

**2013 HOUSE FINANCE AND TAXATION**

**HCR 3019**

# 2013 HOUSE STANDING COMMITTEE MINUTES

## House Finance and Taxation Committee Fort Totten Room, State Capitol

HCR 3019  
February 6, 2013  
Job #18389

Conference Committee

Committee Clerk Signature

*Mary Brucher*

### Explanation or reason for introduction of bill/resolution:

A concurrent resolution directing the Legislative Management to study the feasibility and desirability of replacement of assessment and levy of property taxes as the primary funding source for local government services.

### Minutes:

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**Chairman Belter:** Opened hearing on HCR 3019.

**Representative Louser:** Introduced bill. The concept is going to require everyone on the committee today, the full assembly hopefully in the future, and the interim committee to really stretch your mind to consider this. This is directed at complete property tax reform in our state. This concept is based on the premise that the state legislature is going to cover the core curriculum K-12 in education and that is the variable in your property taxes that is different per family per property owner otherwise my concept would not work. This removes the system of valuations and mill levies. It replaces with the taxation of services you receive as a property owner. It's confusing to the general public now because we have assessments, true and full value, assessment ratio, assessment factor, and all the things that go in with the mill levies. Your house payment contains four elements; the principle, the interest, the insurances, and the taxes. The principle is the amount of money you borrowed against the value of that property as part of your house payment. The interest is what you're agreeing to pay the bank back for the use of that money. The insurances cover the value of the property. The property taxes go to pay for services separate from what that house provides. The property taxes go towards but are not limited to police and fire protection, street cleaning and maintenance, parks and recreation, public buildings, libraries, schools, bricks and mortar, etc. All of these are services people are entitled to as part of their property taxes paid. The study that I'm proposing would divide the property types; single family up to four units, commercial, industrial, vacant land, and farm and ranch. My hope is that we come up with one tax per property owned. There would be a means test if necessary for the lower end and if the study shows this doesn't reduce taxes for all property owners. We could provide a discount off of that means test of whatever that dollar amount is that we come up with. We could also do the same thing for seniors, anyone over the age of sixty-five. The commercial formula would be based on the footprint of the property. The industrial would be the footprint or it could be the size of the lot owned; vacant land could be based on the frontage of the property and farm and ranch based on

acreage. The system would be based on the current year's budget for the purpose of calculating the following year's taxes. Abatements and exemptions must be considered in this proposal. I'm not certain of the numbers but I read during the Measure 2 debate that there were approximately \$900 million in property taxes collected in North Dakota and approximately \$800 million in abatements and exemptions granted. If all those are on the table for consideration and we're not talking value of property, we are talking about services received; this could lower the tax rate for everyone. An example of how this would work with the new construction abatement; many of us are familiar with the up to \$150,000 new construction abatement and my thought on this is that property would be taxed as though it's a vacant lot until there is a certificate of occupancy issued on that new construction property presumably to someone that is going to occupy that property and then have entitlement to the services that are provided. The builder would be paying the property taxes on the vacant lot as opposed to the new value of the construction. They would presumably come on to the tax rolls during the calendar year which would have a smoothing effect over next year's budget. Those taxes would necessarily flatten the rate for everybody; the more properties that come on the flatter the tax can be. This proposal would also allow for a capping of the budgets. Say it's 3% then we could say no further growth beyond 3% unless there is a vote of the people with a 60% margin in favor of. That would guarantee that your property tax you pay would not go up more than 3% based on the budget and it would be offset by the new construction that comes on the rolls. It would take pressure off the local authorities and eliminate the debate on valuations, true and full and assessed values as well as the mill levies and all the confusion. The legislature would no longer be providing property tax relief that our property tax payers don't feel. This would also provide transparency to the property tax payer. A full disclosure on their property tax bill would be listed by percentage and dollar amount of where their tax is going per department in that taxing authority. The study would first seek to determine a system if the system is feasible and then plug the numbers in to see it's attainable for reform. This is being done to a lesser extent in some areas; it's being done with special assessments and in my community on my water bill we are paying garbage collection. If we're seeking true property tax reform then it will take a couple years to study. The only way this would work is if we remove the large portion of education that is paid in the property tax bill now. I would only propose that this proceed if this body comes up with some sort of funding package for K-12. This reform would flatten taxes, limit the year over year increases, preserve budgets at the current levels, provide transparency in participation, make property tax decision making truly local, lower taxes on all currently paying, and it would provide predictability to the tax bill a property owner pays.

**Representative Zaiser:** Would an ancillary part of this be for services or would it all be included in this broad based tax?

**Representative Louser:** This originated with my thought of billing the property owner monthly for the services they receive and know in advance what those services are. You could look at this as a fee for service as long as that service is established the previous year.

**Representative Froseth:** Wouldn't this put Marcy out of a job? Did you give any thought to property that was centrally assessed?

**Representative Louser:** Yes. There may be some assessors who do not like it because this bill would eliminate the need for assessments. The answer to your second question would be yes and it would be part of the study. I want to have a very specific idea to plug in numbers and concepts to see if it would work. I don't want to proceed if it doesn't reduce taxes for the people who are paying property taxes now.

**Representative Trottier:** Are you saying that property taxes could be cut in half if there were no abatements?

**Representative Louser:** One of the arguments during the Measure 2 debate was in the four largest cities there was over \$800 million worth of abatements and exemptions granted and if none of those were granted it would reduce taxes by almost half.

**Chairman Belter:** Any other testimony in support to 3019? Any testimony in opposition? Any neutral testimony? If not we will close the hearing on HCR 3019.

# 2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

HB 3019  
February 12, 2013  
Job #18768

Conference Committee

Committee Clerk Signature

*Mary Brucher*

## Explanation or reason for introduction of bill/resolution:

A concurrent resolution directing the Legislative Management to study the feasibility and desirability of replacement of assessment and levy of property taxes as the primary funding source for local government services.

## Minutes:

*Attached amendments #1.*

**Chairman Belter:** Distributed amendments #1. What are your wishes?

**Vice Chairman Headland:** Made a motion to move the 1001 amendments.

**Representative Drovdal:** Seconded.

**VOICE VOTE: MOTION CARRIED.**

**Representative Drovdal:** Made a motion for a DO PASS AS AMENDED AND PUT ON THE CONSENT CALENDAR.

**Representative Klein:** Seconded.

**ROLL CALL VOTE: 13 YES 0 NO 1 ABSENT**

**Representative Drovdal will carry this bill.**

VK  
2/13/13

PROPOSED AMENDMENTS TO HOUSE CONCURRENT RESOLUTION NO. 3019

Page 1, line 1, after "A concurrent resolution" replace the remainder of the resolution with "directing the Legislative Management to study the property tax system.

**WHEREAS**, property taxes levied by political subdivisions constitute a very substantial share of the cost of owning and using property in the state; and

**WHEREAS**, assessment and levy of property taxes has been the primary funding source for local government services since before statehood but the system continues to be subject to criticism by taxpayers and ongoing legislative efforts to create more fairness and lower tax burdens; and

**WHEREAS**, the Legislative Assembly must closely monitor the property tax system and examine options for improvements that could reduce the property tax burden and enhance the fairness and uniformity of the property tax system;

**NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF NORTH DAKOTA, THE SENATE CONCURRING THEREIN:**

That the Legislative Management study the property tax system; and

**BE IT FURTHER RESOLVED**, that the Legislative Management report its findings and recommendations, together with any legislation required to implement the recommendations, to the Sixty-fourth Legislative Assembly."

Renumbe~~r~~ accordingly

Date: 2-12-13  
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 12990 3019

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 01001

Motion Made By Rep. Headland 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: 2-12-13  
 Roll Call Vote #: 2

**2013 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 3019**

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 *+ put on consent calendar*

Motion Made By Rep Drovdal 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) 13 No 0

Absent 1

Floor Assignment Rep. Drovdal

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



**REPORT OF STANDING COMMITTEE**

**HCR 3019: Finance and Taxation Committee (Rep. Belter, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HCR 3019 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A concurrent resolution" replace the remainder of the resolution with "directing the Legislative Management to study the property tax system.

**WHEREAS**, property taxes levied by political subdivisions constitute a very substantial share of the cost of owning and using property in the state; and

**WHEREAS**, assessment and levy of property taxes has been the primary funding source for local government services since before statehood but the system continues to be subject to criticism by taxpayers and ongoing legislative efforts to create more fairness and lower tax burdens; and

**WHEREAS**, the Legislative Assembly must closely monitor the property tax system and examine options for improvements that could reduce the property tax burden and enhance the fairness and uniformity of the property tax system;

**NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF NORTH DAKOTA, THE SENATE CONCURRING THEREIN:**

That the Legislative Management study the property tax system; and

**BE IT FURTHER RESOLVED**, that the Legislative Management report its findings and recommendations, together with any legislation required to implement the recommendations, to the Sixty-fourth Legislative Assembly."

Renumber accordingly

**2013 SENATE FINANCE AND TAXATION**

**HCR 3019**

# 2013 SENATE STANDING COMMITTEE MINUTES

## Senate Finance and Taxation Committee

Lewis and Clark Room, State Capitol

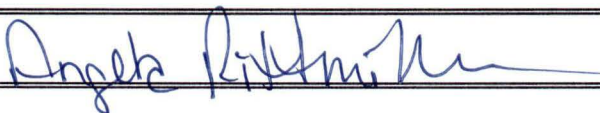
HCR 3019

3/13/2013

Job Number 19873

Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

A concurrent resolution directing the Legislative Management to study the property tax system.

### Minutes:

**Chairman Cook** opened HCR 3019.

**Representative Louser** introduced HCR 3019.

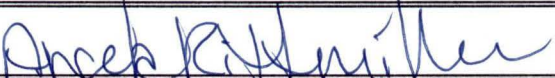
**Chairman Cook** closed the hearing on HCR 3019.

# 2013 SENATE STANDING COMMITTEE MINUTES

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

HCR 3019  
4/5/2013  
Job Number 20928

Conference Committee

Committee Clerk Signature	
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**Explanation or reason for introduction of bill/resolution:**

A concurrent resolution directing the Legislative Management to study the property tax system.

**Minutes:**

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**Chairman Cook** opened discussion on HCR 3019.

**Chairman Cook** - I don't think it hurts to pass it. We've got a study resolution tied on a bill already but it doesn't hurt to pass the resolution. We need to study property taxes during the interim.

**Senator Burckhard** - I'll move a **Do Pass**.

Seconded by **Vice Chairman Campbell**.

**Roll Call Vote 7-0-0**

Carried by **Senator Burckhard**.

Date: 4-5-13  
 Roll Call Vote #: 1

**2013 SENATE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 3019**

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 Burckhard Seconded By Senator Campbell

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	X				
Senator Dave Oehlke	X				
Senator Randy Burckhard	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Burckhard

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

**REPORT OF STANDING COMMITTEE**

**HCR 3019, as engrossed: Finance and Taxation Committee (Sen. Cook, Chairman)**  
recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).  
Engrossed HCR 3019 was placed on the Fourteenth order on the calendar.