, and other taxing districts within the county, excluding school districts, cities, and taxing districts within cities. The share of the county allocation under this subsection to be distributed to a township must be equal to the percentage of the county share of state aid distribution fund allocations that township received during calendar year 1996. The governing boards of the county and township may agree to a different distribution.~~

~~2. Forty-six and three-tenths percent of the revenues must be allocated to cities in the first month after each quarterly period based upon the proportion each city's population bears to the total population of all cities.~~

~~A city shall deposit all revenues received under this subsection in the city general fund. Each city shall reserve a portion of its allocation under this subsection for further distribution to, or expenditure on behalf of, park districts and other taxing districts within the city, excluding school districts. The share of the city allocation under this subsection to be distributed to a park district must be equal to the percentage of the~~

#2 p.11

~~city share of state aid distribution fund allocations that park district received during calendar year 1996, up to a maximum of thirty percent. The governing boards of the city and park district may agree to a different distribution.~~ **SECTION 3. REPEAL.** Section 57-15-01.1 of the North Dakota Century Code is repealed.

~~**SECTION 5. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $240,000,000, or so much of the sum as may be necessary, to the tax commissioner for the purpose of residential, agricultural, and commercial property tax credit allocations under section 2 of this Act, for the biennium beginning July 1, 2013, and ending June 30, 2015.~~

SECTION 4. EFFECTIVE DATE. ~~Sections 2, 3, 4, and 6 of this Act are~~Section 2 of this Act is effective for taxable years beginning after December 31, 2012. ~~Section 5 of this Act is effective for taxable events occurring after June 30, 2013.~~

#1 .01

13.0769.02007
Title.

Prepared by the Legislative Council staff for
Representative Owens
February 20, 2013

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1465

Page 1, line 1, remove ", 57-02-08.9,"

Page 1, line 2, remove ", property tax credits,"

Page 1, line 3, remove "to amend and reenact sections 57-02-27 and 57-39.2-26.1 of the"

Page 1, remove line 4

Page 1, line 5, remove "revenue to the state aid distribution fund"

Page 1, line 6, remove "to provide an appropriation;"

Page 1, remove lines 16 through 24

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 30

Page 4, remove lines 1 through 30

Page 5, remove lines 1 through 31

Page 6, remove lines 1 through 31

Page 7, remove lines 1 through 6

Page 7, line 9, replace "**Cap**" with "**Limit**"

Page 7, line 9, after "**district**" insert "**without voter approval**"

Page 7, line 15, replace "all purposes" with "for its consolidated tax levy"

Page 7, line 15, after "exceed" insert "by more than three percent"

Page 7, line 16, replace "all purposes" with "its consolidated tax levy"

Page 7, line 17, remove "adjusted by a percentage equal to"

Page 7, remove lines 18 and 19

Page 7, line 20, remove "ended calendar year"

Page 7, line 23, replace "the additional taxable valuation attributable to the improvement or additional property is taxable and not subject to the limitation under this subsection" with "the amount of property taxes in dollars levied by the taxing district in the previous taxable year for purposes of this section must be increased by an amount equal to the sum determined by the application of the previous year's calculated mill rate for that taxing district to the taxable valuation of that property"

Page 7, line 26, remove "the portion of the taxable valuation of the"

Page 7, line 27, replace "property which is no longer exempt is taxable and not subject to the limitation in this subsection" with "the amount of property taxes in dollars levied by the taxing district in the previous taxable year for purposes of this section must be

#1 p. 2

increased by an amount equal to the sum determined by the application of the previous year's calculated mill rate for that taxing district to the taxable valuation of that property"

Page 7, line 31, after "district" insert "in the previous year for purposes of this section"

Page 8, line 2, remove "before the increase allowable under this"

Page 8, line 3, remove "subsection is applied"

Page 8, after line 10, insert:

"e. A taxing district may consolidate any general or special fund mill levy authority to which it is entitled under any other provision of law if its consolidated tax levy remains within the limitations provided by this section."

Page 8, line 23, after "newspaper" insert "or website, or both,"

Page 9, after line 10, insert:

"7. The limitation under this section does not apply to the county human services levy under chapter 50-03 if the board of county commissioners makes the finding that any excess human services levy is attributable to an expenditure mandated by state or federal law."

Page 9, remove lines 11 through 31

Page 10, remove lines 1 through 31

Page 11, remove lines 1 through 3

Page 11, remove lines 5 through 9

Page 11, line 10, replace "Sections 2, 3, 4, and 6" with "Sections 2 and 3"

Page 11, line 11, remove "Section 5 of this Act is effective for taxable events"

Page 11, remove line 12

Renumber accordingly

13.0769.04001
Title.

Prepared by the Legislative Council staff for
Representative Owens
March 18, 2013

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1465

Page 1, line 24, replace "preceding" with "previous"

Page 2, line 6, after "the" insert "increase in"

Page 2, line 11, after "the" insert "increase in"

Page 2, line 17, after "the" insert "reduction in the"

Page 3, line 14, after "district" insert "and the consolidated levy increased by a percentage stated on the ballot"

Page 3, line 17, after the first "in" insert "consolidated"

Page 3, line 21, replace "base" with "previous"

Page 3, line 21, after "year" insert "for purposes of this section"

Page 3, line 22, replace "base" with "previous"

Page 3, line 24, replace "budget" with "current"

Page 3, line 25, replace "base" with "previous"

Page 3, line 25, after "year" insert "for purposes of this section"

Page 3, line 26, replace "budget" with "current"

Page 3, line 28, replace "base" with "previous"

Page 4, line 1, after "an" insert "increase in the"

Renumber accordingly

2

Testimony to the
Senate Finance and Taxation Committee
Prepared March 19, 2013 by
Roger Chinn, McKenzie County Commission
President – North Dakota Association of Counties

Regarding: Reengrossed HB1465 & Engrossed HB1290

Mr. Chairman and Committee Members, I am Roger Chinn a McKenzie County Commissioner and the current President of the North Dakota Association of Counties. I wish first to thank you, and indicate support for, the efforts by the Legislature to reduce the taxes our citizens pay, particularly property taxes.

We appreciate the challenges you face in constructing a mechanism that is easily understood, easily administered, and effective for the long-term. We however don't believe that property tax limitations make these efforts more effective or more permanent but may make increased state funding – particularly in emergencies – much more necessary. For these reasons I wish to state our opposition to both HB1465 and HB 1290.

County commissioners are extremely cost conscious and they spend hours, days, weeks putting together the most reasonable and most conservative budgets possible, while still meeting the spending mandates of state law and the directives of our citizens.

Despite ever increasing efforts to involve citizens, the participation in budget meetings is almost always little to none. If there was truly a problem – wouldn't they attend?

Even with the recent "perfect storm" of events – high commodity prices driving agricultural land values up, many counties racing to implement valuation by soil type, and unprecedented demand for local services – public meetings for county budgets are not attended. I can only conclude that most citizens understand and agree with the decisions made by their local leaders.

Ultimately, county commissioners are elected by the people and serve at their pleasure – therefore the decisive tax limitation is the ballot box. Interestingly, out of 109 county commission seats on the fall ballot, only 12 incumbents were unseated – in my estimation, county budgets are not a problem.

Following my testimony, we have just a few of the many, many county officials that have sent in data, spreadsheets, comments, and suggestions to present what I believe are compelling reasons to give both these bills a Do Not Pass recommendation.

Testimony to the

Senate Finance and Taxation Committee

Prepared March 19, 2013 by
Doug Graupe, Divide County Commissioner
President – North Dakota County Commissioners Association

Regarding: Reengrossed HB1465 & HB1290

Mr. Chairman and Committee Members, I am Doug Graupe, a Divide County Commissioner and the current President of the North Dakota County Commissioners Association. It is our position that creating an artificial limit to the property tax component of local budgets is poor public policy; therefore I am here to urge a Do Not Pass recommendation for both HB1465 and HB1290.

For my part of today's testimony, I would like to address the numerous requirements of state law that conflict with a limitation on property tax collections, making such limitations extremely problematic and quite possibly forcing violations of voter intent.

The staff at the Association of Counties has put together the attached report which I will only summarize, so I hope you will have the time to review it more thoroughly and I am sure they will make themselves available to answer any questions.

The first part of this report identifies the statutory provisions that encourage county commissioners to adjust certain levies in "lock-step" with valuation changes. There are at least eight situations in current and proposed law where significant state funds are only available to counties if they levy and collect a certain levy amount IN MILLS. Clearly, if a county's valuation increases by more than an overall statutory "cap" (as has been common in recent years), all other levies must be adjusted by significantly less than the limit – and possibly must be DECREASED – to meet an overall limitation.

The second part of the report begins a list of voter approved county levies that are largely beyond the control of the county board. You will see numerous examples of levies that only the voters can put on and (as currently interpreted) only the voters can take off. If the voters say you will levy 5 mills for a community hospital – you will levy 5 mills. If valuation goes up, the mills stay the same. Again, if 20-30 mills of voter approved levies are fixed – and valuations go up an average of 6 percent – the math requires that 20-30 mills for other programs go to zero to meet a 3% overall cap. The alternative is 40-60 mills (generally the rest of the budget) would be limited to 1½%.

The provision allowing counties to "consolidate" funds in HB1465 (page 2, subsection e) although possibly intended to mitigate this concern, clearly creates others. It suggests a legislative desire that county boards be allowed to overturn voter intent in the interest of preserving other essential services, in order to stay within an overall cap.

The final part of the attached report addresses by far the largest contradiction between these limitation measures and other Legislative action. Government is a service provider and like the entire service sector, its major costs are staff related. While county boards can "generally" set salaries, there are at least two areas they cannot – only the legislature can. Social service and county agent salary increases are established by state policy and legislative authorization.

In the social service arena, counties can wiggle within salary ranges, but when those ranges go up 4% due to legislative action, counties are generally forced to go up 4%. Most disconcerting was the impact of the recent Hay Study implementation that forced some counties to increase certain salaries by 10% to 15%. When you are granting salary increases to 20% to 30% of your county employees due to state directive, how can you DECREASE everyone else's salary to keep within a 3% growth limit? I recognize that HB1465 does provide an exception for this cost center, but HB1290 does not.

County agent salaries are even more interesting – these are state employees paid (usually 50%) by special county property tax levies. Again, these individuals share the courthouse coffee pot, and when their salaries go up 4% annually, everyone is well aware that those funds are coming out of the same property taxes as their salaries.

The report goes on to discuss other county costs over which the Legislature has much greater control than county boards, but the point is made. County Commissioners are annually attempting to balance the statutory and election-created demands to increase spending, with their overriding desire to limit property tax growth. I believe that county boards have been extremely successful at doing that balancing.

Until recently in the oil patch, we have seen shrinking employee counts, consolidation of offices, the elimination of 85 elected officials statewide, joint powers agreements among counties and other taxing districts, equipment sharing, staff sharing, and a host of other efficiency measures to meet this goal of the lowest property tax possible. Property tax caps will not help in this ongoing effort – it will only make it harder to juggle these priorities and likely bring us before this and other legislative committees seeking additional state support.

Thank you, Mr. Chairman and Committee members, for the opportunity to discuss these issues. We urge you to give HB1465 and HB1290 Do No Pass recommendations.

PRELIMINARY REPORT ON PROPERTY TAX INCREASE MANDATES

Prepared by the North Dakota Association of Counties – March 19, 2013

1. State law includes a number of funding provisions, which mandate that counties (and other taxing districts) maintain a particular levy amount (in mills) in order to receive state funds. Obviously, this encourages (and virtually requires) a jurisdiction to increase (or decrease) these levies by exactly the percentage of the district-wide valuation change. They are:

    a. County road levy – 10 mills to receive GPT funds (57-51-15)
    b. Township road levy – 10 mills (unorganized townships affect counties) (HB1358)
    c. Library levy – 4 mills to receive matching state library grants (54-24.2-02.2)
    d. Weed control levy – 3 mills to for matching state funds (4.1-47-16)
    e. Senior Mill Levy – 1 mill to receive mill levy match funds (57-15-56)
    f. County road levy – 7 mills to receive bridge reconstruction funds (SB2012)
    g. County road levy – 7 mills to receive "roads to lakes" grants (SB2221)
    h. Historical Levy – 3/4 mill to maximize state grant funding (SB2203)

    Clearly, if countywide valuation increases by more than an overall statutory "cap", all other levies must be adjusted by significantly less than the limit – and possibly DECREASED – to meet the overall limitation.

2. State law also affords the voters with a considerable number of opportunities to establish by election very specific mill levy requirements for very specific purposes. Unless "cap" legislation is interpreted to supersede the voters' intent, these levies must also increase to the same degree as valuations. Some examples include:
    a. County Hospital "*the board of county commissioners <u>shall</u> make an annual levy …… <u>at the mill rate approved</u> at the election..*" (23-18-03)

b. Extension Service Additional Levy – "*If the question submitted is approved by a majority of the electors voting thereon, the board shall proceed to make the levy.*" (4-08-15.1)
c. Programs for Older Persons – "*The levy authorized by this section may be imposed or removed only by a vote of a majority of the qualified electors..*"
d. Emergency Medical Services – "*board of county commissioners of each county shall levy..*" (57-15-50)
e. Law Enforcement Facilities – "*..shall annually levy the mills set forth in the resolution..*" (57-15-59)
f. Farm-to-Market Roads – "*submit the program to the electors of the county with the question of levying ..*" (57-15-06.4)
g. Historical Work – "*If sixty percent of the qualified electors voting on the question approve, a tax must be levied..*" (11-11-53)
h. Weed Control – "*..electors voting thereon approve, a tax must be levied*" (57-15-54)
i. State Medical Center – " *..shall be annually levied ...one mill upon all of the taxable property..*" (North Dakota Constitution Art. X, Sec. 10)

Again, it is clear that if countywide valuation increases by more than an overall statutory "cap", all other levies must be adjusted by significantly less than the limit – and possibly decreased – to meet the overall limitation.

3. State law and legislative action also drives a considerable portion of the county budget in other ways – to a degree in recent years that has been beyond most limitations considered. The table on the final page of this report outlines where county property tax funds are uses. Examples with strong state influence include:
   a. Social service salaries – because of federal mandates counties must conform to state salary adjustments for social service employees. In recent biennia, this has generally been about 4% annually, however, the recent implementation of the Hay Group study recommendations increased some positions in some counties by as much as 17%. While

this is only 20-30% of county salary costs, it is clearly the standard by which all county salary adjustments are measured, and therefore has a profound effect on the largest cost of county government – staff.

b. County Agent Salaries – although these are state employees, counties pay approximately half of all salaries (plus some operating costs), therefore state action on the Extension Service budget is a direct and uncontrollable increase to the special levies for this service. It also has an indirect impact on the salary negotiations within the entire courthouse.

c. PERS/LE retirement – in 2011 the Legislature increased the employer's retirement contribution by 1% the first fiscal year (~25% increase) and 1% the second (~20% increase) – clearly beyond the 3% limit. It is anticipated that this Session will see another 1%/1% adjustment, which would calculate to a 16% and 14% cost increase for a fairly significant portion of county budgets. One might suggest pulling out of the PERS retirement program, but the immediate costs of that action are so incredibly huge that it is unrealistic.

d. PERS health – The cost of health care is increasing and that is certainly not controlled by the State Legislature, however close to two-thirds of county employees are covered by the PERS health plan and the average biennial increase in excess of 7% would be difficult to absorb with a 3% tax limitation.

e. Civil Indigent Defense – Defense costs incurred by the counties, particularly for the civil commitments of sex offenders continue to rise at an alarming rate. While the state does not control these attorney costs, they do set the reimbursement of "criminal" indigent defense, which creates the standard by which county contracts are measured.

Although this is list not exhaustive, it is obvious that by responding to the salary, benefit, and contract increases dictated and/or directly influenced by Legislative action, counties would see a good share of their budget exceed the mill levy limitations proposed.

2011 County Property Tax Revenue
(Statewide Total - $214 Million)

Use of Revenue by Category	Total Dollars	Avg. Mills	% of Co. Prop. Tax
Social Services	$ 43,346,672	18.94	20.1%
Sheriff & County Corrections	$ 41,419,507	18.09	19.2%
Roads (Including Emerg. Levy & Unorg.Twp.Rd.)	$ 38,178,896	16.68	17.7%
Central Services (Bldg, Util. HR, Admin, Other)	$ 13,026,598	5.69	6.1%
Water Resource Districts	$ 8,350,360	3.65	3.9%
State's Attorney/Prosecution	$ 6,493,840	2.84	3.0%
Auditor/Finance/Elections	$ 6,404,146	2.80	3.0%
Information Technology (all Dept.)	$ 5,869,368	2.56	2.7%
Recorder/Clerk	$ 4,807,594	2.10	2.2%
Public Health	$ 4,685,651	2.05	2.2%
Treasurer (Tax/revenue collection, invest)	$ 4,287,369	1.87	2.0%
Weed Control	$ 4,216,629	1.84	2.0%
County Commission	$ 3,950,960	1.73	1.8%
Extension Service	$ 3,570,996	1.56	1.7%
Tax Director (Assessment)	$ 3,067,532	1.34	1.4%
Indigent Representation *	$ 2,720,249	1.19	1.3%
Senior Services (Transit, Meals, etc.)	$ 2,702,345	1.18	1.3%
County Library	$ 2,623,625	1.15	1.2%
Job Development & Planning	$ 2,476,058	1.08	1.2%
Emergency Management	$ 2,343,170	1.02	1.1%
Emerg. Medical Services	$ 2,116,777	0.92	1.0%
County/Multi-County Fairs	$ 1,418,676	0.62	0.7%
Veteran's Services	$ 1,370,386	0.60	0.6%
County Parks	$ 1,315,828	0.57	0.6%
County Superintendent of Schools	$ 1,219,837	0.53	0.6%
Historical Society	$ 402,651	0.18	0.2%
Public Notice/Publication	$ 314,424	0.14	0.1%
Abandoned Cemetery	$ 15,424	0.01	0.0%
Levies not as widely used			
County Airport (23 Counties)	$ 1,110,480		0.5%
Vector Control (5 Counties)	$ 588,575		0.3%
Weather Modification (5 Counties)	$ 456,923		0.2%
Specials Paid to Cities (7 Counties)	$ 174,372		0.1%
County Hospitals (2 Counties)	$ 131,005		0.1%

* Indigent Representation includes civil indigent defense for mental health and sexually dangerous individual commitments, guardian ad litems in private civil cases, and public administrators assigned by state district court.

4

City of Fargo

Legislative Testimony on HB 1290

Senate Finance and Taxation Committee

March 19, 2013

Honorable Chairman Cook and members of the Senate Finance and Taxation Committee:

The following testimony is being presented on behalf of the City of Fargo.

We urge a DO NOT pass vote on this bill as it could severely restrict our ability to deal with future uncertainties such as natural disasters, inflation, loss of Federal revenue, and could have a negative long term impact on our bond rating.

Currently, property taxes are the largest source of revenue for our General Fund providing about 23% of our overall resources. HB 1290 as currently drafted does not provide and exception to levy taxes for catastrophic natural disasters costs. How would a City pay for damages associated with a non-federally declared flood event, or a major tornado event? Fargo has experienced these types of events in the past. Flood events are becoming an annual event if you look at our past history. Capping our tax levy increase at 3% restricts our ability to respond to pay for the cost of major emergencies. Currently, our total property tax levy is about \$20 million. A 3% property tax increase generates additional revenue of \$600,000. During past flood events we spent in excess of \$25 million to fight our spring flooding and restore damages caused by the flood fighting effort. Under normal FEMA and State funding formulas local political subdivisions are responsible for 15% of the natural disaster costs. That left us with a \$3.75 million blow to our bottom line. This issue is even more severe for smaller cities due to the magnitude flood losses in relation to their overall operating budgets such as Minot and Valley City.

Another, more significant issue that has not likely been discussed or contemplated in this bill is the overall impact such a tax restriction will have on municipal credit ratings. Much of the growth and development across the state is financed with special assessment bonds. These obligations provide long term financing necessary to expand as our communities grow as dictated by our local and statewide economy. Our municipal bond rating is currently AA+ which is considered a very high bond rating. Ironically, this is the same rating as the State of North Dakota. Municipal credit analysts that rate our bonds take a broad view of our past fiscal management practices and our future ability to manage our local affairs and what flexibility we have in place to deal with financial uncertainty. The ability to levy property taxes provides some assurance that we can deal with issues as they arise. Certainly this would become a negative mark on our credit rating and the long term consequences of a bond rating downgrade will cost taxpayers millions over the life of bond issued to pay for our infrastructure.

Fargo presently has approximately $300 million in outstanding special assessment bonds and this method of financing is widely used across the State. A modest increase in interest rates associated with a downgraded bond rating would cost taxpayers an estimated $12 million over the life of the bonding period. If this bill were to pass you could be voting for a potential long term tax increase for our taxpayers. We think that the risks cited in our testimony are real and that this bill has some very serious negative consequences.

One last point is that the current Federal political environment is causing reductions of Federal funding to States and Political Subdivisions. These reductions are likely to continue as more decisions are made about Federal budget deficit reductions. Fargo's General Fund recently absorbed nineteen full time Police and Fire employees previously funded by Federal grants. This decrease in Federal grant revenue totaled $1.9 million. This is just one example of how our resources change over time and having the ability to fund core public safety costs with property tax revenues is essential to the overall safety of our Community.

We urge a DO NOT pass vote on HB 1290. Thank you for allowing us to testify on this bill.

Testimony to the
Senate Finance & Taxation Committee
Prepared March 19, 2013 by
Chad Peterson, Cass County Commissioner
North Dakota County Commissioners Association

REGARDING HOUSE BILL 1465 and 1290

Mr. Chairman and committee members, I am Chad Peterson, and I serve on the Cass County Commission and the Legislative Committee of the North Dakota County Commissioners Association. I am here today to give you my thoughts concerning House Bill 1465 and House Bill 1290.

Both House Bill 1465 and 1290 are designed to take away local control over property taxes. By limiting the dollar increase in tax revenue to a fixed percentage, local governing boards don't have the flexibility to adjust tax revenue to needs of their constituents. These bills come right after taxpayers have voted to keep control local in the last Primary Election. Voters overwhelmingly casted their ballots last June to keep local government local by a vote of 76% to 24%. The measure failed in all 53 counties and in all 47 legislative districts. In every city and county where there are home rule charters, the voters have approved those charters in an effort to more effectively manage local government. Thus, support of bills with this theme ignore and then nullify what the local voters have already approved.

To some degree we, as elected officials, all hear some complaints about property taxes. However, the issue is not specifically how the local government is using the tax; the issue seems to be concerning state tax relief relative to the amount of the state surplus. Taxpayers were happy the first two years of state tax relief—their taxes were lowered and they became used to these lower taxes. When the next legislature met state tax relief was again a topic of debate. At the end of the session, legislators came home and told people how they had passed another property tax relief bill. What was not understood was the tax relief they had just passed was only a continuation of the relief that their constituents had been enjoying. Taxpayers expected their tax bills to drop once more and when they didn't, they called some of us and asked why. Tax relief was again brought to the forefront.

The concern we hear from legislators seems to be that the 75 mill levy buy down by the legislature has been eroded by other entities increasing their taxes. At least in Cass County that has not been the case. In general, governments outside of school districts have not increased their levies. In looking at total levies in each city and township within Cass County, the total mill levy reduction from

2008 to 2012 ranges from a 100.11 mill reduction at the high end to a 10.95 mill levy increase at the low end. We have 76 jurisdictions in Cass County—in those, outside two school districts that have had bond issue votes, the average reduction in mills from 2008 is 76.90 mills. The jurisdictions in the two districts that had bond issue votes had a much smaller reduction in the number of mills—those in the West Fargo PSD 48.39 mills, and in the Kindred PSD 8.07 mills. Within the City of Fargo the mill levy has been reduced by a total of 73.37 mills for properties in the Fargo PSD and 50.86 for properties in the West Fargo PSD. In short, the mill levy buy down program is working as was intended.

For Cass County, property tax levies are adjusted according to the dollars needed to support the budget. In 2008 we levied 61.00 mills and in 2010, that was increased to 64.00 mills for debt service for an addition to the courthouse and to cover a portion of unreimbursed flood fighting costs from the 2009 flood. In 2011 we again had to raise the mill levy to cover unreimbursed flood costs, which we expect to be $4.6 million by the time all the repair projects are completed. When we prepared our budget for 2012 we were able to reduce our levy by over two mills. We were able to do that because of the strong support the county receives in state funding but also because we assumed if we needed those levies again we could again adjust our mill rate. If HB 1465 becomes law, we lose the flexibility given to the county by taxpayers of Cass County when they approved the Home Rule Charter. This would set up a system whereby our board would most likely take the maximum percentage increase in taxes each year in case we needed it some time in the future from some unforeseen emergency. If we didn't, when we have the next major event, for example a flood, instead of raising the mill levy slightly to pay the costs, we most likely will have to cut back on one of the discretionary areas of our budget like road construction. This is where budget shortfalls would begin and could never be made up.

What I would like to see is the Governor's proposal for public school funding pass. That provides the best property tax relief in the simplest format. If you look at the levy comparisons on the attached schedules you can see the effect that program has had from 2008 to 2012, in Fargo the percentage of the property tax to the true and full value has dropped from 2.05% to 1.72%. If funding for another fifty mills is approved by the legislature that percentage would drop to about 1.50%. I am not sure what effective tax rate we should be looking for as a goal, in looking at comparisons with other states the rate seems to be from a high of 3% to a low of .25%. However, if we first, as an entire state, decided on what an acceptable effective property tax rate is – then we can look at ways of getting to that effective tax rate.

Maybe that is accomplished by simply realigning who pays for certain mandated services.

I urge a do not pass for HB 1465. Just as importantly, I urge the legislature to trust me and other local elected officials to do the jobs local voters entrust us to do. Further, I urge the legislature to look at first what is an acceptable tax rate and then look at how we, as a team, accomplish getting there.

Cass County, North Dakota

Mill levy changes from 2008 (base year) to 2012
Fargo Property, Fargo PSD

	2008	2009	2010	2011	2012
County	61.00	61.00	64.00	65.75	63.60
Vector	1.00	1.00	1.00	1.00	1.00
Soil Conservation	0.45	0.45	0.90	0.83	0.68
Water Resource	4.40	5.00	6.00	6.00	6.00
Garrisson Diversion	1.00	1.00	1.00	1.00	1.00
State Medical	1.00	1.00	1.00	1.00	1.00
Fargo City	58.25	58.25	58.25	58.25	58.25
Fargo Park	31.56	31.45	31.39	31.34	31.25
Fargo School	296.77	221.77	221.59	221.59	219.28
Total Mills	455.43	380.92	385.13	386.76	382.06
Annual Change		(74.51)	4.21	1.63	(4.70)
Changes:					
County Debt Service			2.00	(0.25)	(0.15)
County flood expenses			1.00	2.00	
County other					(2.00)
Soil Conservation			0.45	(0.07)	(0.15)
WRD other		0.60			
WRD Increased for Red River Basin work			1.00		
City Changes					
Park Changes		(0.11)	(0.06)	(0.05)	(0.09)
Fargo Schhol District					
Legislative Tax Relief		(75.00)			
Debt Service					
Other Changes			(0.18)		(2.31)
Annual Changes		(74.51)	4.21	1.63	(4.70)
Cumulative Changes		**(74.51)**	**(70.30)**	**(68.67)**	**(73.37)**

Net Effective Tax Rate					
Residential	**2.05%**	**1.71%**	**1.73%**	**1.74%**	**1.72%**
Commerical	2.28%	1.90%	1.93%	1.93%	1.91%
Agricultural	2.28%	1.90%	1.93%	1.93%	1.91%

Mr. Chairman & Members of the Senate Finance and Taxation Committee:

My name is Brad Rinas, and I'm the superintendent of the Washburn School District. I am speaking in opposition to HB 1465, and subsequently HB 1290, regarding further limiting the allowable increase of the general fund mill levy.

I represent a school district with a low general fund mill levy. Currently Washburn levies 61.7 mills in the General Fund. Since 2009-10, the first year of the mill levy buy-down, the taxable valuation in my school district has increased 37%. As a result of the mill levy buy-down, the actual dollars levied for both the general fund and building fund dropped from a total of $990,000 to $600,000 and has remained constant at $600,000 for the past three years.

During this time we have not been pinching pennies. Over the past four years, the Washburn School Board approved a total of three additional FTE's in teaching staff, made nearly $1,000,000 dollars in improvements and repairs to the facility, and added $100,000 in technology hardware and infrastructure. Clearly the taxpayers of the Washburn School District have benefitted from three things: from the increase in money available through the buy-down, from responsible fiscal decision-making by the school board, and from efficiencies created by an ideal student-teacher ratio.

The education funding proposals presented so far during this legislative session will have a much smaller impact proportionately for Washburn than for most other school districts in the state. I am not here to cry "Foul" because of that. I know that a number of circumstances have created a situation that has allowed my district's taxpayers to benefit significantly for the past four years.

However, as the energy industry has evolved, Washburn has become a growing school district. We're gaining students and adding more staff. The additional teachers and ancillary staff, combined with cost increases for wages and salaries, TFFR and PERS, health insurance benefits, utilities, supplies, technology and other equipment, hot lunch programs, and all of the things associated with a growing district in the energy corridor will immediately eat up any increases Washburn will see from the versions of the education funding legislation presented thus far. The latest funding estimates from the Department of Public Instruction assume a 70 mill general fund levy in my school district. The reality for Washburn is that we cannot get to a 70 mill levy because it's beyond the 12% we are currently allowed to increase the dollars levied in the general fund.

It is absolutely essential for my school district, and others like mine, that no further limits to the general fund levy increase be put in place. We must be able to recapture a higher proportion of local revenue than these two bills allow. School boards are elected to make these kinds of decisions, and mine has consistently demonstrated the ability to do so. Local control of this revenue should not be eroded further.

Mr. Chairman, members of the committee, I thank you for the opportunity to testify today. If you have any questions, I'll try to answer them.

Bradley A Rinas

Brad Rinas, Superintendent
Washburn Public School District #4

Tuesday, March 19, 2013

Testimony in Opposed to
HB 1290
ND Senate
Finance and Taxation Committee
March 19, 2013
By: Mike Bitz
(701) 751-6500

Chairman Cook and Members of the Senate Finance & Taxation Committee,

My name is Mike Bitz and I am the superintendent of the Mandan School District. I appreciate the opportunity to appear before you this morning to speak in opposition to HB 1290. I will be brief.

I have been employed in the Mandan School District since July of 2010 and have had a part in building and administering three school district budgets over that time. Had the revenue caps contained by HB1290 been in effect during the past three years, they would **NOT** have had any impact on the mill levy requests that the Mandan School District has made since 2010. That being said, I have trouble understanding why the Legislature, which meets every other year in Bismarck, is trying to take local control away from cities, counties, and school districts whose elected representatives meet on a regular basis. I believe that the best decisions are made locally in response to the situations that political subdivisions are facing.

I actually believe that HB1290, if passed, has the potential to increase property taxes in 2014. Let me explain. The printouts for HB1319, the Governor's school funding bill, show the Mandan School District receiving an 8% increase in state funding next year. In addition, school districts will have the ability to levy an additional 25 mills without a vote of the people. Because of the 8% increase in funding, it is possible that the Mandan School District will not need to levy many, if any, additional mills next year. However, if the Mandan School Board makes the decision to have a lower mill levy next year, and HB1290 is passed, the school district will lose flexibility to raise additional revenue during the 2nd year of the biennium.

This is a real concern, because the Mandan School District will be opening a new elementary school in August of 2014. Undoubtedly, there will be expenses that accompany opening a new building, including staff, supplies, utilities, and insurance. If, for example, the Mandan School District levies the minimum 70 mills next year and HB1290 passes, the District would be limited to a 3% increase on the revenue raised from a 70 mill levy. On the other hand, if the Board levies the maximum of 95 mills next year, they would have the added flexibility of a 3% increase on an additional 25 mills. If the Mandan School District does not levy the maximum number of mills in the first year, they will forever lose the ability to levy these mills because of the revenue caps in place. As superintendent, when I advise the Board on where they should set the mill levy next year, if the revenue caps in HB1290 are in place, I will recommend the maximum levy to ensure that the Board has the flexibility to levy the mills that are allowed in HB1319.

The voters in Mandan are informed and intelligent, as evidenced by the fact that they continue to re-elect Dwight Cook to represent them in the ND Senate. I trust these same voters will make changes on the Mandan School Board if they believe the Board is not being good stewards of their tax dollars.

I strongly encourage you to give HB1290 a DO NOT PASS recommendation. Thank you for the opportunity to appear before you today. If you have any questions, I'd be happy to try to answer them.

Testimony to Senate Finance and Tax Committee
Chairman Dwight Cook
Prepared by Fire Chief C.J. Craven
City of Minot

Chairman Cook, Senate Finance and Taxation Committee members, my name is CJ Craven and I am the Fire Chief of the City of Minot**. I urge a Do Not Pass on House Bill 1465.**

It is extremely important that control of the City of Minot's budget remains in the hands of our elected officials. A one size fits all approach of limiting property tax increases in a rapidly changing environment will be detrimental to the entire city but most of all to the police and fire departments that are funded primarily from the general fund (property taxes).

The Minot Fire Department and the City of Minot have struggled to meet the demands of our citizens during the most challenging period in our history. We have worked to retain our employees and to add additional staff in the face of unprecedented economic activity and to meet the needs of a rapidly expanding community.

The Minot City Council has had to make many difficult decisions regarding staffing and pay in order to maintain a viable police and fire department. Without these actions by the council we would be in a difficult position and could be unable to provide the necessary services to our citizens.

If HB 1465 had been in effect it would have severely limited our elected official's ability to quickly respond to these challenges and to take the action necessary to maintain the fire and police departments and provide for the public safety.

We are still in a rapidly changing situation and cannot predict what the future will bring. Our local elected officials must have the ability to meet the needs of our citizens who expect and deserve quality fire and police protection at all times.

8

North Dakota Fire Chiefs Association

Legislative Testimony on HB 1290

Senate Finance and Taxation Committee

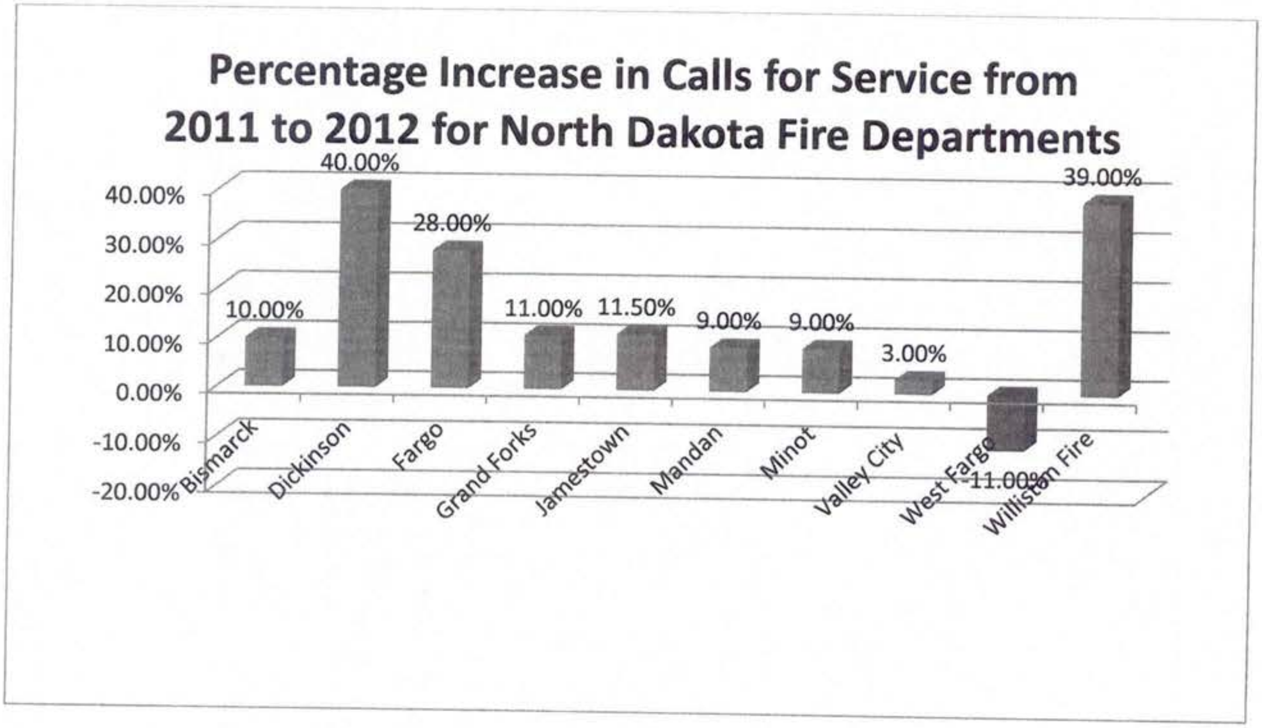
March 19, 2013

Chairman Cook and members of the Senate Finance and Taxation Committee:

The following testimony is being presented on behalf of the North Dakota Fire Chiefs Association.

We urge a do not pass vote on HB 1290. Upon examination of this bill we feel that passage will significantly inhibit a community's ability to provide for public safety. We understand that this is not the intention of the legislation but it will be one of the unintended consequences. Fire, police, and Emergency Medical Services make up a significant portion of communities General Fund Budgets. Across the state these divisions encompass from 37% to 50% of a community's general fund expenditures.

Generally Fire Departments do not have a revenue stream that will help to fund those services. As our State's population and business activities increase so do the calls for fire department services. Last year saw an increase of 9% in calls for service in Minot (would have been higher if dispatch changes were not implemented to a 39% increase in calls for service at the Williston Fire Department.



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Our communities continue to plan for expansion. Grand Forks, Minot, and Williston are planning to add fire stations and personnel in the next 1 to 3 years. Bismarck, Dickinson, Fargo, and Mandan continue to assess their situations and if current conditions continue they will require the addition of stations and staffing within the next 5 years.

While a fire station can be budgeted for in the capital process, it is a onetime expenditure. The real costs are in the staffing, maintenance, utilities, trucks, fuel, supplies, etc.

The calls for service also are impacting other services provided by fire departments. Fire departments respond to fires (structural, vehicle, wildland, etc.), emergency medical calls, technical rescues, hazardous materials releases, carbon monoxide investigations, smoke/odor investigations, and other service type calls. Fire departments provide may other services to the communities such as; pre-fire planning, fire code enforcement, public education, sprinkler tests and review, fire plan reviews, hydrant flow testing, maintenance, training and certifications, continuity of operations training, disaster mitigation, and many more.

Fire departments and cities have seen significant reductions in Federal Grants in the last 2 years and it is expected to continue. These federal grants have assisted in purchasing new equipment, adding personnel, and training employees for specialty responses. The costs to maintain the equipment and train personnel are now being shifted to local communities.

Fire Departments have seen increases of 5 to 10 percent annually for many items it purchases each year. Major fire department purchases include fire apparatus, protective clothing (coats, pants, helmets, and boots), self-contained breathing apparatus (SCBA), and fuel. All of these items have a relatively short useful life span. These items are generally replaced after 7 years for protective clothing and up to 15 to 17 years for apparatus and SCBA's.

Finally, fire departments play a major role in controlling insurance costs for their respective communities. The Insurance Services Office provides a Public Protection Classification rating for insurance companies to use in determining rates for customers. *By classifying communities' ability to suppress fires, ISO helps the communities evaluate their public fire-protection services. The program provides an objective, countrywide standard that helps fire departments in planning and budgeting for facilities, equipment, and training. And by securing lower fire insurance premiums for communities with better public protection, the PPC program provides incentives and rewards for communities that choose to improve their firefighting services.* (www.isomitigtaion.com)

We urge a do not pass vote on HB 1290. Thank you for your time.

Testimony on House Bill 1465 by Bruce Strinden
Morton County Commissioner, March 19, 2013

Chairman Cook, and members of the Senate Finance and Tax Committee. My name is Bruce Strinden, and I am Chairman of the Morton County Commission. Many times over the years, I have heard legislators use the expression "This is a bill whose time has come." I am appearing today in opposition to what have been termed "cap" bills, and I respectfully submit to you that these are bills whose time has not come.....especially not during this time of extraordinary economic and population growth in North Dakota. Since the 2010 census, North Dakota has grown by the equivalent of Morton County's entire population of over 27,000 people.

Cost containment is without question the most important role of the Board of County Commissioners. We do the job well, and take that responsibility seriously. This past year in Morton County, we found it necessary to send out notifications to many rural residents of large increases in their land valuations. I have provided you with an actual 2012 combined statement on a property West of Mandan whose owner received a notification that his valuation was increasing by 24%. You will note on the statement that every entity category showed a slight decrease except for the State tax portion, and the Mandan School District, which went up by about 10.8%. County commissioners have no control over either of those categories. In Morton County for 2013, we again budgeted carefully, lowered our mills by 17.5, and increased our county budget by only 0.27%. (+ $48,675.94 over 2012)
As our remarkable growth continues, we expect that spending increases will be necessary to keep up with the services mandated by law, and demanded by the public. In making these budget decisions, we are doing the job citizens elected us to do, and as competent, responsible officials, we will never budget more than we actually need. As our growth increases, so does the tax base, making it likely that individual taxes will decrease, rather than increase, even though we may need to spend more to accommodate that growth.

Passage of a "cap" bill would dictate to responsible county commissioners elected to do a job, that "You can do your jobs", but only up to this certain point, regardless of extraordinary circumstances. Mr. Chairman, and members of the committee, I urge you not to pass this bill, and particularly not in an era when commissioners in many counties will, without question, need the financial flexibility to deal with these extraordinary times.

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2012 Tax Statement

MORTON COUNTY TREASURER
VICKI LIPPERT
210 2ND AVE NW
MANDAN ND 58554-3158

Receipt # 17835

TWP 139-82 #42

Parcel Number [redacted]
Taxpayer # [redacted]
MP #

[redacted]

Legal Description
SECT-13 TWP-139 RANG-082
N 1/2 NE 1/4 (LESS 1.11A RD & 1.04A RD &
23.94A ST HIWAY) & SE 1/4 NE 1/4
93.91 ACRES

ACRES: 93.91

Property Address
[redacted]

	2010	2011	2012
True And Full Value	131,800	139,900	150,900
Taxable Value	6,010	6,380	6,896
Net Taxable Value	6,010	6,380	6,896
Mill Levy	318.000	310.740	297.280

Entity		**2010**	**2011**	**2012**
State		6.01	6.39	6.90
County		643.73	670.47	669.05
City/Twp				
School	1	935.70	972.63	1,077.43
CO WIDE		266.55	270.13	236.05
FIRE DIST	4	35.16	37.39	36.48
WATER RES	1	24.04	25.52	24.13
Consolidated Tax			1,982.53	2,050.04

Penalty on 1st Installment & Specials	
March 2......................	%
May 1.........................	6%
July 1........................	9%
October 15....................	9%
Penalty on 2nd Installment	
October 16....................	6%

Specials		.00
Special Int.		.00
Total Tax and Specials	1,982.53	2,050.04
Discount		**102.50**
Net Tax due By Feb 15		**1,947.54**
(IF PAID IN TWO INSTALLMENTS)		
1st Half Due MAR 1,2013		1,025.02
2nd Half Due OCT 15,2013		1,025.02

Please Return Bottom Portion With Payment to the County Treasurer's Office-Retain Top Portion For Your Records

2012 Tax Statement

Parcel Number: 42-0087500
Receipt # 17835

Please Send Payment To:
MORTON COUNTY TREASURER
VICKI LIPPERT
210 2ND AVE NW
MANDAN ND 58554-3158

Taxp #60403
MP # 60403

[redacted]

Total Tax and Specials	2,050.04
Discount	102.50
NET TAX DUE BY FEB 15TH	**1,947.54**
(IF PAID IN TWO INSTALLMENTS)	
1st Half Due MAR 1,2013	1,025.02
2nd Half Due OCT 15,2013	1,025.02

AMOUNT PAID____________________

CHECK HERE TO REQUEST RECEIPT__________

Please Indicate Address Change, if Any

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Testimony of Jim Larson, Director of Finance & Human Resources
Fargo Park District
To Finance and Taxation Committee
In Opposition to HB 1465 & HB 1290
Tuesday, March 19, 2013

Chairman Cook and Members of the Committee, my name is Jim Larson, and I am director of finance and human resources for the Fargo Park District. We are opposed to House Bills 1465 and 1290.

House Bill 1465 caps the tax dollars to a maximum increase of 3% from year to year that a taxing district can levy. It does allow for an increase double, or 6%, of the 3% maximum with proper publication of notice of the public hearing to be held to hear and consider protests of the increase. House Bill 1290 caps the tax dollars to a maximum increase of 3% from year to year that a taxing district can levy.

Park Districts already have maximum mill levies for operations, capital and special funds. The proposed caps in HB 1465 and 1290 are not necessary with the current mill levy limitations as passed in the 2001 Legislative Assembly. These maximum mill levy caps protect the property taxpayer from excessive levying by Park Districts. We understand the call for property tax relief, but do not believe this is the best approach.

The current mill levy system and mill levy caps work. As our various communities experience economic recession or growth, the current mill levy system allows the resources for Park Districts to respond accordingly.

For a community or region of our state experiencing rapid growth, the 3% annual maximum increase in tax dollars will severely cause distress for a Park District as they work to develop Park and Recreation amenities and programming. In the past 13 years, Fargo has experienced rapid growth, adding 19 parks between 3 to 22 acres each, 30 plus miles of recreation trail, and arena, pool and golf facilities because of increased demand for

701 Main Ave ▪ Fargo, ND 58103 ▪ 701.499.6060 ▪ F: 701.499.6069 ▪ www.fargoparks.com

recreational activities. Along with the new facilities, we have renovated or upgraded many other facilities and added many new recreational programs. These new and existing facilities and programs are heavily utilized today.

If park and recreational facilities are not constructed at the time of the growth, many times they never happen. While it might not seem significant at the time, we can identify negative impact in our community as a neighborhood or development area matures without adequate recreational facilities and programs. We have several areas today in the Fargo community where we are trying to develop recreational facilities and programs now where they were not included when the area was initially developed. It is very difficult.

If the proposed 3% cap had been passed as part of the 2001 Legislative Assembly, many of these new facilities would not have been possible. The 3% cap, if passed in 2001, would have reduced the cumulative property tax revenues for the Fargo Park District approximately $19 million. Our total general operating budget would be reduced from what is today by 20%, or $2.5 million. The Fargo Park District has a mission to provide quality recreational and leisure services at an affordable price to improve the quality of life for all residents of Fargo. This would not be achievable today if the 3% cap was implemented by the 2001 Legislative Assembly. Our youth program fees are currently set below direct program costs, usually at 50% of direct cost. Adult program fees are set equal or above direct program costs. We must provide youth programs at an affordable level to not limit access to programs based on ability to pay. Today, our fees could be substantially higher or the programs for youth and adults might not be offered with caps in place.

I share this information as a view to the impact of HB 1465 and HB 1290. We have many parts of our state that are experiencing rapid growth. While most is in the western part of the state, there is growth throughout the great state of North Dakota. The 3% tax dollar cap that is proposed will cause communities to not be able to develop parks, recreation facilities and

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programs that must happen as developments are created in various communities. Today, the impact of the 3% cap might appear minimal, but the long term negative impact for our future generations in North Dakota is substantial.

The Fargo Park District is opposed to HB 1465 and HB 1290 and urges the committee to recommend a do not pass on these bills. I would be happy to answer any questions. Thank you.

Senate Finance and Taxation Committee
House Bills 1290 and 1465

Mr. Chairman and members of the committee,

I am Ed McConnell and I represent the people of Casselton. We oppose HBs 1290 and 1465 for the following reasons:

1) As in a lot of cities the school levy is so large we have to keep the city's share small – our total mill levy is 310.02 mills, of which the city levies 78.36 mills with the rest of the levy by the county and the school. A mill generates $5,576.00 in Casselton or $436,935.36 for the city. Under the formula in House bills 1290 and 1465, if we were to have an emergency or sudden growth, we could generate an additional $13,108.00 in tax revenue without an election, which would not go very far for infrastructure or repairs.
2) All cities shouldn't be restricted in their taxable authority just because a few cities took advantage of the school buy down last time. Every city has unique problems and city officials do what they think is best for their people. No city that I know of taxes more than what is necessary to provide the services their residents expect. Annual elections for excess taxable authority would put a burden on small cities who have limited staff.
3) Home Rule was created and voted on to give our city local control over our operations. In the last election the people of North Dakota voted over 70% in favor of local control, a strong voice that they desire to keep it local; HBs 1290 and 1465 do not keep it local. The best plan for tax relief is the Governor's plan where the money goes to the schools for a property tax buy down.

Mr. Chairman and committee members, thank you for your time and consideration. We recommend a vote of "Do not pass" on both bills.

Thank you,

Edward McConnell

Ed McConnell
Mayor, City of Casselton

HOUSE BILLS 1290 & 1465

CITY OF WEST FARGO TESTIMONY

Mr. Chairman and members of the committee my name is Tina Gustafson and I am the Finance Director for the City of West Fargo. I am here today in opposition to House Bills 1290 and 1465. The restriction on the amount of property tax dollars a city may increase in a year will severely hamper the level of service the City of West Fargo can provide its citizens.

The City of West Fargo has been very fortunate to have had great growth over the last decade. The population has gone from 14,900 in 2000 Census to over 29,000 today. Along with increase in population, the size of the city has also increased. In 2000 the size of the City was 4,733 acres and today we have 9,756 acres. The growth of the City has also increased the amount of roads that we have to maintain. In 2000 we had 130 lane miles of roads, and today we have over 310. To handle this added maintenance we have increased the public works staff from 27 employees to 48 employees. We have also increased the number of police officers from 19 in 2000 to 40 today. Along with personnel increases, the city has also had to increase the city's budget for such operating expenses as street lighting, fuel, retirement contributions and support staff.

Another example of an event that has caused a city budget increase is the NDDOT reconstructed Main Avenue in 2012. This was a wonderful project and the City is extremely grateful for the federal and state funding that made this possible. However, at the end of the construction, the maintenance of the road was turned over to the City, and the City needed to increase budgetary expenses for staff and equipment to accomplish this.

In addition, the growth of the City has caused the need for more space, and the City has undertaken the construction of a new police building. When the construction is completed the City will see a considerable increase in the budgeted dollars in the following year to pay for operation and maintenance of the facility.

The above listed items show a fast growing city such as West Fargo has seen its property tax budget increase from a low of 5% to a high of 18% over the last 10 years to cover the increased services. Each budget year has different needs and different demands for services for the citizens.

Local city boards are in the position to address the needs and demands from the citizens of their cities. Each city has different needs, and a restriction in increase of property tax dollars may be ok for some years and extremely short in others. House bills 1290 and 1465 have no allowances for the unique circumstances of fast growing cities. I encourage the committee to make a **do not pass** recommendation.

Testimony To The
THE SENATE FINANCE & TAXATION COMMITTEE
Prepared March 19, 2013 by
Casey Bradley, Auditor/COO Stutsman County

REGARDING HOUSE BILL No. 1465

I would like to thank Chairman Cook and committee members for the opportunity to address House Bill 1465. I understand the intent of this proposed bill is to "reform" the property tax system. In my opinion simply placing a cap on property taxes is not an effective tool and will lead to grave consequences that will ultimately lessen the quality of life for North Dakota citizens and the economic viability of our local governments. This bill causes a great deal of concern for me because of the financial uncertainty it will create for local units of government.

Stutsman County has not seen the drastic increases in economic activity nor the devastation to our road systems that many of the western counties have, we have however seen major increases in our demand for services as a result of this activity. In 2012, the Stutsman County Sheriff's Office had a 21.32% increase in their calls for services. Countywide we witnessed an increase of all calls for service of 11.44%. Already this year, 2013, we have seen a 35% increase in our County inmate population. This bed space is traditionally utilized for paying inmates from other organizations, which has served as a direct supplement to the local tax dollars. This increase will mean a decrease in revenues and a sharp increase in our costs. The caps imposed by House Bill 1290 would prohibit Stutsman County from affording the costs of housing our inmates as well as for providing the law enforcement services needed to accommodate these dramatic increases.

Between 2009 and 2011 Stutsman County had 1,978 sites declared disasters by FEMA as well as another 15 Federal Highway Disaster sites. Had House Bill 1465 been in place we would not have had the capacity to address these disasters in the method by which we did. We would have been forced to incur debt because of the limitation wasting valuable tax dollars on interest and fees to simply avoid these limits. Furthermore, these limits would have eliminated our ability to provide assistance to our local townships that rely on the county for both maintenance and technical support. At the height of the flooding, we extending nearly $2 million worth of credit to our townships so they could keep their road systems viable. This was done despite the County seeing nearly triple digit increase in aggregate prices and major damage to our road systems.

In the third quarter of 2012 the Federal Bureau of Economic Analysis ranked North Dakota as the number one state in the nation for personal wage growth. The massive labor shortages in North Dakota are well known and have become a major issue in many parts of the state. The implementation of House Bill 1465 would effectively eliminate local governments' ability to be competitive with wages and retain qualified staff. The drastic increases imposed by the legislature for retirement contributions as well as the 13% increase in health insurance we have experienced would certainly lead to further cuts of services because they both exceeded the allowable limits imposed by House Bill 1465.

The first handout is an illustration of what the impact of House Bill 1465 would have had on Stutsman County had it been imposed at the beginning of 2007. As you can see we would have $3,638,598.88 over this period. In just fiscal year 2012 this lost revenue was enough to have eliminated nearly our entire General Fund budget at $1,206,840.53 for the entire year. For us that would have meant no Sheriff's Office, State's Attorney, Auditor, Treasurer, nor Recorder. The next page is projected at 6% increase. The following two pages of the handout illustrate the impact our levy has had on a $100,000 property from 2008 until 2012 in the City of Jamestown and in a rural township. As you can see the Net Effective Tax Rate has decreased in every instance.

In closing, I would like to thank the committee for allowing me to voice my concerns on this bill. I highly recommend a do not pass recommendation because of this bill's crippling effect on local government. Capping our ability to provide critical public services at a time when we are seeing historic demand will undoubtedly have disastrous effects on our communities.

Stutsman County Government	2006	2007		2008		2009		2010		2011		2012	
	Actual	Actual	3% Increase	Actual	3% Increase	Actual	3% Increase	Actual	3% Increase	Actual	3% Increase	Actual	3% Increase
Taxable Valuation with New Growth	53,706,579	55,005,509		57,089,306		60,386,351		63,329,007		66,743,031		72,676,207	
Net New Properties included in valuation		436,917		687,227		749,835		544,666		544,666		663,862	
Actual % Growth in Valuation		2.42%		3.79%		5.78%		4.87%		5.39%		8.89%	
Mill Rate													
General	22.26	22.33	22.33	19.41	19.41	20.57	19.15	19.04	18.98	18.76	18.71	18.76	17.87
Human Service	26.80	25.21	25.21	25.21	25.21	26.00	24.87	25.84	24.65	24.64	24.30	21.64	21.64
Highway	9.12	8.95	8.95	8.69	8.69	8.29	8.29	10.58	8.22	12.09	8.10	11.78	7.74
Corrections	10.00	10.00	10.00	10.00	10.00	10.00	9.87	10.00	9.78	10.00	9.64	10.00	9.21
Health Insurance	5.40	6.12	5.47	6.12	5.50	8.00	5.43	8.00	5.38	5.96	5.30	4.00	4.00
Social Security	12.01	12.72	12.18	15.62	12.23	15.62	12.07	15.62	11.96	15.72	11.79	18.88	11.26
Senior Citizens	1.46	1.44	1.44	1.40	1.40	1.37	1.37	1.32	1.32	1.26	1.26	1.26	1.20
Veteran Service	1.17	1.18	1.18	1.18	1.18	1.15	1.15	1.26	1.14	1.20	1.12	1.20	1.07
Emergency Fund	1.00	1.00	1.00	1.00	1.00	2.00	0.99	2.00	0.98	4.00	0.96	4.00	0.92
Total County Levies	89.22	88.95	87.76	88.63	84.63	93.00	83.18	93.66	82.39	93.63	81.18	91.52	74.91
Actual Dollars Levied													
General	1,195,508.45	1,228,273.02	1,228,273.02	1,108,103.43	1,108,103.43	1,242,147.24	1,156,337.46	1,205,784.29	1,201,770.28	1,252,099.26	1,248,469.38	1,363,405.64	1,298,713.95
Human Service	1,439,336.32	1,386,688.88	1,386,688.88	1,439,221.40	1,439,221.40	1,570,045.13	1,501,868.49	1,636,421.54	1,560,877.32	1,644,548.28	1,621,530.82	1,572,713.12	1,572,713.12
Highway	489,804.00	492,299.31	492,299.31	496,106.07	496,106.07	500,602.85	500,602.85	670,020.89	520,271.67	806,923.24	540,488.70	856,125.72	562,240.63
Corrections	537,065.79	550,055.09	550,055.09	570,893.06	570,893.06	603,863.51	595,743.15	633,290.07	619,150.07	667,430.31	643,209.37	726,762.07	669,095.29
Health Insurance	290,015.53	336,633.72	301,146.12	349,386.55	314,055.84	483,090.81	327,726.20	506,632.06	340,602.66	397,788.46	353,838.00	290,704.83	290,704.83
Social Security	645,016.01	699,670.07	669,771.29	891,734.96	698,483.45	943,234.80	728,887.35	989,199.09	757,525.54	1,049,200.45	786,961.91	1,372,126.79	818,633.14
Senior Citizens	78,411.61	79,207.93	79,207.93	79,925.03	79,925.03	82,729.30	82,729.30	83,594.29	83,594.29	84,096.22	84,096.22	91,572.02	87,480.67
Veteran Service	62,836.70	64,906.50	64,906.50	67,365.38	67,365.38	69,444.30	69,444.30	79,794.55	72,172.79	80,091.64	74,977.32	87,211.45	77,994.78
Emergency Fund	53,706.58	55,005.51	55,005.51	57,089.31	57,089.31	120,772.70	59,574.32	126,658.01	61,915.01	266,972.12	64,320.94	290,704.83	66,909.53
Total County Levies	4,791,700.98	4,892,740.03	4,827,353.65	5,059,825.19	4,831,242.96	5,615,930.64	5,022,913.42	5,931,394.80	5,217,879.61	6,249,149.99	5,417,892.65	6,651,326.46	5,444,485.93
Annual (Loss)			(65,386.38)		(228,582.23)		(593,017.22)		(713,515.18)		(831,257.34)		(1,206,840.53)
Cumulative (Loss)			(65,386.38)		(293,968.61)		(886,985.83)		(1,600,501.01)		(2,431,758.35)		(3,638,598.88)
Adjustment for Added Properties		38,981.73		60,311.92		63,455.58		45,305.11		44,876.78		53,889.27	
Adjusted Base Levy		4,830,682.71		4,887,665.57		4,894,698.54		5,068,218.53		5,262,756.39		5,471,781.92	
Maximum allowed Levy @ 3%		4,975,603.19		5,034,295.53		5,041,539.50		5,220,265.08		5,420,639.08		5,635,935.38	
Individual Allowed Levies @ 3% Increase													
General		1,241,391.25		1,280,927.36		1,156,337.46		1,201,770.28		1,248,469.38		1,298,713.95	
Human Service		1,494,577.06		1,446,134.29		1,501,868.49		1,560,877.32		1,621,530.82		1,686,789.21	
Highway		508,602.34		513,403.49		517,700.80		520,271.67		540,488.70		562,240.63	
Corrections		557,678.01		573,635.18		595,743.15		619,150.07		643,209.37		669,095.29	
Health Insurance		301,146.12		314,055.84		327,726.20		340,602.66		353,838.00		368,078.18	
Social Security		669,771.29		698,483.45		728,887.35		757,525.54		786,961.91		818,633.14	
Senior Citizens		81,420.99		82,603.47		83,404.04		85,979.76		86,842.65		87,480.67	
Veteran Service		65,248.33		67,688.95		70,297.69		72,172.79		74,977.32		77,994.78	
Emergency Fund		55,767.80		57,363.52		59,574.32		61,915.01		64,320.94		66,909.53	
Total County Levies		4,975,603.19		5,034,295.53		5,041,539.50		5,220,265.08		5,420,639.08		5,635,935.38	
Lost Dollars Levied		(82,863.17)		25,529.66		574,391.15		711,129.71		828,510.91		1,015,391.09	
Actual Levy Increase		2.11%		3.41%		10.99%		5.62%		5.36%		6.44%	

Stutsman County Government	2006	2007		2008		2009		2010		2011		2012	
	Actual	Actual	6% Increase	Actual	6% Increase	Actual	6% Increase	Actual	6% Increase	Actual	6% Increase	Actual	6% Increase
Taxable Valuation with New Growth	53,706,579	55,005,509		57,089,306		60,386,351		63,329,007		66,743,031		72,676,207	
Net New Properties included in valuation		436,917		687,227		749,835		544,666		544,666		663,862	
Actual % Growth in Valuation		2.42%		3.79%		5.78%		4.87%		5.39%		8.89%	
Mill Rate													
General	22.26	22.33	22.33	19.41	19.41	20.57	19.71	19.04	19.04	18.76	18.76	18.76	18.44
Human Service	26.80	25.21	25.21	25.21	25.21	26.00	25.60	25.84	25.84	24.64	24.64	21.64	21.64
Highway	9.12	8.95	8.95	8.69	8.69	8.29	8.29	10.58	8.45	12.09	8.58	11.78	8.43
Corrections	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	9.83
Health Insurance	5.40	6.12	5.63	6.12	5.83	8.00	5.92	8.00	6.03	5.96	5.96	4.00	4.00
Social Security	12.01	12.72	12.53	15.62	12.96	15.62	13.16	15.62	13.42	15.72	13.61	18.88	13.38
Senior Citizens	1.46	1.44	1.44	1.40	1.40	1.37	1.37	1.32	1.32	1.26	1.26	1.26	1.24
Veteran Service	1.17	1.18	1.18	1.18	1.18	1.15	1.15	1.26	1.17	1.20	1.19	1.20	1.17
Emergency Fund	1.00	1.00	1.00	1.00	1.00	2.00	1.02	2.00	1.04	4.00	1.05	4.00	1.03
Total County Levies	89.22	88.95	88.28	88.63	85.67	93.00	86.20	93.66	86.31	93.63	85.05	91.52	79.17
Actual Dollars Levied													
General	1,195,508.45	1,228,273.02	1,228,273.02	1,108,103.43	1,108,103.43	1,242,147.24	1,190,017.19	1,205,784.29	1,205,784.29	1,252,099.26	1,252,099.26	1,363,405.64	1,340,426.51
Human Service	1,439,336.32	1,386,688.88	1,386,688.88	1,439,221.40	1,439,221.40	1,570,045.13	1,545,612.23	1,636,421.54	1,636,421.54	1,644,548.28	1,644,548.28	1,572,713.12	1,572,713.12
Highway	489,804.00	492,299.31	492,299.31	496,106.07	496,106.07	500,602.85	500,602.85	670,020.89	535,425.22	806,923.24	572,432.00	856,125.72	612,813.25
Corrections	537,065.79	550,055.09	550,055.09	570,893.06	570,893.06	603,863.51	603,863.51	633,290.07	633,290.07	667,430.31	667,430.31	726,762.07	714,513.07
Health Insurance	290,015.53	336,633.72	309,917.37	349,386.55	332,616.78	483,090.81	357,204.64	506,632.06	382,052.10	397,788.46	397,788.46	290,704.83	290,704.83
Social Security	645,016.01	699,670.07	689,279.19	891,734.96	739,764.35	943,234.80	794,449.57	989,199.09	849,712.17	1,049,200.45	908,441.40	1,372,126.79	972,525.88
Senior Citizens	78,411.61	79,207.93	79,207.93	79,925.03	79,925.03	82,729.30	82,729.30	83,594.29	83,594.29	84,096.22	84,096.22	91,572.02	90,028.65
Veteran Service	62,836.70	64,906.50	64,906.50	67,365.38	67,365.38	69,444.30	69,444.30	79,794.55	74,274.91	80,091.64	79,408.54	87,211.45	85,010.28
Emergency Fund	53,706.58	55,005.51	55,005.51	57,089.31	57,089.31	120,772.70	61,309.49	126,658.01	65,574.23	266,972.12	70,106.50	290,704.83	75,052.05
Total County Levies	4,791,700.98	4,892,740.03	4,855,632.80	5,059,825.19	4,891,084.81	5,615,930.64	5,205,233.08	5,931,394.80	5,466,128.83	6,249,149.99	5,676,350.97	6,651,326.46	5,753,787.63
Annual (Loss)			(37,107.23)		(168,740.39)		(410,697.56)		(465,265.97)		(572,799.02)		(897,538.83)
Cumulative (Loss)			(37,107.23)		(205,847.61)		(616,545.18)		(1,081,811.15)		(1,654,610.17)		(2,552,149.00)
Adjustment for Added Properties		38,981.73		60,665.23		64,241.57		46,949.57		47,011.86		56,460.03	
Adjusted Base Levy		4,830,682.71		4,916,298.03		4,955,326.37		5,252,182.65		5,513,140.69		5,732,811.01	
Maximum allowed Levy @ 6%		5,120,523.68		5,211,275.91		5,252,645.96		5,567,313.61		5,843,929.13		6,076,779.67	
Individual Allowed Levies @ 6% Increase													
General		1,277,548.27		1,318,235.92		1,190,017.19		1,272,795.82		1,289,124.02		1,340,426.51	
Human Service		1,538,108.43		1,488,254.71		1,545,612.23		1,653,126.36		1,749,525.45		1,760,560.19	
Highway		523,416.00		528,356.99		532,779.46		535,425.22		572,432.00		612,813.25	
Corrections		573,921.06		590,343.00		613,094.89		645,868.78		677,060.93		714,513.07	
Health Insurance		309,917.37		332,616.78		357,204.64		382,052.10		408,458.25		425,849.79	
Social Security		689,279.19		739,764.35		794,449.57		849,712.17		908,441.40		972,525.88	
Senior Citizens		83,792.47		85,009.39		85,833.29		88,484.02		89,372.04		90,028.65	
Veteran Service		67,148.76		69,660.47		72,345.20		74,274.91		79,408.54		85,010.28	
Emergency Fund		57,392.11		59,034.30		61,309.49		65,574.23		70,106.50		75,052.05	
Total County Levies		5,120,523.68		5,211,275.91		5,252,645.96		5,567,313.61		5,843,929.13		6,076,779.67	
Lost Dollars Levied		(227,783.65)		(151,450.72)		363,284.69		364,081.18		405,220.86		574,546.80	
Actual Levy Increase		2.11%		3.41%		10.99%		5.62%		5.36%		6.44%	

Stutsman County, North Dakota

Mill levy changes from 2008 (base year) to 2012
City of Jamestown, ND

	2008	2009	2010	2011	2012
County	100.10	104.40	105.01	104.88	102.69
Vector	3.50	3.50	3.50	3.50	3.50
Garrisson Diversion	1.00	1.00	1.00	1.00	1.00
State Medical	1.00	1.00	1.00	1.00	1.00
Jamestown City	126.49	134.63	131.17	131.11	123.37
Jamestown Park	42.96	43.43	44.21	44.25	43.48
Jamestown School	236.48	161.39	161.46	161.40	155.40
Total Mills	511.53	449.35	447.35	447.14	430.44
Annual Change		(62.18)	(2.00)	(0.21)	(16.70)

Net Effective Tax Rate					
Residential	**2.30%**	**2.02%**	**2.01%**	**2.01%**	**1.94%**
Commerical	2.56%	2.25%	2.24%	2.24%	2.15%
Agricultural	2.56%	2.25%	2.24%	2.24%	2.15%

Stutsman County, North Dakota

Mill levy changes from 2008 (base year) to 2012
Alexander Township, ND

	2008	2009	2010	2011	2012
County	105.10	109.40	110.01	109.88	107.69
Vector	3.50	3.50	3.50	3.50	3.50
Garrisson Diversion	1.00	1.00	1.00	1.00	1.00
State Medical	1.00	1.00	1.00	1.00	1.00
Alexander Township	12.87	14.00	27.00	36.00	18.00
Streeter School	158.30	107.46	102.97	96.08	83.93
Gackle Fire	5.72	5.70	5.65	5.61	12.10
Total Mills	287.49	242.06	251.13	253.07	227.22
Annual Change		(45.43)	9.07	1.94	(25.85)

Net Effective Tax Rate					
Residential	**1.29%**	**1.09%**	**1.13%**	**1.14%**	**1.02%**
Commerical	1.44%	1.21%	1.26%	1.27%	1.14%
Agricultural	1.44%	1.21%	1.26%	1.27%	1.14%

Testimony to Senate Finance & Taxation Committee
Chairman Dwight Cook
Prepared by: David Waind, City Manager
City of Minot

House Bill 1290 and 1465

Chairman Cook, Senate Finance & Taxation Committee members, my name is David Waind and I am City Manager of the City of Minot. I urge a **Do Not Pass** on House Bill 1290 and on House Bill 1465.

There are two bills scheduled before your committee today and my comments will be the same on both this bill and HB 1465. Both of these bills adversely affect Local Governments ability to operate and respond to local issues.

I believe that the issue of local control is an important issue here. Minot has 15 locally elected City Council members who have to answer to Minot voters. Terms of office are 4 years each and members are elected on a staggered basis which allow for half of the members to stand for election every two years. If our Council vote to support a budget with a property tax impact that citizens do not support, the Council members can be replaced by citizens at the next regular election. Local control of local government.

At a time when our City is dealing with both unprecedented growth and recovery from a major disaster, our needs are significantly different than those of communities in the State which are not growing as rapidly or have not suffered from a major disaster. While I understand the overarching concern for control of property tax in our State, I believe that taking control away from locally elected boards will only create more significant problems for communities and citizens. Local government elected boards are the ones who deal with the specifics of issues in each community. They see where the needs are and must make the critical decisions of what to do to solve those local problems. It is my observation that these boards are accountable to their citizens on a daily basis. And, again, if the local government boards do not get it right their constituents will let them know on election day.

One other note of interest on this topic, the amount the City of Minot levied in property tax this past year comes close, but does not cover the amount of the cost to provide only the police and fire services in our community. Property tax is a critical part of our funding annually and is best controlled by the local government elected boards who can respond best to local needs.

Thank you for the opportunity to give you my comments on this bill.

House Bill 1465

Senate Finance and Tax Committee
March 19, 2013

Mr. Chairman and members of the Senate Finance and Tax Committee. My name is Bill Wocken. I am the City Administrator for the City of Bismarck. I am appearing this morning in opposition to House Bill 1465 with the approval of my City Commission.

House Bill 1465 seeks to convert property tax references in the ND Century Code to dollar decimal references and to limit annual increases in municipal budgets. I do not object to Section 1 of the bill but I do have issues with the remainder of it. The limitation on the increase in budget from one year to another is, in my opinion, unhealthy and unnecessary.

City and county budgets are subject to many pressures that come with the delivery of services to local citizens. In areas that are growing rapidly, a restriction in the increase of a budget may well translate into a service reduction. I am sure the budgets of Williston and other cities and counties in the oil patch have tremendous year-to-year variations. While increasing in population is a problem, going down or staying level is another concern. People still need to feel safe and to have their roads and community facilities maintained. Water and sewer service costs are not dramatically decreased as population falls so a restriction in budget can very easily translate into loss of services.

This bill ignores the fact that local elected officials are responsible for the annual budget and must answer to the voters for their actions. The bill imposes an expensive way to get around the levy limitation; a vote with a 55% super majority. Budgets are normally done in August and September because the local jurisdictions need to report their levy needs to their respective counties by early October. It is logical to assume, then, that if the budget needs an increase it might be detected in September. Elections need to be scheduled in advance in order to provide adequate notice to citizens. That puts an election into the November to December timeframe. Tax statements need to go out in early to mid-December. What amount would they reflect if an election was pending?

This bill also obliterates home rule charters with respect to budgets. Most charters have budget provisions in them. With this bill those budget decisions, made by the voters, are ignored and a new state-imposed standard is employed. This bill disenfranchises the voters who voted on adoption of a home rule charter.

Local government is a partner with the state in delivery of services at the most reasonable cost. At times, the cost of service delivery will rise. My power bill and my insurance costs do too. The local voters are very effective in telling local officials when they are proposing too much in taxes for the services delivered. No one will ever say thank you for a property tax bill. We all know that. But we also know that very seldom do people say they are getting too much service from local government. Let the local elected officials deal with those issues and please give this bill a Do Not Pass recommendation.

The people across the state have spoken loud and clear, they believe something is wrong with the property tax system.
After debate vote on Measure two,
They understand that it is local;
They understand that they can vote out the current commissioners and city council members;
But they believe the replacements will continue the same process is their concern;
They want property tax relief and the system reformed.

The system we have today is the result of a ND Supreme Court ruling from 1980
This system has been changed over time since 1980 to what we have today.

It will time to adjust all of these historical changes and it must be done in a measured manner.
This bill addresses just four change to begin with.

HB 1465 seeks to begin the reform process of property tax and assessment across the state.

Section 1. Eliminates the reference to Mills throughout the century code changing to a percentage of dollars instead.

Section 2. Establishes greater control of local Direct Voter taxing authority by the voters with a three level protocol taxing system.

Level 1 - Allows for a specific increase in tax rates taking in consideration certain exempts.

Level 2 - Allows for an increase to the specific increase of tax rates within Level 1 upon meeting all the requirements of current notification of the tax base to allow for public input, discussion, and participation.

Level 3 - Allows for increase of any amount provided a direct vote of approval is received from the public.

These levels recognizes certain requirements of the political subdivisions that require a greater flexible and is therefore listed as a exception to these levels.

New property improvements, annexed property, expired exemptions, temporary levies, social services levies, new levies, or bonded indebtedness levied under Art 10 of the constitution.

Tax Authority may consolidate their taxing authority within the current limits. Providing all political subdivisions the ability to do their primary job, that of managing the budget and providing services. No longer will funds be "stove piped" with various account inaccessible for use during critical periods for temporary areas of needed funds.

Section 3. Repeal of 57-15-01.1 a relic of the 79-81 oil boom/bust era and whose time has long sense past.

Section 4. Effective Date for Section 2 and 3 for taxable years after Dec 31, 2012.

Now, you may hear today that section 1 will not work as long as we use taxable value rather than True and Full.

Mills mean nothing to the average property owner and to change to a percentage of dollars is a simple movement of the decimal point 3 places to the left.
Additionally, other states have realized that referencing mills is problematic and thus reference dollars as well, totaling 33. We would become the 34th state to do.

You will hear that CAPS are included in the bill and this is outside the legislature's understanding of local property tax and is against all of those that voted against Measure 2.

Webster's define CAPS as:

5: to prevent from growing or spreading: set an upper limit on something
6: an upper limit (as on expenditures): ceiling

Ceiling
5: an upper usually prescribed limit <a *ceiling* on prices, rents, and wages>

In truth there are no CAPS at all in 1465.

There does exists within the bill a three level protocol system as explained earlier for tax increase that includes asking those you wish to tax for approval at one level.

You may hear that the repeal of code within Section 3 will greatly restrict the local subdivision to the limits established by this body within each mill authority.

Taken individually, it would return them to the limits that the legislature established for them, however taken with Section 2 and the rules establishing the previous year for levied funds and the three protocol tax authority system. This establishes the current level of levied taxes that would include the current level of taxes thus replacing the need for section 3 law.

You may hear that a 12% annual increase in spending is not enough, what industry is guaranteed a 12% annual return?

Finally,

You may hear today about mandated and voter approved levies and how they are not included. If these are currently levied and they should already be so, then they are already covered under the current levy and would be part of the previous year's levy thereby becoming the baseline for the three level protocol tax authority.

Thank you.