

**2013 SENATE FINANCE AND TAXATION**

**SB 2171**

# 2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2171  
1/23/2013  
Job Number 17574

Conference Committee

Committee Clerk Signature

*Angel Rittmiller*

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

A BILL for an Act to amend and reenact subsections 1 and 5 of section 57-02-08.1 of the North Dakota Century Code, relating to the homestead property tax credit; and to provide an effective date.

### Minutes:

Testimony Attached

**Chairman Cook** opened the hearing on SB 2171.

**Senator Klein** introduced SB 2171.

**Pam Sharp, Office of Management and Budget** - On behalf of the governor I would like to support SB 2171. The expansion of the homestead tax credit was included in the governor's budget. The \$20 million is included in the tax departments appropriation bill as well as everything that that signifies which includes expanding the income tax brackets, excluding social security income from the calculation and removes the asset test which was previously set at \$75,000.

**Josh Askvig, AARP** - See attached testimony 1 in support of SB 2171.

**Chairman Cook** - The other option is to expand the amount of tax relief somebody could get, we could expand the value of the home that is getting the break. That doesn't help more people; it just helps fewer people more. Do you give any consideration to that?

**Josh Askvig** - Our policy is pretty specific about broadening school funding to provide relief that way and then also using breaks and that generally we have found in our research those are the best ways to ensure that people who have more difficult times staying in their homes, limited incomes, can stay in their homes for the duration if they can. So the preferred methods for us are the broadening school financing piece and circuit breaker piece as contained in SB 2171.

**Senator Dotzenrod** - It looks like from the numbers you've got here that we probably in ND have about 100,000 people that are 65 years of age or older. It looks like the majority of those people would be getting the benefit of this. Those 65 and older would qualify under the provisions that we have in this bill so if there is over 100,000 we are probably looking at

60,000-70,000 people or maybe more, will be getting it and how does that compare to where we are today?

**Josh Askvig** - I don't have the figures in front of me but they are probably in the red book and I'd be happy to look those up for you. We do believe it will greatly increase the people but you also have people who have been in their homes for years and years living on social security and their property values are going up as do the property taxes and they want to stay in their homes and so if they can access relief programs with their ability to pay and stay in their home, it makes sense to us.

**Terry Traynor, ND Association of Counties** - We think it's good public policy but from the aspect of county social services where we are always challenged with keeping seniors in their homes, providing services that will be at least cost and best for them to keep them in home, this is a piece of the puzzle that helps and we think this bill improves that and for that reason we support it.

**Chairman Cook** - Do you have any opinion as to the merit of making all of our adjustments to the income brackets rather than to the taxable value bracket? Should we help more people or fewer people more?

**Terry Traynor** - I don't understand the interrelationships of the value and the income thresholds well enough to know how that would affect.

**Senator Triplett** - Has your department analyzed this bill in terms of understanding how many people would be affected by removal of the asset test?

**Ryan Raushenberger, Tax Department** - I don't have any specific numbers in front of me. Both Marcy and Kathy Strombeck have looked at some numbers to come up with some estimates. The asset test has been one of the largest limiters and does bring in a significant amount of people because a lot of people are kicked out because of 401K, all that gets counted in that. Also the increased values in homes in the western part of the state specifically. Home values have kicked out a lot of people for eligibility as well.

**Chairman Cook** - You have mentioned the people in the western part, it's here in Bismarck/Mandan too where home values are going up where there is still a burden on a low income person because of that I've got to ask the question to what degree is there wisdom and adjusting somewhat the amount of taxable value that can be adjusted.

**Ryan Raushenberger** - Like I said the home values have been increasing, really across the state, quite quickly and that does leave someone who was in the program one year to be kicked out without having any other factors change. Coming up with this concept, that was a sizable consideration in removing the asset test. As you mentioned another option would be actually just increasing the asset test to a certain point, which could also be done.

**Senator Miller** - In regards to this whole bill and the appropriation, its \$20 million, does that just run out and then no more program or are the counties going to be on the hook to pay this, or the state somehow if we have more than \$20 million in costs.

**Ryan Raushenberger** - The \$20 million appropriation, the way currently, the appropriation works for the program, some biennium's we end up having more savings than others and we have gone in for a deficiency appropriations in other biennium's. It kind of depends from year to year. It is very difficult to hit it right on the spot because the way the law is written is that we do go into a deficiency state. Right now there is deficiency because of the increased activity in the program and that would continue basically looking at it every biennium and being either ahead of budget or under budget.

**Chairman Cook** asked for more neutral testimony.

**Chairman Cook** closed the hearing on SB 2171.

# 2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2171  
1/24/2013  
Job Number 17607

Conference Committee

Committee Clerk Signature

*Angela Ruffin Miller*

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

A BILL for an Act to amend and reenact subsections 1 and 5 of section 57-02-08.1 of the North Dakota Century Code, relating to the homestead property tax credit; and to provide an effective date.

### Minutes:

Committee Work

**Chairman Cook** opened discussion on SB 2171.

**Senator Oehlke** - Looking in the red book earlier today I did find when they established that \$100,000 limit on the home valuation. That was done in 2005.

**Chairman Cook** - Kevin Glatt suggested increasing it to \$275,000 but include the home value. That makes some sense to me, I don't know if that is the right number.

**Senator Miller** - Senator Unruh has a bill dealing with the disabled veterans' credit. I'm wondering in something like that shouldn't be considered when we are talking about this since they are in similar fashion.

**Chairman Cook** - Yes

**Senator Miller** and **Senator Triplett** volunteered to do some research on this subject.

**Chairman Cook** closed discussion on SB 2171.

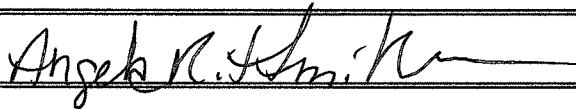
# 2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2171  
1/29/2013  
Job Number 17910

Conference Committee

Committee Clerk Signature



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

A BILL for an Act to amend and reenact subsections 1 and 5 of section 57-02-08.1 of the North Dakota Century Code, relating to the homestead property tax credit; and to provide an effective date.

### Minutes:

Committee Work

**Chairman Cook** opened discussion on SB 2171.

There was very brief discussion.

**Senator Miller** said he would bring amendments.

**Chairman Cook** closed discussion on SB 2171.

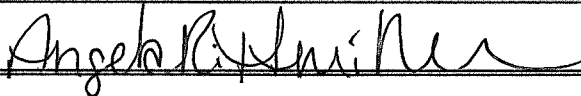
# 2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2171  
2/4/2013  
Job Number 18231

Conference Committee

Committee Clerk Signature



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

A BILL for an Act to amend and reenact subsections 1 and 5 of section 57-02-08.1 of the North Dakota Century Code, relating to the homestead property tax credit; and to provide an effective date.

### Minutes:

Committee Work

**Chairman Cook** opened discussion on SB 2171.

**Senator Triplett** - The bill that Senator Dotzenrod discussed this morning regarding special assessments, it strikes me that maybe we should consider that one first. If there is any appetite on the committee for approving that, it seems like maybe they could be run together into one bill. If I were going to approve giving some kind of break for special assessments or incorporating that into the homestead credit then I would want to rethink the numbers on this one. Maybe they should be thought about together.

**Chairman Cook** - That makes sense. I didn't want to take action on this, before we would we would take all the homestead tax credit bills and whether we deal with the other ones individually or with amendments and dealt with them that way, it makes no difference.

**Senator Dotzenrod** - Conceptually when we first began the homestead credit the idea at the time was you have some people who are on this lower end of the income scale and they could be put in a situation where they may have to consider moving. This was sort of a backstop to say if you are old and you don't have much money we will make sure the state isn't making your problems worse. It seems like what we are doing here now is kind of combining the things we wanted to do when measure 2 got beat this summer and try to find a way to get more property tax to more people, I get the impression we are combining that now with homestead credit because there is so many of these it appears to me, these brackets we are setting up, we are getting up into areas where there, these aren't situations where people are forced to live on beans and hotdogs to be able to afford their tax. I think we are getting a hybrid sort of approach here with these brackets.

**Chairman Cook** - Do you think that is right?

**Senator Dotzenrod** - I do think that if you combine a homestead credit program that does what it was designed to do, that is to keep people in their homes, I don't really object to the brackets being where they are, but I think it's important concept to have in there and then do what we've done in the past with mill levy buy down so that there is a benefit that is spread out across the whole population, so if you have the 2 together I think that does make sense. You've provided a benefit to those on the low end but you've given everybody property tax relief. I am concerned that if you don't have an asset test, I do think that is one way you can separate out that group of people that are down there and really kind of got their back against the wall when it comes to property taxes, I think that asset test I'd like to keep it in there for that reason.

**Senator Triplett** - Agreeing with what Senator Dotzenrod said I think that when these things were put in place originally long ago the elderly were really among the poorest of people in this country and I think the demographics have changed pretty dramatically and I think there's an awful lot of people over the age of 65 who are doing very well and so giving an across the board exemption to everyone beyond the age of 65 seems a little disingenuous in the sense that we are just putting the burden further on to the working age people who are pretty heavily burdened as it is. I think the asset test needs to be there and I'm comfortable with the number Senator Miller has picked out, the \$200,000.

**Senator Miller** - We can refine that better. What it does is it takes your home out of the equation but maybe we need to put something on the home, like \$500,000 or \$200,000 or whatever.

**Chairman Cook** - Doesn't that include the home?

**Senator Miller** - The amendments I proposed would take your residence value, that wouldn't be part of the equation. It would just say you have \$200,000 worth of assets, not including your residence. The current test would say your house is \$100,000 and \$75,000 worth of assets, something to that affect. Maybe we could say your home can't be worth more than \$250,000 and you can have more than an additional \$200,000 worth of assets.

**Senator Dotzenrod** - We did get the suggestion from Kevin Glatt, he asserted that we needed an asset test and proposing putting in a \$100,000 increase which would be \$275,000 including the value of the home.

**Chairman Cook** - Should income include social security?

**Senator Triplett** - I don't know if it should or not but if we have social security in the mix then I think the number should be higher than if we had social security out of the mix. Once you start excluding something then you are going to have other people in trying to get other things. Maybe it's better to leave everything in and just set a dollar value.

**Vice Chairman Campbell** - I like Senator Triplett's idea in that the elderly, there's a lot of income disparity. I think most of them either have low income or extremely high income and I like Senator Miller figuring the \$200,000. Question on the asset test, do they have to give a balance sheet then? How does that work?



**Chairman Cook** - I was going to call my tax equalization officer out of Morton County and suggest maybe if she could come up here and walk us through that.

**Senator Dotzenrod** - If you look on page 2 line 22, any person claiming the exemption under this subsection shall sign a verified statement of facts establishing the persons eligibility. Whatever we set forth in here that's going to be reflected on what other sources of income, I'm sure there's a questionnaire, and it might be good to even see what that looks like.

**Chairman Cook** - I've seen it, I don't know to what degree it is audited.

**Donnita Wald, Tax Department** said the tax department audits those.

**Senator Oehlke** - Do you suppose the average county has something similar to the farmers exemption form?

**Chairman Cook** - I'm not sure if the homestead tax credit is a state form or not, I think it is.

**Senator Oehlke** - Maybe just add another category to it or something.

**Chairman Cook** - The top income bracket now is \$42,000-\$50,000. Those people get a 20% reduction in the taxable valuations up to a maximum reduction of \$900 of taxable valuation. Is that bracket high enough if we don't include social security?

**Senator Triplett** - It just occurs to me that we learned from our hearing from the fellow that testified for AARP that the average social security benefit is \$12,600 so about \$1,000 per month, but the lowest of the low income people who had lesser employment through the years would get less than that and people who had better jobs and therefore presumably more assets and other retirement possibly, maybe \$1,400 a month in social security. By not specifically excluding social security but leaving a single number we are actually benefitting the lower income people, right? Because otherwise if you excluded it then someone who had more income could get the maximum benefit plus they get a higher level of social security whereas the lower income people would get the maximum benefit under this bill plus a lesser amount of social security. I think removing the reference to social security and leaving social security as part of the dollar value is actually a benefit to lower income people.

**Chairman Cook** - They don't lose their benefit. The ones that are going to lose any benefit from this by taking out social security could very well be a higher income person.

**Chairman Cook** closed discussion on SB 2171.

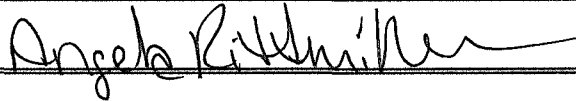
# 2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2171  
2/6/2013  
Job Number 18351

Conference Committee

Committee Clerk Signature



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

A BILL for an Act to amend and reenact subsections 1 and 5 of section 57-02-08.1 of the North Dakota Century Code, relating to the homestead property tax credit; and to provide an effective date.

### Minutes:

Committee Work

**Chairman Cook** opened discussion on SB 2171.

**Senator Miller** - The only thing I'm addressing is the asset test, we can take that social security income out of the picture pretty easily I think (attachment 4).

**Chairman Cook** - I'm going to try to get someone here to speak to us about the form.

**Donitta Wald, Tax Department** - There is an inconsistency in this bill on page 3 lines 10 and 11. Line 10 includes social security; line 11 excludes social security from income.

**Senator Triplett** - Personally I think it looks like what the proponents did, just looking at the numbers that are currently in law versus what they've changed them to, it looks like they just went through and added \$8,000 to each one. I would rather, without changing the fiscal note substantially just increase the bottom and decrease the top. (8:15)

**Chairman Cook** - I don't know if I would be too eager to do that. You can still have the amendments drafted and run them up the flagpole here.

**Senator Miller** - If we did something like that I would like to take a better look, and I don't know if there is time to do that, but I would like to see more, something about an analysis of what's happened in the economy and how it's affecting age groups.

**Senator Triplett** - I appreciate your request for analysis. I think in North Dakota right now it would be really difficult because different communities are having such very different experiences. In Western North Dakota you can't afford to pay your property tax I guess you sell your house and leave town, that's what is actually happening out there. Our long standing desire with this homestead credit bill of allowing low income elderly people to stay in their homes, I think there is nothing we could do that's going to counter act what's

happening in Western North Dakota. We would have to do something much more drastic to make a difference so I guess I'm thinking that doing something, the lower end of it will help some people somewhere, although maybe not in Western North Dakota.

**Chairman Cook** - We can't forget to other option for these lower income people. This is a delicate issue. We don't have to be in a big hurry, let's make sure we do it right.

**Chairman Cook** closed discussion on SB 2171.

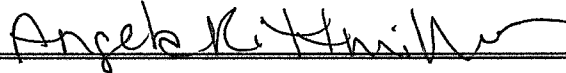
# 2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2171  
2/11/2013  
Job Number 18715

Conference Committee

Committee Clerk Signature



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

A BILL for an Act to amend and reenact subsections 1 and 5 of section 57-02-08.1 of the North Dakota Century Code, relating to the homestead property tax credit; and to provide an effective date.

### Minutes:

Committee Work

**Chairman Cook** opened discussion on SB 2171.

**Senator Miller** - I will move amendments 13.8178.01002 and further amend to remove the overstrike on line 11 and also remove the new language that's underlined.

Seconded by **Vice Chairman Campbell**.

**Chairman Cook** - People that are getting the homestead credit now would not get any more, correct? This bill just allows more people to get the homestead tax credit.

**Senator Dotzenrod** - Page 1, subparagraph 1, we didn't change anything; there's no overstrike or new language. That \$18,000 it's a 100% reduction and up to the \$4,500 in which is a \$100,000 house. So that bracket we are not changing. Then we take the other brackets that provide a 20% payment, a 40%, a 60% and an 80%, those we move up. We are moving partial payments up into higher levels of income.

**Chairman Cook** - More people will be able to get the 80%, more people will be able to get the 60% and 40%. Then of course a whole lot more people will be able to get the 20%.

**Senator Dotzenrod** - The proposed amendments that we have would bring the fiscal note down by having an income test in there and including social security.

### Verbal Vote on Amendment 7-0-0

**Chairman Cook** closed the discussion on SB 2171.

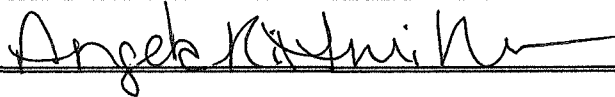
# 2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2171  
2/12/2013  
Job Number 18769

Conference Committee

Committee Clerk Signature



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

A BILL for an Act to amend and reenact subsections 1 and 5 of section 57-02-08.1 of the North Dakota Century Code, relating to the homestead property tax credit; and to provide an effective date.

### Minutes:

Committee Work

**Chairman Cook** opened discussion on SB 2171.

**Chairman Cook** we've already got one amendment on here.

**Senator Triplett** - I will move the amendment 13.8178.01003.

Seconded by **Senator Dotzenrod**.

**Senator Triplett** explained what her amendment does. (00:32)

**Senator Miller** - Is there any idea what this would do?

**Senator Triplett** - I haven't asked for a fiscal note on it but since it starts from the same place as the original bill presumed and tightens it up a little bit my best guess is that it would be a tish lower but roughly in the same zone.

Discussion followed on what the income amounts should be.

**Senator Triplett** - I would amend my motion instead of .01003 to move amendment that would use the 26 through 42 increments.

Seconded by **Senator Miller**.

### Verbal Vote on Amendment 7-0-0

**Senator Miller** - I'll move a **Do Pass as Amended and re-refer to Appropriations**.

Seconded by **Senator Triplett**.

### Roll Call Vote 7-0-0

Carried by **Senator Miller**.

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/15/2013**

Bill/Resolution No.: SB 2171

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$20,000,000			
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2171 expands the homestead credit and renters refund programs for elderly and disabled citizens.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of SB 2171 expands the income brackets for computing the credit for both homeowners and renters. It also removes the "asset test" that limits the value of assets an applicant can own, currently set at \$75,000. This section also removes a person's social security income from the income that is used in calculating if an applicant qualifies for the credit.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

There is \$20 million included in the executive budget for the expansion of the homestead credit and renters refund programs.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The provisions of SB 2171 significantly expand the homestead credit and renters refund programs enabling most elderly citizens to qualify. It is very difficult to accurately estimate the likely fiscal impact of these provisions as there are many unknowns.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

There is a \$20 million appropriation in the Tax Department budget for this expansion to the homestead credit and renters refund program.

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 01/18/2013

February 12, 2013

*JP*  
*2-12-13*

PROPOSED AMENDMENTS TO SENATE BILL NO. 2171

- Page 1, line 1, replace "subsections" with "subsection"
- Page 1, line 1, remove "and 5"
- Page 1, line 5, replace "Subsections" with "Subsection"
- Page 1, line 5, remove "and 5"
- Page 1, line 6, replace "are" with "is"
- Page 1, line 17, overstrike "eighteen" and insert immediately thereafter "twenty-six"
- Page 1, line 21, overstrike "eighteen" and insert immediately thereafter "twenty-six"
- Page 1, line 22, replace "twenty-six" with "thirty"
- Page 2, line 1, replace "twenty-six" with "thirty"
- Page 2, line 7, replace "forty-two" with "thirty-eight"
- Page 2, line 11, replace "forty-two" with "thirty-eight"
- Page 2, line 12, replace "fifty" with "forty-two"
- Page 2, line 24, remove the overstrike over "A person is ineligible for the exemption under this subsection if the value of the"
- Page 2, remove the overstrike over lines 25 and 26
- Page 2, line 27, remove the overstrike over "homestead, exceeds" and insert immediately thereafter "two hundred"
- Page 2, line 27, remove the overstrike over "seventy five thousand dollars, including the value of any"
- Page 2, line 28, remove the overstrike over "assets divested within the last three years."
- Page 3, line 1, remove the overstrike over "h."
- Page 3, line 3, remove the overstrike over "i."
- Page 3, line 3, remove "h."
- Page 3, remove lines 5 through 24
- Re-number accordingly



Date: 2-11-13  
Roll Call Vote #: 1

2013 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2171

Senate Finance & Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number 13.8178.01002

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Senator Miller Seconded By Senator Campbell

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

Total (Yes) 7 No 0

Absent 0

Floor Assignment \_\_\_\_\_

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

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

2013 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2171

Senate Finance & Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number 13.8178.01004 file 02000

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Senator Triplett Seconded By Senator Miller

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

Total (Yes) 7 No 0

Absent 0

Floor Assignment \_\_\_\_\_

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

Verbal vote

Date: 2-17-13  
Roll Call Vote #: 3

2013 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2171

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 Miller 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	X				
Senator Dave Oehlke	X				
Senator Randy Burckhard	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Miller

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

REPORT OF STANDING COMMITTEE

**SB 2171: Finance and Taxation Committee (Sen. Cook, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2171 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "subsections" with "subsection"

Page 1, line 1, remove "and 5"

Page 1, line 5, replace "Subsections" with "Subsection"

Page 1, line 5, remove "and 5"

Page 1, line 6, replace "are" with "is"

Page 1, line 17, overstrike "eighteen" and insert immediately thereafter "twenty-six"

Page 1, line 21, overstrike "eighteen" and insert immediately thereafter "twenty-six"

Page 1, line 22, replace "twenty-six" with "thirty"

Page 2, line 1, replace "twenty-six" with "thirty"

Page 2, line 7, replace "forty-two" with "thirty-eight"

Page 2, line 11, replace "forty-two" with "thirty-eight"

Page 2, line 12, replace "fifty" with "forty-two"

Page 2, line 24, remove the overstrike over "A person is ineligible for the exemption under this subsection if the value of the"

Page 2, remove the overstrike over lines 25 and 26

Page 2, line 27, remove the overstrike over "homestead, exceeds" and insert immediately thereafter "two hundred"

Page 2, line 27, remove the overstrike over "seventy-five thousand dollars, including the value of any"

Page 2, line 28, remove the overstrike over "assets divested within the last three years."

Page 3, line 1, remove the overstrike over "h."

Page 3, line 3, remove the overstrike over "i."

Page 3, line 3, remove "h."

Page 3, remove lines 5 through 24

Renumber accordingly

**2013 SENATE APPROPRIATIONS**

**SB 2171**

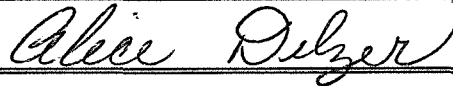
# 2013 SENATE STANDING COMMITTEE MINUTES

## Senate Appropriations Committee Harvest Room, State Capitol

SB 2171  
02-20-2013  
Job # 19223

Conference Committee

Committee Clerk Signature



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

Relating to the homestead property tax credit

### Minutes:

See attached testimony

**Chairman Holmberg** called the committee to order on Wednesday, February 20, 2013 in regards to SB 2171. All committee members were present.

Brady Larson -Legislative Council  
Joe Morrissette- OMB

**Senator Cook District 34, Mandan:** I am here to introduce the bill. The bill expands the five different income tax brackets. It is a homestead tax credit available to a lot more low income North Dakotans. We also increased the asset threshold. It came with a \$20 million fiscal note. Some amendments should reduce the fiscal note. Earlier this morning, on SB 2036 you were introduced to a second homestead credit, both credits would be available to a low income person. There would be two credits available.

**Chairman Holmberg:** There is also a renter's provision that did not change.

**Senator Carlisle:** Social Security doesn't count as part of the income threshold right?

**Senator Cook District 34, Mandan:** It does count in this bill.

**Chairman Holmberg:** For a number of years we allowed this to creep up. They would get a slight raise in social security and they graduate out of the program so the legislature over time has been sympathetic and watched that.

**Senator Robinson:** Are we to assume the fiscal note dated January 15<sup>th</sup> for \$20 million is current?

**Chairman Holmberg:** We are printing a revised fiscal note just over \$15 million.

**Senator Cook District 34, Mandan:** The bill was not written proper. It opens up a whole can of worms. Railroad retirement came to my mind. There is a tier one and a tier two one. It makes it a whole lot more complicated.

**Marcy Dickerson, State Supervisor of Assessments:** On the renters, the only thing that did change was their income was changed just as the homeowners was changed because that automatically carries through to the subsection that applies for renters.

**Chairman Holmberg:** The property tax credit is filed at the city assessor. The renter's credit goes through the tax department.

**Chairman Holmberg:** We will close the hearing on 2171.

**Senator Robinson:** Moved a do pass.

**Senator Grindberg:** Second

**Chairman Holmberg:** Call the roll on a do pass on SB 2171.

**A Roll Call vote was taken. Yea: 13; Nay: 0; Absent: 0.**

**Chairman Holmberg:** Motion Carries. This will go back to finance and tax.

**Senator Miller will carry the bill.**

The hearing was closed on SB 2171.

**FISCAL NOTE**  
**Requested by Legislative Council**  
**02/13/2013**

Amendment to: SB 2171

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$15,195,000			
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed SB 2171 expands the homestead credit and renters refund programs for elderly and disabled citizens.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of engrossed SB 2171 expands the income brackets for computing the credit for both homeowners and renters. It also expands the "asset test" that limits the value of assets an applicant can own, to \$275,000 from the current limit of \$75,000.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

There is \$20 million included in the executive budget for the expansion of the homestead credit and renters refund programs.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The provisions of engrossed SB 2171 will mean more elderly and disabled persons will qualify for these programs. Estimations are difficult, and in the tax department's experience, fewer persons take advantage of the programs than would apparently be eligible, which could be due in part to the asset limitations. For this reason, we are estimating the impact of engrossed SB 2171 based on 75% of those that might be eligible for the program. This translates into a program expansion to an estimated \$25.880 million for the 2013-15 biennium, which is a net increase of \$15.195 million over the existing (budgeted) program of \$10,685,000.



- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

There is a \$20 million appropriation in the Tax Department budget for the expansion to the homestead credit and renters refund program. If engrossed SB 2171 is enacted, a portion of this amount may be turned back at the close of the 2013-15 biennium.

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 01/18/2013

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/15/2013**

Bill/Resolution No.: SB 2171

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$20,000,000			
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2171 expands the homestead credit and renters refund programs for elderly and disabled citizens.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of SB 2171 expands the income brackets for computing the credit for both homeowners and renters. It also removes the "asset test" that limits the value of assets an applicant can own, currently set at \$75,000. This section also removes a person's social security income from the income that is used in calculating if an applicant qualifies for the credit.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

There is \$20 million included in the executive budget for the expansion of the homestead credit and renters refund programs.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The provisions of SB 2171 significantly expand the homestead credit and renters refund programs enabling most elderly citizens to qualify. It is very difficult to accurately estimate the likely fiscal impact of these provisions as there are many unknowns.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

There is a \$20 million appropriation in the Tax Department budget for this expansion to the homestead credit and renters refund program.

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 01/18/2013

Date: 2-20-13

Roll Call Vote # 1

2013 SENATE STANDING COMMITTEE  
ROLL CALL VOTES

BILL/RESOLUTION NO. 2171

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DP

Motion Made By Robinson Seconded By Grindberg

Senators	Yes	No	Senator	Yes	No
Chariman Ray Holmberg	✓		Senator Tim Mathern	✓	
Co-Vice Chairman Bill Bowman	✓		Senator David O'Connell	✓	
Co-Vice Chair Tony Grindberg	✓		Senator Larry Robinson	✓	
Senator Ralph Kilzer	✓		Senator John Warner	✓	
Senator Karen Krebsbach	✓				
Senator Robert Erbele	✓				
Senator Terry Wanzek	✓				
Senator Ron Carlisle	✓				
Senator Gary Lee	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment F+T Miller

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

**REPORT OF STANDING COMMITTEE**

**SB 2171, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)**  
recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).  
Engrossed SB 2171 was placed on the Eleventh order on the calendar.

**2013 HOUSE FINANCE AND TAXATION**

**SB 2171**

# 2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

SB 2171  
March 11, 2013  
Job #19681

Conference Committee

Committee Clerk Signature

*Mary Buckner*

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

A Bill relating to the homestead property tax credit.

## Minutes:

*Attached testimony #1, 2, 3, proposed amendment #4*

**Vice Chairman Headland:** Opened hearing on SB 2171.

**Josh Askvig, AARP:** See attached testimony #1.

**Vice Chairman Headland:** Could you give us an idea of how much the installation of the social security provision would cost?

**Josh Askvig:** I don't have that at the top of my head. I know that the original estimate for the expansion or what was included in the governor's budget was \$20 million. The current fiscal note with the changes the senate made lowered it to \$15 million. It's in the range of \$15-20 million. One of the things that is key is when you're living on \$1,000 a month or \$1,050 a month and that's your primary source of income any chance you can do to offer more relief and exempt that is a good thing.

**Vice Chairman Headland:** Does the federal government have any provisions in their tax code that allows for a reduction of the social security from their tax form at a certain income level?

**Josh Askvig:** I don't know but I could look for you.

**Chairman Belter:** Any further testimony in support of 2171?

**Susan Beehler, property taxpayer and a home owner in Mandan:** I am in support of 2171. I looked up the engrossment and it eliminated language that was already on the books. On page 3 section 5 all the definitions had been stricken out of the engrossed bill so I don't really support the engrossed bill but I support the original bill. On the senate side they took language out that was already in our century code. I'm concerned if that medical expense is taken out and not included on the income. I'm not sure if that affected people that are currently getting homestead credits so I would like the committee to find that out. I

don't know when this homestead credit was started but 65 is the age that was chosen even though for many people its age 50 to join AARP. Maybe instead of looking at it as solely from the income maybe it could be also an established residency related to the actual property because the homestead credit here just addresses something that really doesn't have anything to do with the property itself. You shouldn't have to move out of your home because your income from retirement or your medical expenses increase. It also says permanently disabled and I would really like the state to address an opportunity if someone has a temporary disability. I would like you to look at both the original bill and the engrossed bill and find out why they changed the dollar amounts and why they took a section in our century code out.

**Chairman Belter:** Further testimony?

**Pam Sharp, Director of Management and Budget, on behalf of Governor Dalrymple:** See attached testimony #2.

**Representative Zaiser:** Do you know why the governor wanted to eliminate the means testing?

**Pam Sharp:** He wanted more people to be eligible for the homestead tax credit.

**Chairman Belter:** Any further testimony in support?

**Jon Godfread, Greater North Dakota Chamber:** See attached testimony #3.

**Chairman Belter:** Does your organization have a stronger support of the first engrossment than the original bill?

**Jon Godfread:** Those are more policy decisions. We are supporting this as more of a measured relief that targets a population that was shown to be in need in Measure 2 so if the asset test is in there or not or what level it is we can leave up to this body to decide. We support it at the level it is currently at, right around the \$15 million range.

**Representative Hatlestad:** If you had to put a priority on removing the asset test or social security income, is there a priority?

**Jon Godfread:** The asset test would probably be number one but that would be up to this body.

**Chairman Belter:** Further testimony in support of 2171?

**Claus Lembke, North Dakota Association of Realtors:** We support 2171.

**Chairman Belter:** Further testimony in support of 2171?

**Marcy Dickerson, State Supervisor of Assessments:** See attached proposed amendment #4. This amendment puts the same language in at the end for the effective date that has been in every biennium that there's been a change to the homestead credit



except for one. This amendment just adds language to straighten out the payment dates of mobile home taxes versus real property taxes. That is because property taxes are paid for the year that has already occurred and your mobile home taxes are paid at the same time for the upcoming year. That language would make it possible to provide the benefit to the mobile homes at the same time it is provided to the regular real property.

**Representative Trottier:** I suspect this would have to be changed from mobile homes to manufactured homes taxes?

**Marcy Dickerson:** The mobile home chapter has not been amended to change it to manufactured homes. "Manufactured homes" is a more encompassing term. Mobile homes are manufactured homes so are modular homes.

**Chairman Belter:** Any other neutral testimony? If not we will close the hearing on SB 2171.

# 2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

SB 2171  
March 26, 2013  
Job #20457

Conference Committee

Committee Clerk Signature

*Mary Brucker*

## Minutes:

*Attached amendments #1.*

Vice Chairman Headland: There's a tax department amendment that was offered so I would move that amendment. See attached amendments #1.

Chairman Belter: Page 3 line 6.

Representative Owens: Seconded.

VOICE VOTE: MOTION CARRIED.

Chairman Belter: Representative Dockter, do you have amendments for this?

Representative Dockter: I'm still waiting on them.

Vice Chairman Headland: What are you trying to do?

Representative Dockter: Changing the brackets.

Chairman Belter: When are you going to get those?

Representative Dockter: Sometime today.

Chairman Belter: We will hold this then.

# 2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

SB 2171  
March 27, 2013  
Job #20541

Conference Committee

Committee Clerk Signature

*Mary Brucker*

## Minutes:

*Attached amendments #1.*

**Representative Dockter:** Distributed amendments .02001 and explained. See attached amendments #1.

**Chairman Belter:** Did you do a certain percentage?

**Representative Dockter:** Yes, I went in between. Continued explaining the proposed amendments.

**Representative Drovda:** We had a prepared amendment from the tax commissioner that was handed out during the hearing. Do you want that included?

**Representative Dockter:** Yes we need that for the effective date.

**Vice Chairman Headland:** We put that on yesterday.

**Chairman Belter:** The tax department couldn't get you a fiscal note?

**Representative Dockter:** The original fiscal note from the governor was \$20 million and his bill had no asset test exempting all social security then the brackets he had originally. The senate made bracket changes by increasing them and made the asset test \$275,000 and counting the all the social security the fiscal note came in at \$15 million. Then I talked to the tax department and they thought it would come in somewhere around the senate but they weren't sure how many seniors are going to take advantage and how many would qualify. We should be somewhere around the senate's fiscal note of \$15 million. The tax department couldn't give us a fiscal note.

**Chairman Belter:** But they were able to do one for the governor and the senate.

**Representative Dockter:** I know but they were just uncomfortable saying the fiscal impact.

**Representative Klein:** What's the asset test now?

**Representative Dockter:** I made it an even \$300,000. The asset test is the least fiscally impacted part of the bill.

**Vice Chairman Headland:** What's your rationale on adding the social security credit back in? Does it mirror what the federal government exempts as far as social security?

**Representative Dockter:** When I first looked at it I wanted to base it on adjusted gross income. If you're a couple and over the age of 65 your first \$21,800 of income is exempt and after that you start getting taxed on your social security. I felt that if you can exempt a little bit it gives them a benefit because then they will start getting taxed on their social security. That's why I brought down the brackets too because if you allow someone's social security to be exempt but bring down the brackets the income is going to go up and if they make too much income then they won't qualify anyway.

**Chairman Belter:** Is there a motion to move the amendments?

**Representative Drovdal:** Made a motion to move the .02001 amendments.

**Representative Klein:** Seconded.

**VOICE VOTE: MOTION CARRIED.**

**Chairman Belter:** What are your wishes on 2171?

**Vice Chairman Headland:** I believe if we pass this it will have to go to appropriations.

**Chairman Belter:** That is correct.

**Representative Zaiser:** Made a motion for a Do Pass as Amended as Re-refer to Appropriations.

**Representative Dockter:** Seconded.

**Representative Trottier:** What's the downside of this bill?

**Vice Chairman Headland:** The downside is the unknown cost. I think if we re-refer it to appropriations they will get a cost for us.

**ROLL CALL VOTE: 11 YES 2 NO 1 ABSENT**

**Representative Dockter will carry this bill.**

**FISCAL NOTE**  
**Requested by Legislative Council**  
**02/13/2013**

Amendment to: SB 2171

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$15,195,000			
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed SB 2171 expands the homestead credit and renters refund programs for elderly and disabled citizens.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of engrossed SB 2171 expands the income brackets for computing the credit for both homeowners and renters. It also expands the "asset test" that limits the value of assets an applicant can own, to \$275,000 from the current limit of \$75,000.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

There is \$20 million included in the executive budget for the expansion of the homestead credit and renters refund programs.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The provisions of engrossed SB 2171 will mean more elderly and disabled persons will qualify for these programs. Estimations are difficult, and in the tax department's experience, fewer persons take advantage of the programs than would apparently be eligible, which could be due in part to the asset limitations. For this reason, we are estimating the impact of engrossed SB 2171 based on 75% of those that might be eligible for the program. This translates into a program expansion to an estimated \$25.880 million for the 2013-15 biennium, which is a net increase of \$15.195 million over the existing (budgeted) program of \$10,685,000.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

There is a \$20 million appropriation in the Tax Department budget for the expansion to the homestead credit and renters refund program. If engrossed SB 2171 is enacted, a portion of this amount may be turned back at the close of the 2013-15 biennium.

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 01/18/2013

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/15/2013**

Bill/Resolution No.: SB 2171

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$20,000,000			
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2171 expands the homestead credit and renters refund programs for elderly and disabled citizens.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of SB 2171 expands the income brackets for computing the credit for both homeowners and renters. It also removes the "asset test" that limits the value of assets an applicant can own, currently set at \$75,000. This section also removes a person's social security income from the income that is used in calculating if an applicant qualifies for the credit.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

There is \$20 million included in the executive budget for the expansion of the homestead credit and renters refund programs.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The provisions of SB 2171 significantly expand the homestead credit and renters refund programs enabling most elderly citizens to qualify. It is very difficult to accurately estimate the likely fiscal impact of these provisions as there are many unknowns.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

There is a \$20 million appropriation in the Tax Department budget for this expansion to the homestead credit and renters refund program.

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 01/18/2013



March 27, 2013

YK  
3/27/13  
1082

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2171

Page 1, line 1, replace "subsection" with "subsections"

Page 1, line 1, after the first "1" insert "and 5"

Page 1, line 4, replace "Subsection" with "Subsections"

Page 1, line 4, after "1" insert "and 5"

Page 1, line 5, replace "is" with "are"

Page 1, line 16, replace "twenty-six" with "twenty-two"

Page 1, line 20, replace "twenty-six" with "twenty-two"

Page 1, line 21, replace "thirty" with "twenty-six"

Page 2, line 1, replace "thirty" with "twenty-six"

Page 2, line 2, replace "thirty-four" with "thirty"

Page 2, line 6, replace "thirty-four" with "thirty"

Page 2, line 7, replace "thirty-eight" with "thirty-four"

Page 2, line 11, replace "thirty-eight" with "thirty-four"

Page 2, line 12, replace "forty-two" with "thirty-eight"

Page 2, line 28, remove "two hundred"

Page 2, line 28, overstrike "seventy-five" and insert immediately thereafter "three hundred"

Page 3, after line 4, insert:

"5. For the purposes of this section:

- a. "Dependent" has the same meaning it has for federal income tax purposes.
- b. "Homestead" has the same meaning as provided in section 47-18-01.
- c. "Income" means income for the most recent complete taxable year from all sources, including the income of any dependent of the applicant, and including any county, state, or federal public assistance benefits, ~~social security, or other retirement benefits,~~ and eighty percent of social security benefits, but excluding any federal rent subsidy, any amount excluded from income by federal or state law, and medical expenses paid during the year by the applicant or the applicant's dependent which is not compensated by insurance or other means.
- d. "Medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the

person may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.

- e. "Permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician or a written determination of disability from the social security administration."

Page 3, line 6, after "2012" insert ", for ad valorem property taxes and for taxable years beginning after December 31, 2013, for mobile home taxes"

Renumber accordingly

Date: 3-26-13  
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2171**

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
*Tax Comm. Pg. 3 line 6*  
 Rerefer to Appropriations  Reconsider

Motion Made By Rep. Headland Seconded By Rep. Owens

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					

VOICE MOTION  
 NOTE = CARRIES

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_  
 Absent \_\_\_\_\_  
 Floor Assignment \_\_\_\_\_

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

*Tax Department's amendments  
 page 3 line 6*

Date: 3-27-13  
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2171

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
.2001 Docket's  
 Rerefer to Appropriations  Reconsider

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					

VOICE = CARRIED.  
MOTION  
VOICE

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

.2001 amendments

Date: 3-27-13  
 Roll Call Vote #: 2

**2013 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2171**

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. Zaiser Seconded By Rep. Dockter

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	AB	
Rep. Glen Froseth		✓			
Rep. Mark Owens	✓				
Rep. Patrick Hatlestad	✓				
Rep. Wayne Trottier	✓				
Rep. Jason Dockter	✓				
Rep. Jim Schmidt	✓				

Total (Yes) 11 No 2

Absent 1

Floor Assignment Rep. Dockter

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

**REPORT OF STANDING COMMITTEE**

**SB 2171, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (11 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2171 was placed on the Sixth order on the calendar.**

Page 1, line 1, replace "subsection" with "subsections"

Page 1, line 1, after the first "1" insert "and 5"

Page 1, line 4, replace "Subsection" with "Subsections"

Page 1, line 4, after "1" insert "and 5"

Page 1, line 5, replace "is" with "are"

Page 1, line 16, replace "twenty-six" with "twenty-two"

Page 1, line 20, replace "twenty-six" with "twenty-two"

Page 1, line 21, replace "thirty" with "twenty-six"

Page 2, line 1, replace "thirty" with "twenty-six"

Page 2, line 2, replace "thirty-four" with "thirty"

Page 2, line 6, replace "thirty-four" with "thirty"

Page 2, line 7, replace "thirty-eight" with "thirty-four"

Page 2, line 11, replace "thirty-eight" with "thirty-four"

Page 2, line 12, replace "forty-two" with "thirty-eight"

Page 2, line 28, remove "two hundred"

Page 2, line 28, overstrike "seventy-five" and insert immediately thereafter "three hundred"

Page 3, after line 4, insert:

"5. For the purposes of this section:

- a. "Dependent" has the same meaning it has for federal income tax purposes.
- b. "Homestead" has the same meaning as provided in section 47-18-01.
- c. "Income" means income for the most recent complete taxable year from all sources, including the income of any dependent of the applicant, and including any county, state, or federal public assistance benefits, ~~social security, or other retirement benefits,~~ and eighty percent of social security benefits, but excluding any federal rent subsidy, any amount excluded from income by federal or state law, and medical expenses paid during the year by the applicant or the applicant's dependent which is not compensated by insurance or other means.
- d. "Medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the

person may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.

- e. "Permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician or a written determination of disability from the social security administration."

Page 3, line 6, after "2012" insert ", for ad valorem property taxes and for taxable years beginning after December 31, 2013, for mobile home taxes"

Renumber accordingly

**2013 HOUSE APPROPRIATIONS**

**SB 2171**



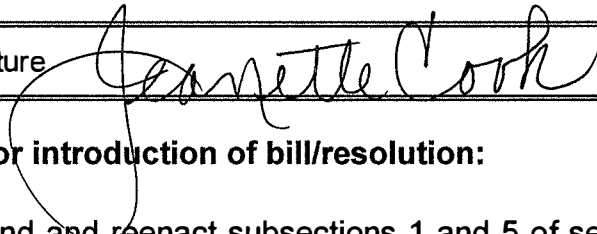
# 2013 HOUSE STANDING COMMITTEE MINUTES

## House Appropriations Committee Roughrider Room, State Capitol

SB 2171  
4/4/13  
Job # 20899

Conference Committee

Committee Clerk Signature



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

A BILL for an Act to amend and reenact subsections 1 and 5 of section 57-02-08.1 of the North Dakota Century Code, relating to the homestead property tax credit; and to provide an effective date.

### Minutes:

Memo #13.9629.01000

**Chairman Delzer** called the committee to order and a quorum was declared. He went over some scheduling details. The committee will start with SB 2171.

**Rep. Headland** (4:00) introduced the bill. It is the Homestead Property Tax Credit. The House Tax Committee looked at the income levels. We decided to reduce them from the levels that were sent over by the Senate by roughly 15%. We also raised the asset test to \$300,000 from \$275,000. We allowed for 80% of the Social Security benefits to be taxed. The fiscal impact is an additional \$14.6 million. The total cost of the program is about \$25 million.

**Chairman Delzer:** (5:00) Did the Governor put this in with no asset test at all?

**Representative Headland:** That is correct, and he also excluded 100% of Social Security benefits from the income.

**Chairman Delzer:** You've put the income on Social Security at 75%?

**Representative Headland:** We exclude 20%.

**Chairman Delzer:** In the first half the Tax Commissioners budget had \$20M in. We took that out in the first half because we did not know where these bills were going. There were a couple of bills that we dealt with that had Homestead Tax Credits and Veterans' Homestead Tax credits. We will have to look in the conference committee whether they put that money back or not. The money should come close to matching what the latest fiscal note is. However, if we want to leave more money in there, it would be on a turn back status. We ended up about \$3 million short. On the deficiency appropriation we had to deficiency appropriate for the Homestead Tax Credit. Do you know how this matches up to

the Homestead and the Veterans' Tax Credit that we sent out in the first half, as far as our levels? Is the Disabled Veterans' on the same level, or a higher level?

06:50

**Representative Headland:** That is a question I cannot answer, but I can get the answer.

**Chairman Delzer:** I think it was in 1306.

**Rep. Bellew:** Please explain the Social Security thing.

**Representative Headland:** The 80% would be counted as income, and the income levels that are set for qualifying are all listed in the bill. Currently, they count 100% of Social Security as income.

**Chairman Delzer:** This is all based off of the income level, asset test, and a certain percentage of the value of the home?

**Representative Headland:** That's correct.

**Representative Glassheim:** Why did we go up to \$300,000 of assets? That seems high to me.

**Representative Headland:** In committee discussion, they believe with housing assessments and values increasing, it will allow a few more people to stay in their homes that maybe don't have a level of income that can support them in their home.

**Representative Representative:** On page 2, of the 03000 version, at the bottom in Paragraph G, it says, "A person is ineligible for the exemption under this act if the value of the assets of the person and any dependent residing with the person excluding the unencumbered value of the person's residence." I don't think the residence counts in the \$300,000.

**Representative Headland:** You are correct, this is additional assets.

**Chairman Delzer:** We've expanded this almost every time for the last four sessions. Where is our asset test at currently?

**Representative Headland:** it is at \$75,000. This is a pretty major expansion in this program.

**Chairman Delzer:** The current budget number is \$10M. I've heard concern that the \$20M the governor put in would not be enough, doing totally away with the asset test.

**Representative Headland:** I did not support this in committee, so you have me in an odd position.

**Chairman Delzer:** The Senate brought it over at \$275, 000 for the asset test. Why did you go up to the \$300,000? Why not \$200,000? It is still a large increase.

**Representative Headland:** I feel like I would need Representative Dockter to answer this question. It was his amendment that I did not support.

**Rep. Jason Dockter, District 7: (11:50)** When I was talking to the state tax department, there are three issues: the Social Security, the brackets, and the asset test. The asset test does not have a fiscal impact as long as it is at a reasonable number. The Governor's first proposal had no assets. It could be unlimited and still qualify. It was felt that if we make it \$300,000, the fiscal impact would be very minimal. The biggest impact is on the brackets and Social Security. When assets increase, the income will generally go higher. They would then be disqualified due to income and not receive the credit. That is why we brought down the income brackets.

Regarding the governor, the reason they had unknown before (on the fiscal note), is they had no asset test. That plan could have cost up to \$40M to the state. They were uneasy having no asset test.

**Chairman Delzer: (14:15)** Is the \$22,000 net or gross income?

**Rep. Dockter:** I believe it is net. My original intent was to do everything off the adjusted gross income, but the State Tax Department said that it doesn't work with their formulas.

**Chairman Delzer:** Does this Fiscal Note fit where you think it is?

**Representative Dockter:** Our goal was to make a different version to catch more people and have the same or less fiscal impact as the Senate. I think that was accomplished.

**Chairman Delzer:** I'm surprised. If we are currently at \$10,000 - 12,000 with \$18,000 as the low bracket, .... What did the Governor put it in as, \$26,000 and no assets?

**Representative Dockter:** \$26,000 was the last bracket. The Senate had it at \$42, and we brought it back down to \$38.

**Chairman Delzer:** Not the last bracket, the first bracket that the Governor had.

**Representative Dockter:** It was at \$22,000.

**Sheila Sandness, Legislative Council, (16:55)** went over the original bill. It was \$18,000 in number one, in number two it was \$18,000 not exceeding \$20,000 in the original law, and the Governor changed it to \$26,000. In number three, it was changed to \$26,000 and not in excess of \$34,000.

**Chairman Delzer:** The Senate changes were basically the asset test?

**Rep. Kempenich:** Yes.

**Chairman Delzer:** The asset test made that much of a difference, but lowering the brackets doesn't make much more difference. That doesn't make much sense. We'll need to talk to Marcy (Dickerson?) about the Fiscal Note.

**Representative Dockter:** Using 100% of Social Security as income is another big difference.

**Chairman Delzer:** The Senate put 100% back in?

**Representative Dockter:** Yes, and then they moved the brackets up. We added the 20% of Social Security as an exemption, and moved the brackets down to get the fiscal note down.

**Representative Boe:** Did you run the numbers at \$250,000 in assets, versus \$300,000, and how did that affect the fiscal note?

**Chairman Delzer:** I think that was one of the problems, this Fiscal Note took two weeks to get. I don't know how long it would take to get that number. We could ask for two or three of these for when it goes to Conference Committee. We have adjusted and adjusted and adjusted this credit. It has been part of our property tax package in the past. The way that we passed it out of the house, we were at \$742 million in property tax relief on top of this as compared to \$341 million last biennium.

**Representative Kempenich:** The Senate's Fiscal Note without this is \$500,000 less. Raising the asset is probably not the big issue on this. It's going \$18 to \$26 on the income side would make more difference than the income side. What the Senate did by moving it down five points took about \$5 million off of it. You put 200 back in on the Social Security, and it didn't seem to make much difference.

**Chairman Delzer:** Their reduction would have come from including 100% of Social Security, because most of these people are on Social Security.

**Representative Dockter:** That's exactly right. It's the same with Social Security. The brackets really make a difference, the asset test does not.

**Chairman Delzer:** If the Senate came over including all Social Security, why did you exclude 80% of it?

**Representative Dockter:** My memo is to exclude only 20%.

**Handout distributed:** (23:00) Memo 13.9629.01000

# 2013 HOUSE STANDING COMMITTEE MINUTES

## House Appropriations Committee Roughrider Room, State Capitol

SB 2171

4/8/13

20999

Conference Committee

Committee Clerk Signature



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

Relating to the homestead property tax credit

### Minutes:

You may make reference to "attached testimony."

**Chairman Delzer** went over a few details of the bill. It changes the income levels to 22 for the lowest to 34 to 38 for the highest. It allows 20% of the social security money to be disregarded as income, and it sets the asset test at \$300,000. I think the way the Governor put in \$20 million might not have covered. We've adjusted this the last three sessions. We had to do a deficiency appropriation of \$3 million more. I don't have a problem with going up with the income level. I have a little problem with the idea of disregarding some of their social security income, because it is income.

**Rep. Bellew** threw a proposed amendment out there. On Page 3 of the House version, I would like to take that 80% of social security benefits out and put it back to the original bill. It would change it back up to 100%. I moved the amendment.

**Rep. Kreidt** seconded.

**Rep. Sanford:** My recollection is that the actions done by the House reduced the fiscal note and includes more people. I am hesitant to mess with any of these criteria given the fact that it doesn't cost us more. It costs us less.

**Chairman Delzer:** It is still over and above what we currently have in the budget, so it does increase it by quite a bit. I think income is income. Social security is part of your income. Further discussion?

A voice vote was taken and it was uncertain so a roll call vote was taken. The **motion fails** because it was **10-11, 1 absent**.

**Rep. Glassheim** moved the amendment to reduce the \$300,000 down to \$200,000 in assets.

**Rep. Boe** seconded.

**Chairman Delzer** clarified the proposed amendment after Rep. Monson asked what the effect is.

A voice vote was taken and it was uncertain so a roll call vote was taken. It resulted in **12-9, 1 absent. Motion carries.**

**Rep. Hawken** moved a Do pass as amended.

**Rep. Glassheim** seconded.

A roll call vote was taken and resulted in **DO PASS AS AMENDED, 19-2, 1 ABSENT.**  
**Rep. Glassheim** is the carrier.

**FISCAL NOTE**  
**Requested by Legislative Council**  
**03/28/2013**

Amendment to: SB 2171

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$14,600,000			
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2171 first engrossment with House Amendments expands the homestead credit and renters refund programs for elderly and disabled citizens.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of SB 2171 first engrossment with House Amendments expands the income brackets for computing the credit for both homeowners and renters. It also expands the "asset test" that limits the value of assets an applicant can own, to \$300,000 from the current limit of \$75,000.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

There is \$20 million included in the executive budget for the expansion of the homestead credit and renters refund programs.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The provisions of SB 2171 first engrossment with House Amendments will mean more elderly and disabled persons will qualify for these programs. Estimations are difficult, and in the tax department's experience, fewer persons take advantage of the programs than would apparently be eligible, which could be due in part to the asset limitations. For this reason, we are estimating the impact of SB 2171 first engrossment with House Amendments based on 75% of those that might be eligible for the program. This translates into a program expansion to an estimated \$25.3 million for the 2013-15 biennium, which is a net increase of \$14.6 million over the existing (budgeted) program of \$10,685,000.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

There was a \$20 million appropriation in the Tax Department budget for the expansion to the homestead credit and renters refund program. If SB 2171 first engrossment with House Amendments is enacted, a portion of this amount may be turned back at the close of the 2013-15 biennium.

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 04/01/2013



**FISCAL NOTE**  
**Requested by Legislative Council**  
**02/13/2013**

Amendment to: SB 2171

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$15,195,000			
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed SB 2171 expands the homestead credit and renters refund programs for elderly and disabled citizens.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of engrossed SB 2171 expands the income brackets for computing the credit for both homeowners and renters. It also expands the "asset test" that limits the value of assets an applicant can own, to \$275,000 from the current limit of \$75,000.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

There is \$20 million included in the executive budget for the expansion of the homestead credit and renters refund programs.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The provisions of engrossed SB 2171 will mean more elderly and disabled persons will qualify for these programs. Estimations are difficult, and in the tax department's experience, fewer persons take advantage of the programs than would apparently be eligible, which could be due in part to the asset limitations. For this reason, we are estimating the impact of engrossed SB 2171 based on 75% of those that might be eligible for the program. This translates into a program expansion to an estimated \$25.880 million for the 2013-15 biennium, which is a net increase of \$15.195 million over the existing (budgeted) program of \$10,685,000.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

There is a \$20 million appropriation in the Tax Department budget for the expansion to the homestead credit and renters refund program. If engrossed SB 2171 is enacted, a portion of this amount may be turned back at the close of the 2013-15 biennium.

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 01/18/2013

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/15/2013**

Bill/Resolution No.: SB 2171

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$20,000,000			
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2171 expands the homestead credit and renters refund programs for elderly and disabled citizens.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of SB 2171 expands the income brackets for computing the credit for both homeowners and renters. It also removes the "asset test" that limits the value of assets an applicant can own, currently set at \$75,000. This section also removes a person's social security income from the income that is used in calculating if an applicant qualifies for the credit.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

There is \$20 million included in the executive budget for the expansion of the homestead credit and renters refund programs.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The provisions of SB 2171 significantly expand the homestead credit and renters refund programs enabling most elderly citizens to qualify. It is very difficult to accurately estimate the likely fiscal impact of these provisions as there are many unknowns.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

There is a \$20 million appropriation in the Tax Department budget for this expansion to the homestead credit and renters refund program.

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 01/18/2013

April 8, 2013

VLC  
4/9/13  
142

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2171

In lieu of the amendments adopted by the House as printed on pages 1114 and 1115 of the House Journal, Engrossed Senate Bill No. 2171 is amended as follows:

Page 1, line 1, replace "subsection" with "subsections"

Page 1, line 1, after "1" insert "and 5"

Page 1, line 4, replace "Subsection" with "Subsections"

Page 1, line 4, after "1" insert "and 5"

Page 1, line 5, replace "is" with "are"

Page 1, line 16, replace "twenty-six" with "twenty-two"

Page 1, line 20, replace "twenty-six" with "twenty-two"

Page 1, line 21, replace "thirty" with "twenty-six"

Page 2, line 1, replace "thirty" with "twenty-six"

Page 2, line 2, replace "thirty-four" with "thirty"

Page 2, line 6, replace "thirty-four" with "thirty"

Page 2, line 7, replace "thirty-eight" with "thirty-four"

Page 2, line 11, replace "thirty-eight" with "thirty-four"

Page 2, line 12, replace "forty-two" with "thirty-eight"

Page 2, line 28, remove "two hundred"

Page 2, line 28, overstrike "seventy-five" and insert immediately thereafter "two hundred"

Page 3, after line 4, insert:

- "5. For the purposes of this section:
  - a. "Dependent" has the same meaning it has for federal income tax purposes.
  - b. "Homestead" has the same meaning as provided in section 47-18-01.
  - c. "Income" means income for the most recent complete taxable year from all sources, including the income of any dependent of the applicant, and including any county, state, or federal public assistance benefits, ~~social security, or other retirement benefits,~~ and eighty percent of social security benefits, but excluding any federal rent subsidy, any amount excluded from income by federal or state law, and medical expenses paid during the year by the applicant or the applicant's dependent which is not compensated by insurance or other means.

- d. "Medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the person may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.
- e. "Permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician or a written determination of disability from the social security administration."

Page 3, line 6, after "2012" insert ", for ad valorem property taxes and for taxable years beginning after December 31, 2013, for mobile home taxes"

Renumber accordingly

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

**2013 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2171**

House Appropriations 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. Bellew Seconded By Rep. Kreidt

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Rep. Streyle	X	
Vice Chairman Kempenich	X		Rep. Thoreson		X
Rep. Bellew	X		Rep. Wieland	X	
Rep. Brandenburg		X			
Rep. Dosch	X				
Rep. Grande	X		Rep. Boe		X
Rep. Hawken		X	Rep. Glassheim		X
Rep. Kreidt	X		Rep. Guggisberg		X
Rep. Martinson		X	Rep. Holman		X
Rep. Monson	X		Rep. Williams		X
Rep. Nelson		X			
Rep. Pollert					
Rep. Sanford		X			
Rep. Skarphol	X				

Total Yes 10 No 11

Absent 1

Floor Assignment \_\_\_\_\_

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

*page 3 House version remove 80% SS  
 change back to 100%. considered as income  
 voice vote uncertain  
 motion fails*

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

**2013 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2171**

House Appropriations 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. Glassheim Seconded By Rep. Boe

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Rep. Streyle		X
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew		X	Rep. Wieland	X	
Rep. Brandenburg		X			
Rep. Dosch		X			
Rep. Grande	X		Rep. Boe	X	
Rep. Hawken	X		Rep. Glassheim	X	
Rep. Kreidt	X		Rep. Guggisberg		X
Rep. Martinson		X	Rep. Holman	X	
Rep. Monson		X	Rep. Williams	X	
Rep. Nelson		X			
Rep. Pollert					
Rep. Sanford		X			
Rep. Skarphol	X				

Total Yes 12 No 9

Absent 1

Floor Assignment \_\_\_\_\_

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

*move \$300,000 down to \$200,000 in assets*

*voice vote uncertain*

*motion carries*



Date: 4/8/13  
 Roll Call Vote #: 3

**2013 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2171**

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number 13.8178.02003

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Rep. Hawken Seconded By Rep. Glasheim

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X	Rep. Streyle		X
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew	X		Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch	X				
Rep. Grande	X		Rep. Boe	X	
Rep. Hawken	X		Rep. Glasheim	X	
Rep. Kreidt	X		Rep. Guggisberg	X	
Rep. Martinson	X		Rep. Holman	X	
Rep. Monson	X		Rep. Williams	X	
Rep. Nelson	X				
Rep. Pollert					
Rep. Sanford	X				
Rep. Skarphol	X				

Total Yes 19 No 2

Absent 1

Floor Assignment Rep. Glasheim

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

**REPORT OF STANDING COMMITTEE**

**SB 2171, as engrossed and amended: Appropriations Committee (Rep. Delzer, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (19 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2171, as amended, was placed on the Sixth order on the calendar.**

In lieu of the amendments adopted by the House as printed on pages 1114 and 1115 of the House Journal, Engrossed Senate Bill No. 2171 is amended as follows:

Page 1, line 1, replace "subsection" with "subsections"

Page 1, line 1, after "1" insert "and 5"

Page 1, line 4, replace "Subsection" with "Subsections"

Page 1, line 4, after "1" insert "and 5"

Page 1, line 5, replace "is" with "are"

Page 1, line 16, replace "twenty-six" with "twenty-two"

Page 1, line 20, replace "twenty-six" with "twenty-two"

Page 1, line 21, replace "thirty" with "twenty-six"

Page 2, line 1, replace "thirty" with "twenty-six"

Page 2, line 2, replace "thirty-four" with "thirty"

Page 2, line 6, replace "thirty-four" with "thirty"

Page 2, line 7, replace "thirty-eight" with "thirty-four"

Page 2, line 11, replace "thirty-eight" with "thirty-four"

Page 2, line 12, replace "forty-two" with "thirty-eight"

Page 2, line 28, remove "two hundred"

Page 2, line 28, overstrike "seventy-five" and insert immediately thereafter "two hundred"

Page 3, after line 4, insert:

"5. For the purposes of this section:

- a. "Dependent" has the same meaning it has for federal income tax purposes.
- b. "Homestead" has the same meaning as provided in section 47-18-01.
- c. "Income" means income for the most recent complete taxable year from all sources, including the income of any dependent of the applicant, and including any county, state, or federal public assistance benefits, ~~social security, or other~~ retirement benefits, and eighty percent of social security benefits, but excluding any federal rent subsidy, any amount excluded from income by federal or state law, and medical expenses paid during the year by the applicant or the applicant's dependent which is not compensated by insurance or other means.

- d. "Medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the person may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.
- e. "Permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician or a written determination of disability from the social security administration."

Page 3, line 6, after "2012" insert ", for ad valorem property taxes and for taxable years beginning after December 31, 2013, for mobile home taxes"

Renumber accordingly

**2013 CONFERENCE COMMITTEE**

**SB 2171**

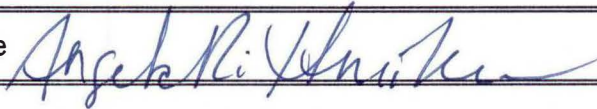
# 2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2171  
4/16/2013  
Job Number 21185

Conference Committee

Committee Clerk Signature



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

A BILL for an Act to amend and reenact subsections 1 and 5 of section 57-02-08.1 of the North Dakota Century Code, relating to the homestead property tax credit; and to provide an effective date.

### Minutes:

Conference Committee

Present: Senator Miller, Senator Oehlke, Senator Dotzenrod  
Representative Owens, Representative Dockter, Representative Zaiser

**Senator Miller** opened the conference committee on SB 2171.

**Representative Owens** - The House Finance and Tax felt the increases in the sections were way too high for a single increase. We lowered that but upped the asset test with the exclusion of the home and because so many are on social security we added the 20%. We reduced, as far as income of social security being counted as income to 80% of the value rather than 20%. There was talk about reducing it more but it became a give and take budget wise. That is why we did that.

**Senator Miller** - Did you have any conversations about somebody who might have a million dollar home and how that should play in to this?

**Representative Owens** - Yes, that conversation did occur. Chances are if they've acquired that many assets then they are going to blow the \$275,000 asset anyway in other things, plus they are still paying property tax on that asset. (3:11)

**Representative Dockter** - I was the one that looked at proposing the amendments and with talking to the tax department the asset test really does not have a big fiscal impact.

**Senator Miller** - You changed the social security requirement, why?

**Representative Dockter** - We thought the brackets that you guys proposed was too high. We thought we could reduce that but also by reducing that we could recapture some people by allowing some of their social security to be exempt.

**Senator Miller** - Does anyone know what our social security payments are?

**Josh Askvig, AARP** is going to find them.

**Representative Dockter** - The research that I did do on this, if you have a couple over the age of 65, your first \$21,800 of income your social security will not get taxed. Under this scenario they wouldn't be taxed but once you go over that \$21,800 they have a formula and the IRS can tax up to 85% of your social security benefits. (6:00)

Discussion followed on social security.

**Representative Zaiser** - From my perspective and many on the committee was the fact that more people would be impacted under the way we had made the changes. That was a strong consideration.

**Senator Miller** - Do you think that with adjusting the brackets versus the 20% exclusion on the social security isn't that just kind of horse-trading there?

**Representative Dockter** - Our goal was to try to capture as many people. By doing that you might look at it as horse-trading but everyone's situation is different. (15:39)

**Representative Owens** - The income brackets include all income. What we were focused on was trying to reach as many of those that are stuck on social security and with very little other assets as much as possible and get them qualified so the more we reduce the presence of social security being counted the more of those social security only folks we bring in. You point about brackets versus the 20% for income, you are right, it's a tradeoff. (17:22)

**Senator Miller** - The removal of the asset test did you have anyone run any numbers on how that affected this?

**Representative Dockter** - The tax department was very uneasy with having no limit on the asset test but when I gave them numbers like \$400,000 it would have moved this 14.6. In committee discussion \$400,000 seemed a little high so we moved it back down to \$300,000. (18:36)

**Senator Miller** - If simply putting the exclusion of the social security in how the program currently operates I'm wondering what that would do.

**Representative Dockter** - If you would exclude all social security the fiscal impact would greatly increase and without having an asset test they said this was their best guess was \$20 million for the governor's budget. They said it could be \$35 million or \$40 million if you don't have asset test at all. I think there should be some asset test but fiscally it doesn't impact.

**Representative Zaiser** - The bottom line is getting as many people that could benefit from this program and needed the benefits and really that is where we drew the line. We felt like our approach was going to pull more people in to the program.



**Representative Owens** - Can the Senate and the House agree that pulling the house out is a good thing? That alone is going to be the largest determiner of how many people can qualify.

**Senator Miller** - When we passed it out of the Senate Tax Committee I don't think our intention was to pull the house out.

**Senator Dotzenrod** - Speaking personally I think it's good to get the home value out of there. (23:22)

**Senator Oehlke** - When I look at the difference I remember previous testimony showed that the average person gets about \$1,000 a month or \$12,000 a year social security income. To remove 20% that's like only a \$3,000 move on the bracket. But if you went to 50% on the social security that probably would open a few more doors for folks being able to be eligible and might bring that fiscal note up closer to what we had it at to start with. Just another option out there if we want to consider it.

**Senator Miller** - The other thing to think about too is everything else that is happening with property taxes this session. We've got a lot of money going out in different bills.

**Representative Dockter** - That is a great point because this will be on top of any other property tax relief that the state does give, this is another program in addition.

**Representative Zaiser** - I would like to ask Mr. Askvig if that \$12,000 a year seems low to me, is that in the ballpark?

**Josh Askvig, AARP** - 65 plus North Dakota residents received social security in 2011 and in 2011 the average annual benefit was \$12,900. (27:27)

Committee adjourned.

# 2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2171  
4/18/2013  
Job Number 21260

Conference Committee

Committee Clerk Signature



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

A BILL for an Act to amend and reenact subsections 1 and 5 of section 57-02-08.1 of the North Dakota Century Code, relating to the homestead property tax credit; and to provide an effective date.

### Minutes:

Conference Committee

Present: Senator Miller, Senator Oehlke, Senator Dotzenrod  
Representative Owens, Representative Dockter, Representative Zaiser

**Senator Miller** opened the conference committee on SB 2171.

**Senator Miller** - We are kind of waiting for things to happen in the Senate and the House before we move any way on the bill I think kind of want to know what the overall tax package is going to look like. (00:27)

**Representative Owens** - In talking to everyone upstairs and Ms. Strombeck etc. and understanding it exactly I was correct the other day when I said that the biggest driver to getting more people was to reduce the social security as part of the income. Boy does it have an effect. (1:48)

**Representative Dockter** - I would agree with Representative Owens and also the fact that when you talk to the tax department we want to try to make it as simple as possible to process for people to fill out the information. (4:55)

**Representative Zaiser** - I would agree with that. I think often times the people that are going to be likely users of these are not going to be people that are going to take to complicated situations and if something is too complicated they are just going to blow it off.

**Representative Owens** - If we as a committee were to agree on that change is that enough to move this forward or are you still looking to find out what happens?

**Senator Miller** - I don't think there is much desire to go beyond what we've done here. I don't think we need to add more to this.



**Representative Dockter** - As far as the asset test when we brought the version out of our committee it was at \$300,000 and appropriations actually put it down to \$200,000. (7:50)

**Senator Oehlke** - I think I need to exercise a little caution mainly because of what Senator Miller started off with. We've got at least 2 significant bills, HB 1319 is going to be huge property tax relief in some way shape or form, we don't know exactly what it's going to look like, and I know there is another senate bill out there that gives basically a direct tax credit payment to folks, I can't remember if that's 1198 or 1250. Depending on how those 2 bills in particular shake out, and there are probably a couple others out there too that are also going to affect property taxes.

**Representative Zaiser** - I would agree. To me I think we should just go slowly for a while. (9:24)

**Senator Miller** - It would probably be worthwhile to run a few different scenarios moving these numbers around and try to figure out what these various numbers would be.

Discussion followed.

Conference committee adjourned.

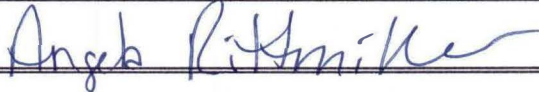
# 2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2171  
4/25/2013  
Job Number 21503

Conference Committee

Committee Clerk Signature



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

A BILL for an Act to amend and reenact subsections 1 and 5 of section 57-02-08.1 of the North Dakota Century Code, relating to the homestead property tax credit; and to provide an effective date.

## Minutes:

Conference Committee

Present: Senator Miller, Senator Oehlke, Senator Dotzenrod  
Representative Owens, Representative Dockter, Representative Zaiser

**Senator Miller** opened the conference committee on SB 2171.

**Senator Miller** handed out attachment 1A.

**Representative Owens** - I think it's very important that we ought to go ahead and consider pulling out the House changes on the social security because the situation exists with pulling the home out of the asset test. I think that is a huge change to the program and I don't think we know the effect that is going to have on the number of people that qualify. I think maybe returning social security back the way it was and leaving the house out of the asset test, we ought to let the program run like that for 2 years and see how many people come in to it and what this program really costs the state. It's a great program, but we don't want to get in a situation where we are going overboard and have got too many people in there and starts to cause a funding problem for the state, and second, a situation where some of those people may not actually, because of the way it's designed, start to get in it because of the levels and the house being gone and everything, don't really need the benefit as much as those in the lower brackets.

**Senator Miller** - The main thing is understanding that we don't want this to balloon out of control because of the unknown variables but I think we have a fairly good idea here within this.

**Representative Dockter** - I would like to make a motion for the House to recede and further amend.

**Senator Miller** - I think we all have the same general idea of what we want to do so I think we will wait until we have the amendment in hand to do the final, we can talk about what we want so we can get the amendments, we don't have to make a motion right now.

**Representative Owens** - Does the committee wish to discuss, if we are in general agreement about social security cuts all we are doing is agreeing with the Senate. Would you like to discuss a little bit about the brackets and find out where everybody is thinking and where everybody would want to go so that we don't have this discussion later?

**Senator Miller** - Yes let's talk about that.

**Representative Owens** - From the House view your first 2 brackets we could entertain it's just that we don't wish to raise that top end too much. Obviously the second one on your list is what the House had passed out anyway I believe. The first one on your list is a little bit more than the House but less than the Senate but it does increase that very lower level.

**Senator Miller** - One could say the top bracket there, that essentially is doubling the program there. Do we think we want to stick within a certain range of income? Should we say no higher than \$40,000?

**Representative Owens** - I'm in agreement with that.

**Representative Dockter** -The fiscal impact is about \$2.2 million because that \$0 - \$27,000 range they are going to get 100%. In our version we are at \$22,000 but I do agree with Representative Owens. Keep the brackets under \$40,000.

**Representative Owens** - There is no way to know what people's assets are and they don't report that so there is no way for us to determine how many people would qualify. That's why I say it doesn't really matter where we put the asset test because until the program operates for 2 years we will never know.

Conference committee adjourned.



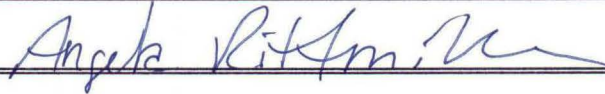
# 2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2171  
4/26/2013  
Job Number 21531

Conference Committee

Committee Clerk Signature



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

A BILL for an Act to amend and reenact subsections 1 and 5 of section 57-02-08.1 of the North Dakota Century Code, relating to the homestead property tax credit; and to provide an effective date.

### Minutes:

Conference Committee

Present: Senator Miller, Senator Oehlke, Senator Dotzenrod  
Representative Owens, Representative Dockter, Representative Zaiser

**Senator Miller** opened the conference committee on SB 2171.

**Senator Miller** - We have amendments but they are all erred. I would like to work off the Senate version of the bill, the 2000 version. I've been talking with Senator Cook and some others, the idea of somebody qualifying for this with a million dollar home or something like that. It's probably very unlikely but I think we want to avoid that from happening so what I'm proposing is we include the value of their home in the assets but we move the entirety of the assets up to \$500,000. We would leave social security in the equation and then adjust these brackets to, basically, the House version.

**Representative Owens** - I find it hard to believe, there might be a straggler out there that would have a real expensive home but would still qualify based on their income. Generally if they've got a house that much their income is going to be much greater where they wouldn't qualify. What we were focused on in the House was the \$75,000 was a little ridiculous on assets when you only exempted \$100,000 of the home. Let's face it affordable housing now is basically \$200,000 - \$250,000. If you look at the \$500,000 as being \$200,000 or lower of affordable housing and then \$300,000 assets, that's really where we kind of had it out of the policy committee anyway in the House. Having \$500,000 and including the home, I don't think is a problem. (3:44)

**Senator Miller** - No matter what we do there is going to be an issue of what is it actually going to cost.

**Representative Dockter** - I agree we don't know what it's going to be but I think we've put enough safeguards in that we are going to have an idea after 2 years. (5:04)

Discussion followed.

Conference committee adjourned.

# 2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2171  
4/30/2013  
Job Number 21623

Conference Committee

Committee Clerk Signature

*Angela R. Miller*

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

A BILL for an Act to amend and reenact subsections 1 and 5 of section 57-02-08.1 of the North Dakota Century Code, relating to the homestead property tax credit; and to provide an effective date.

### Minutes:

--

Present: Senator Miller, Senator Oehlke, Senator Dotzenrod  
Representative Owens, Representative Dockter, Representative S. Kelsh

**Senator Miller** opened the conference committee on SB 2171.

**Senator Miller** handed out proposed amendments (attachment 2).

**Representative Owens** - We have the House version of the brackets, we have removed the home exclusion from the asset test, but we've increased the asset test to \$500,000. I have no problem with this.

Brief discussion followed.

**Senator Miller** - I will move that the House recede from its amendments and further amend (attachment 1B).

Seconded by **Representative Owens**.

**Roll Call Vote 6-0-0**

Committee adjourned.

**FISCAL NOTE**  
**Requested by Legislative Council**  
**04/30/2013**

Amendment to: Engrossed SB 2171

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$7,770,000			
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2171 first engrossment with Conference Committee Amendments expands the homestead credit and renters refund programs for elderly and disabled citizens.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of SB 2171 first engrossment with Conference Committee Amendments expands the income brackets for computing the credit for both homeowners and renters. It also expands the "asset test" that limits the value of assets an applicant can own, to \$500,000 from the current limit of \$75,000.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

There is \$20 million included in the executive budget for the expansion of the homestead credit and renters refund programs.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The provisions of SB 2171 first engrossment with Conference Committee Amendments will mean more elderly and disabled persons will qualify for these programs. Estimations are difficult, and in the tax department's experience, fewer persons take advantage of the programs than would apparently be eligible, which could be due in part to the asset limitations. For this reason, we are estimating the impact of SB 2171 first engrossment with Conference Committee Amendments based on 75% of those that might be eligible for the program. This translates into a program expansion to an estimated \$18.5 million for the 2013-15 biennium, which is a net increase of \$7.77 million over the existing (budgeted) program of \$10,685,000.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 04/30/2013

**FISCAL NOTE**  
**Requested by Legislative Council**  
**04/09/2013**

Amendment to: SB 2171

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$14,600,000			
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2171 first engrossment with House Amendments expands the homestead credit and renters refund programs for elderly and disabled citizens.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of SB 2171 first engrossment with House Amendments expands the income brackets for computing the credit for both homeowners and renters. It also expands the "asset test" that limits the value of assets an applicant can own, to \$200,000 from the current limit of \$75,000. The bill also excludes from income 20% of the social security benefits received by the applicant.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

There is \$20 million included in the executive budget for the expansion of the homestead credit and renters refund programs.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The provisions of SB 2171 first engrossment with House Amendments will mean more elderly and disabled persons will qualify for these programs. Estimations are difficult, and in the tax department's experience, fewer persons take advantage of the programs than would apparently be eligible, which could be due in part to the asset limitations. For this reason, we are estimating the impact of SB 2171 first engrossment with House Amendments based on 75% of those that might be eligible for the program. This translates into a program expansion to an estimated \$25.3 million for the 2013-15 biennium, which is a net increase of \$14.6 million over the existing (budgeted) program of \$10,685,000.



- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

There was a \$20 million appropriation in the Tax Department budget for the expansion to the homestead credit and renters refund program. If SB 2171 first engrossment with House Amendments is enacted, a portion of this amount may be turned back at the close of the 2013-15 biennium.

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 04/10/2013

**FISCAL NOTE**  
**Requested by Legislative Council**  
**03/28/2013**

Amendment to: SB 2171

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$14,600,000			
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2171 first engrossment with House Amendments expands the homestead credit and renters refund programs for elderly and disabled citizens.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of SB 2171 first engrossment with House Amendments expands the income brackets for computing the credit for both homeowners and renters. It also expands the "asset test" that limits the value of assets an applicant can own, to \$300,000 from the current limit of \$75,000.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

There is \$20 million included in the executive budget for the expansion of the homestead credit and renters refund programs.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The provisions of SB 2171 first engrossment with House Amendments will mean more elderly and disabled persons will qualify for these programs. Estimations are difficult, and in the tax department's experience, fewer persons take advantage of the programs than would apparently be eligible, which could be due in part to the asset limitations. For this reason, we are estimating the impact of SB 2171 first engrossment with House Amendments based on 75% of those that might be eligible for the program. This translates into a program expansion to an estimated \$25.3 million for the 2013-15 biennium, which is a net increase of \$14.6 million over the existing (budgeted) program of \$10,685,000.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

There was a \$20 million appropriation in the Tax Department budget for the expansion to the homestead credit and renters refund program. If SB 2171 first engrossment with House Amendments is enacted, a portion of this amount may be turned back at the close of the 2013-15 biennium.

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 04/01/2013

**FISCAL NOTE**  
**Requested by Legislative Council**  
**02/13/2013**

Amendment to: SB 2171

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$15,195,000			
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed SB 2171 expands the homestead credit and renters refund programs for elderly and disabled citizens.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of engrossed SB 2171 expands the income brackets for computing the credit for both homeowners and renters. It also expands the "asset test" that limits the value of assets an applicant can own, to \$275,000 from the current limit of \$75,000.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

There is \$20 million included in the executive budget for the expansion of the homestead credit and renters refund programs.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The provisions of engrossed SB 2171 will mean more elderly and disabled persons will qualify for these programs. Estimations are difficult, and in the tax department's experience, fewer persons take advantage of the programs than would apparently be eligible, which could be due in part to the asset limitations. For this reason, we are estimating the impact of engrossed SB 2171 based on 75% of those that might be eligible for the program. This translates into a program expansion to an estimated \$25.880 million for the 2013-15 biennium, which is a net increase of \$15.195 million over the existing (budgeted) program of \$10,685,000.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

There is a \$20 million appropriation in the Tax Department budget for the expansion to the homestead credit and renters refund program. If engrossed SB 2171 is enacted, a portion of this amount may be turned back at the close of the 2013-15 biennium.

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 01/18/2013

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/15/2013**

Bill/Resolution No.: SB 2171

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$20,000,000			
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2171 expands the homestead credit and renters refund programs for elderly and disabled citizens.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of SB 2171 expands the income brackets for computing the credit for both homeowners and renters. It also removes the "asset test" that limits the value of assets an applicant can own, currently set at \$75,000. This section also removes a person's social security income from the income that is used in calculating if an applicant qualifies for the credit.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

There is \$20 million included in the executive budget for the expansion of the homestead credit and renters refund programs.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The provisions of SB 2171 significantly expand the homestead credit and renters refund programs enabling most elderly citizens to qualify. It is very difficult to accurately estimate the likely fiscal impact of these provisions as there are many unknowns.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

There is a \$20 million appropriation in the Tax Department budget for this expansion to the homestead credit and renters refund program.

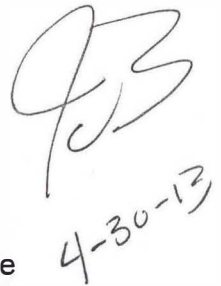
**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 01/18/2013

April 30, 2013



PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2171

That the House recede from its amendments as printed on pages 1239-1241 of the Senate Journal and pages 1316 and 1317 of the House Journal and that Engrossed Senate Bill No. 2171 be amended as follows:

Page 1, line 16, replace "twenty-six" with "twenty-two"

Page 1, line 20, replace "twenty-six" with "twenty-two"

Page 1, line 21, replace "thirty" with "twenty-six"

Page 2, line 1, replace "thirty" with "twenty-six"

Page 2, line 2, replace "thirty-four" with "thirty"

Page 2, line 6, replace "thirty-four" with "thirty"

Page 2, line 7, replace "thirty-eight" with "thirty-four"

Page 2, line 11, replace "thirty-eight" with "thirty-four"

Page 2, line 12, replace "forty-two" with "thirty-eight"

Page 2, line 26, overstrike ", excluding the"

Page 2, overstrike line 27

Page 2, line 28, overstrike "homestead,"

Page 2, line 28, remove "two hundred"

Page 2, line 28, overstrike "seventy-five" and insert immediately thereafter "five hundred"

Page 3, after line 5, insert:

**"SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after December 31, 2012."

Renumber accordingly



Date 4/30/2013

Roll Call Vote # 1

**2013 SENATE CONFERENCE COMMITTEE  
ROLL CALL VOTES**

BILL/RESOLUTION NO. 2171 as (re) engrossed

Senate Finance & Taxation Committee

- Action Taken**
- SENATE accede to House Amendments
  - SENATE accede to House Amendments and further amend
  - HOUSE recede from House amendments
  - HOUSE recede from House amendments and amend as follows
  - Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Senator Miller Seconded by: Representative Owens

Senators	4/16	4/18	4/25	4/26	4/30	Yes	No	Representatives	4/16	4/18	4/25	4/26	4/30	Yes	No
Senator Miller	X	X	X	X	X	<b>X</b>		Representative Owens	X	X	X	X	X	<b>X</b>	
Senator Oehlke	X	X	X	X	X	<b>X</b>		Representative Dockter	X	X	X	X	X	<b>X</b>	
Senator Dotzenrod	X	X	X	X	X	<b>X</b>		Representative Zaiser	X	X	X	X			
								Representative S. Kelsh					X	<b>X</b>	
<b>Total Senate Vote</b>						<b>3</b>		<b>Total Rep. Vote</b>						<b>3</b>	

Vote Count Yes: 6 No: 0 Absent: 0

Senate Carrier Senator Miller House Carrier Representative Owens

LC Number \_\_\_\_\_ of amendment

LC Number 13.8178 . 02009 of engrossment

**REPORT OF CONFERENCE COMMITTEE**

**SB 2171, as engrossed:** Your conference committee (Sens. Miller, Oehlke, Dotzenrod and Reps. Owens, Dockter, S. Kelsh) recommends that the **HOUSE RECEDE** from the House amendments as printed on SJ pages 1239-1241, adopt amendments as follows, and place SB 2171 on the Seventh order.

That the House recede from its amendments as printed on pages 1239-1241 of the Senate Journal and pages 1316 and 1317 of the House Journal and that Engrossed Senate Bill No. 2171 be amended as follows:

Page 1, line 16, replace "twenty-six" with "twenty-two"

Page 1, line 20, replace "twenty-six" with "twenty-two"

Page 1, line 21, replace "thirty" with "twenty-six"

Page 2, line 1, replace "thirty" with "twenty-six"

Page 2, line 2, replace "thirty-four" with "thirty"

Page 2, line 6, replace "thirty-four" with "thirty"

Page 2, line 7, replace "thirty-eight" with "thirty-four"

Page 2, line 11, replace "thirty-eight" with "thirty-four"

Page 2, line 12, replace "forty-two" with "thirty-eight"

Page 2, line 26, overstrike ", excluding the"

Page 2, overstrike line 27

Page 2, line 28, overstrike "homestead,"

Page 2, line 28, remove "two hundred"

Page 2, line 28, overstrike "seventy-five" and insert immediately thereafter "five hundred"

Page 3, after line 5, insert:

**"SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after December 31, 2012."

ReNUMBER accordingly

Engrossed SB 2171 was placed on the Seventh order of business on the calendar.

**2013 TESTIMONY**

**SB 2171**



SB2171- SUPPORT  
Wednesday, January 23, 2013  
Senate Finance and Taxation Committee  
Josh Askvig – AARP ND  
[jaskvig@aarp.org](mailto:jaskvig@aarp.org) or 701-989-0129

Chairman Cook, members of the Senate Finance and Taxation Committee, I am Josh Askvig, Associate State Director of Advocacy for AARP North Dakota. We stand in support of SB2171.

As you know, property taxes are the single most burdensome tax for many low-income and older homeowners. Many of our more elderly citizens have lived in their homes for a long time. As their property values have appreciated, so have their property taxes. But many do not have the income to afford the yearly increases in their property taxes while also meeting their basic needs for food, medicine and utilities.

AARP Policy supports efforts for property tax relief provided in an equitable manner to low- and moderate-income homeowners and renters. AARP supports “circuit breaker” measures, like the North Dakota homestead property tax credit. Circuit breaker programs offer property tax credits or homestead exemptions that decrease as income increases, resulting in a more progressive tax system. Therefore, lower-income households receive greater tax relief than higher-income households. Further, these programs are specifically targeted to low- and moderate-income households.

About 33 states and the District of Columbia offer circuit breaker programs. Most of these provide tax relief to both homeowners and renters. Most of them are targeted to older homeowners and renters or provide more generous benefits to older homeowners and renters. Most circuit breaker programs are state-financed.

The bill before you would implement the Governor’s budget recommendation to expand the homestead tax credit to ensure more low- to moderate-income residents can access this beneficial and important property tax relief program. We especially like the provisions that increase the current sliding scale for relief; this fits with AARP policy that as your income is higher your ability to pay is higher and therefore your relief is lower.

We also support the provision that eliminates Social Security from the definition of “income.” Attached to my testimony is a state fact sheet about Social Security and Medicare in North Dakota. As you can see, 92.7 percent of North Dakota seniors, or 90,700, received Social Security in 2010. The average annual benefit was only \$12,600. Further, low- and middle-income seniors in North Dakota are even more reliant on Social

Security's earned benefit, typically receiving 77.5 percent of their individual annual income from Social Security.

This \$20 million expansion of the homestead tax credit is crucial, especially for those on fixed incomes who may be struggling to make ends meet.

We strongly support SB2171 and urge you to give it a DO PASS Recommendation.

## Why Social Security and Medicare are Vital to North Dakota's Seniors

**Seniors count on Medicare and Social Security benefits to provide them with the foundation of income and health care they need in retirement, having contributed to these programs for years while working. In today's difficult economy—with widespread loss of retirement savings and home equity, coupled with rising health care costs—Social Security and Medicare are more vital than ever.**

### SOCIAL SECURITY in North Dakota

#### North Dakota seniors count on Social Security benefits earned through a lifetime of work

- 92.7 percent of North Dakota seniors, or 90,700, received Social Security in 2010. The average annual benefit was only \$12,600.
- Social Security accounted for 60.7 percent of the typical older North Dakotans' own income.
- Low and middle income seniors in North Dakota are even more reliant on Social Security's earned benefit, typically receiving 77.5 percent of their individual income from Social Security.

#### Social Security plays an important role in North Dakota's economy

- Social Security provided \$1.5 billion in benefits to North Dakotans in 2009.

### MEDICARE in North Dakota

#### Medicare provides guaranteed health coverage, but out of pocket costs are high

- On average, beneficiaries from North Dakota spent \$4,900 on out of pocket health care costs.
- For the typical North Dakota senior on Medicare, out of pocket spending for health care consumes 23.7 percent of their income.

#### Medicare provides peace of mind for North Dakota seniors

- Nearly 99.8 percent of North Dakota seniors, or 94,704, were enrolled in Medicare in 2009.
- In contrast, nearly 10.7 percent of the 60–64 year olds are uninsured.

#### Medicare plays an important role in North Dakota's economy

- The Medicare program spent \$0.82 billion on health care services for North Dakotans in 2010.

## HOMESTEAD PROPERTY TAX CREDIT - EXTENSION TO ALL RESIDENTIAL PROPERTY - PROGRAMS IN OTHER STATES - BACKGROUND MEMORANDUM

Section 34 of 2009 House Bill No. 1324 directs the Legislative Management to study the feasibility and desirability of providing a homestead credit for all North Dakota residential property owners and occupants. Since 1969 North Dakota has provided a homestead property tax credit for persons age 65 or older with limited income. Several states provide similar homestead property tax credits. Several states also provide a homestead property tax credit that is available to all homeowners without regard to income or age restrictions. It appears it is the latter approach that the study directive is targeted to address.

It appears the reason the study directive focuses on residential property relates to the disparity between the effective tax rates for agricultural property and residential property. "Effective tax rate" means the percentage that property taxes paid are of the market value of the property. For 2007 the effective tax rate for the market value of agricultural property was 0.81 percent, and the effective tax rate for market value of residential property was 1.90 percent. It appears the intention is that consideration should be given to the feasibility and desirability of providing a residential homestead property tax credit to bring the effective tax rate for residential property to a percentage that is closer to the agricultural property effective tax rate.

### HOMESTEAD PROPERTY TAX CREDIT

Since 1969 North Dakota Century Code Section 57-02-08 has provided a property tax reduction for persons age 65 or older with limited income. As created in 1969, the provision allowed a person age 65 or older with an income of \$3,000 or less per year from all sources to claim a 50 percent reduction in the assessment up to a maximum reduction of \$1,000 of assessed valuation on the person's homestead. This provision has been amended by 29 bills since 1969.

The income limitations in Section 57-02-08.1 have been increased by legislation approved in 1973, 1975, 1977, 1979, 1981, 1985, 1989, 1993, 1999, 2005, 2007, and 2009. Other significant changes to this section include a matching credit and refund for renters added in 1973, state reimbursement to political subdivisions of property tax revenue losses from the credit approved in 1973 and effective in 1975, extension of the credit in 1975 to a person who is permanently and totally disabled, allowance of a deduction from income for medical expenses in 1977, adjustment of the basis of the tax credit from assessed valuation to taxable valuation and proportionate reductions of the amount of credit allowed in 1983, exclusion in 1983 of the credit for any

person whose assets exceed \$50,000 other than the value of the homestead, exclusion of federal rent subsidies from income and exclusion of tax-exempt property from eligibility for the credit for renters in 1985, allowance of the credit upon absence of the person from the homestead for nursing home or similar care in 1989, redefinition of permanent and total disability in 1993, an increase of more than 50 percent in maximum valuations of the homestead to which the credit applies in 2005, an increase of more than 10 percent in maximum valuations of the homestead to which the credit applies in 2007, an increase of more than 30 percent in maximum valuations of the homestead to which the credit applies, and an increase to \$75,000 of nonhomestead assets that would disqualify a homeowner from the credit in 2009.

Under the current provisions of Section 57-02-08.1, a person who is age 65 or older or who is permanently and totally disabled whose income is \$26,000 or less per year from all sources, including the income of any dependent, is entitled to a reduction in taxable valuation of the person's homestead. The exemption continues to apply if the person does not reside in the homestead and the person's absence is due to confinement in a nursing home, hospital, or other care facility for as long as the portion of the homestead previously occupied by the person is not rented to another person. The reduction in taxable valuation varies depending upon income as follows:

Income	Maximum Reduction in Taxable Valuation	Equivalent Maximum Reduction in True and Full Valuation	Maximum Percentage Reduction in Valuation
\$18,000 or less	\$4,500	\$100,000	100%
\$18,001 to \$20,000	\$3,600	\$80,000	80%
\$20,001 to \$22,000	\$2,700	\$60,000	60%
\$22,001 to \$24,000	\$1,800	\$40,000	40%
\$24,001 to \$26,000	\$900	\$20,000	20%
Over \$26,000	\$0	\$0	0%

A person claiming the homestead property tax credit exemption must sign a statement that the person is age 65 or older or is permanently and totally disabled; that the person's income does not exceed \$26,000 per annum; and that the value of the person's assets excluding the value of the person's homestead does not exceed \$75,000, including the value of any assets divested within the last three years.

An illustration of the effect of the homestead property tax credit may be useful in understanding how the credit applies. For the following examples, a home with a \$100,000 true and full value is assumed for each homeowner, and the 2008 statewide average mill rate of 390 mills is applied to the property:

	Annual Income	Taxable Valuation Reduction	Property Tax Without Credit	Property Tax Savings With Credit
Homeowner A	\$17,500	\$4,500	\$1,755	\$1,755
Homeowner B	\$21,000	\$2,700	\$1,755	\$1,053
Homeowner C	\$25,000	\$900	\$1,755	\$351
Homeowner D	\$27,000	\$0	\$1,755	\$0

### HOMESTEAD PROPERTY TAX CREDIT FOR RENTERS

Any person age 65 or older or permanently and totally disabled with an income of \$26,000 or less per year from all sources and who rents living quarters is eligible for a refund of a portion of the person's rent deemed to constitute payment of property taxes. Twenty percent of the person's annual rent, excluding federal rent subsidy and utilities, services, furniture, furnishings, or appliances furnished by the landlord under the rental agreement, is considered payment made for property taxes. This 20 percent of annual rent, to the extent it exceeds 4 percent of the annual income of the person, is refunded from the state general fund, but the refund may not exceed \$400. A husband and wife who are living together are entitled to only one rent refund. The refund is not available for living quarters, including a nursing home, that are exempt from property taxes.

### STATE REIMBURSEMENT OF HOMESTEAD PROPERTY TAX CREDITS

Under Section 57-02-08.2, since 1975 the state has provided reimbursement to political subdivisions for property taxes lost as a result of the homestead property tax credit, and the state has also provided reimbursement to renters eligible for refunds under the homestead property tax credit. Each county is required to certify to the Tax Commissioner the name and address of each person allowed the homestead property tax credit for the previous year, the amount of the exemption, and the total of tax mill rates against the property. The Tax Commissioner is required to

certify to the State Treasurer for payment to each county the amount of property tax excused under the homestead property tax credit. Renters entitled to a refund must apply annually to the Tax Commissioner for refunds.

The following table shows appropriations made for state reimbursement to political subdivisions and payments to renters for the homestead property tax credit for each biennium since the state began providing reimbursement:

1975-77	\$3,286,014
1977-79	\$2,900,000
1979-81	\$3,550,000
1981-83	\$6,290,000
1983-85	\$5,341,000
1985-87	\$4,250,000 <sup>1</sup>
1987-89	\$4,706,000 <sup>2</sup>
1989-91	\$5,000,000
1991-93	\$4,879,163
1993-95	\$5,375,000
1995-97	\$5,181,250
1997-99	\$4,790,813
1999-2001	\$4,540,813
2001-03	\$4,540,813
2003-05	\$4,000,000
2005-07	\$4,000,000
2007-09	\$8,104,000
2009-11	\$5,964,000

<sup>1</sup>After a \$750,000 reduction by the 1987 Legislative Assembly.

<sup>2</sup>After a \$456,000 deficiency appropriation added by the 1989 Legislative Assembly.

Senate Bill No. 2402 (2009) substantially expanded the homestead credit and renters refund programs. The bill substantially increased income eligibility for the homestead credit and renters refund, the value of assets that disqualifies applicants, and the maximum annual refund to renters. The fiscal note for the bill estimated an additional \$3,823,000 general fund expenditure for state funding for the program. The fiscal note stated that this additional amount would be needed on top of the \$5,964,000 contained in the executive budget. However, the appropriation provided to the Tax Commissioner in 2009 House Bill No. 1006 was \$5,964,000. It appears the appropriation did not take into account the fiscal effect of the changes in Senate Bill No. 2402, and it appears likely that a deficiency appropriation will be required in 2011 to fully fund the homestead credit and renters refund for the second year of the biennium.



The following table shows the number of claimants, total payments, and average payments per claimant under the homestead property tax credit:

Tax Year	Qualifying Homeowners	Paid for Homeowners	Average Per Homeowner	Qualifying Renters	Paid to Renters	Average Per Renter	Total Payments
1975*	6,004	\$650,693	\$108	414	\$26,182	\$63	\$676,875
1976	6,738	\$691,592	\$103	508	\$37,367	\$74	\$728,959
1977*	9,663	\$1,351,324	\$140	1,325	\$143,352	\$108	\$1,494,676
1978	10,736	\$1,556,881	\$145	2,301	\$292,458	\$127	\$1,849,339
1979*	10,529	\$1,582,655	\$150	2,572	\$353,058	\$137	\$1,935,713
1980	10,633	\$1,881,602	\$177	2,594	\$365,696	\$141	\$2,247,298
1981*	10,158	\$1,970,208	\$194	2,635	\$387,906	\$147	\$2,358,114
1982	9,411	\$1,886,433	\$200	2,664	\$414,429	\$156	\$2,300,862
1983	8,820	\$1,841,081	\$209	3,133	\$516,244	\$165	\$2,357,325
1984	8,206	\$1,818,526	\$222	3,068	\$519,667	\$169	\$2,338,193
1985*	7,362	\$1,697,678	\$231	2,206	\$159,713	\$72	\$1,857,391
1986	7,567	\$1,987,970	\$263	1,994	\$161,905	\$81	\$2,149,875
1987	7,540	\$2,011,933	\$267	1,878	\$163,092	\$87	\$2,175,025
1988	7,546	\$2,142,139	\$284	1,881	\$163,357	\$87	\$2,305,496
1989	7,307	\$2,158,650	\$295	1,657	\$149,666	\$90	\$2,308,316
1990*	7,188	\$2,336,992	\$325	1,601	\$149,705	\$94	\$2,486,697
1991	7,029	\$2,230,637	\$317	1,582	\$151,600	\$96	\$2,382,237
1992	6,743	\$2,181,292	\$323	1,534	\$155,205	\$101	\$2,336,497
1993	6,576	\$2,184,714	\$332	1,563	\$166,739	\$107	\$2,351,453
1994	6,376	\$2,159,466	\$339	1,626	\$175,554	\$108	\$2,335,020
1995*	6,095	\$2,194,689	\$360	1,590	\$177,782	\$112	\$2,372,471
1996	5,680	\$2,072,141	\$365	1,499	\$166,841	\$111	\$2,238,982
1997	5,278	\$1,974,283	\$374	1,482	\$165,060	\$111	\$2,139,343
1998	4,943	\$1,852,124	\$375	1,454	\$173,370	\$119	\$2,025,494
1999*	4,457	\$1,817,552	\$408	1,508	\$190,211	\$126	\$2,007,763
2000	4,231	\$1,814,130	\$429	1,471	\$178,406	\$126	\$1,992,536
2001	4,341	\$1,768,001	\$407	1,329	\$173,754	\$131	\$1,841,755
2002	4,060	\$1,676,737	\$413	1,288	\$172,224	\$134	\$1,848,961
2003	3,923	\$1,659,707	\$423	1,335	\$185,807	\$139	\$1,845,514
2004	3,817	\$1,655,555	\$434	1,332	\$186,896	\$140	\$1,842,451
2005*	3,516	\$2,025,060	\$576	1,273	\$182,947	\$142	\$2,208,007
2006	3,467	\$2,008,310	\$579	1,302	\$188,418	\$145	\$1,196,728
2007*	3,466	\$2,342,186	\$676	1,998	\$287,682	\$144	\$2,629,868
2008	3,715	\$2,396,968	\$645	2,051	\$302,361	\$147	\$2,699,329

\*Denotes years in which income limitations for credits were increased. The 1990 increase was approved in 1989 legislation, the 1995 increase was approved in 1993 legislation, and an increase for 2000 was approved in 1999 legislation.

### HOMESTEAD CREDIT FOR SPECIAL ASSESSMENTS

Under Section 57-02-08.3, a person who is qualified for the homestead property tax credit also may elect to qualify for a homestead credit against special assessments. The credit is available only for annual installments of special assessments and must be claimed each year the applicant wants the credit. The total amount of credits allowed for any parcel of property may not exceed \$6,000, not including interest charged by the governing body levying the special assessment. The amounts claimed are to be reported by the county to the Tax Commissioner for payment to the special assessment district.

The amount of the homestead credit for special assessments, plus interest of 9 percent per year, is a lien in favor of the state against the property upon which the special assessment credit is allowed. The lien is generally payable from the estate of the claimant, and title to the homestead may not be transferred without the lien being satisfied, unless in

the case of a transfer between spouses because of the death of one of them, in which case the lien need not be satisfied until the property is again transferred.

### PROPERTY AND INCOME TAX BENEFITS FOR HOMESTEAD PROPERTY IN ALL STATES

It appears the majority of states provide property tax relief in some form targeted to all residential property owners. The approach adopted is unique to each state, but all of the programs have in common an attempt by the state to reduce the burden of property taxes for residential property and, in many cases, residential rental property.

It is impossible to provide a short summary of all state homestead credit programs because each program is unique and has extensive restrictions and limitations. The following table is intended to briefly compare programs of all states to indicate eligible

taxpayers, the kind of tax relief provided, and whether income limitations apply for eligibility for the tax relief.

Another cautionary note regarding reference to the following table is that it is based on the most recent information available, which is for tax year 2007. Obviously, the amount of relief provided by each state

depends upon the fiscal health of the state. Most states have experienced significant budget shortfalls in 2008 and 2009, and, as a result, many states may have been forced to reduce state assistance for property tax relief to an amount less than the 2007 property tax relief reflected in the following table.

State	Eligible	Relief	Income Limit
Alabama	All homeowners <sup>1</sup>	Assessment reduction	No
Alaska	Homeowners age 65 and older	Assessment reduction	No
Arizona	All homeowners <sup>1</sup>	Assessment reduction	No
Arkansas	All homeowners <sup>1</sup>	Property tax credit	No
California	All homeowners and renters <sup>1</sup>	Assessment reduction	No
Colorado	Homeowners age 65 and older	Assessment reduction <sup>2</sup>	No
Connecticut	Homeowners and renters age 65 and older	Assessment reduction	Yes
Delaware	Homeowners age 65 and older	Property tax credit	No
District of Columbia	All homeowners <sup>1</sup>	Assessment reduction	No
Florida	All homeowners <sup>1</sup>	Assessment reduction	No
Georgia	All homeowners <sup>1</sup>	Assessment reduction	No
Hawaii	All homeowners <sup>1</sup>	Assessment reduction	No
Idaho	All homeowners <sup>1</sup>	Assessment reduction	No
Illinois	All homeowners <sup>1</sup>	Assessment reduction and income tax credit	No
Indiana	All homeowners <sup>1</sup>	Assessment reduction	No
Iowa	All homeowners <sup>1</sup>	Assessment reduction	No
Kansas	All homeowners <sup>1</sup>	Assessment reduction	No
Kentucky	Homeowners age 65 and older	Assessment reduction	No
Louisiana	All homeowners <sup>1</sup>	Assessment reduction	No
Maine	All homeowners <sup>3</sup>	Assessment reduction	No
Maryland	All homeowners and renters age 60 and older	Property tax credit	Yes
Massachusetts	Homeowners and renters age 65 and older	Property tax credit	Yes
Michigan	All homeowners	Assessment reduction	Yes
Minnesota	All homeowners <sup>4</sup>	Property tax credit	No
Mississippi	All homeowners <sup>1</sup>	Property tax credit	No
Missouri	Homeowners and renters age 65 and older	Income tax credit	Yes
Montana	Homeowners and renters age 62 and older	Income tax credit	Yes
Nebraska	Homeowners age 65 and older	Assessment reduction	Yes
Nevada	Homeowners and renters age 62 and older	Property tax refund	Yes
New Hampshire	All homeowners and renters	Property tax credit	Yes
New Jersey	All homeowners and renters <sup>5</sup>	Property tax rebate	Yes
New Mexico	All homeowners <sup>1</sup>	Assessment reduction	No
New York	All homeowners <sup>1</sup>	Assessment reduction	Yes
North Carolina	Homeowners age 65 and older	Assessment reduction	Yes
North Dakota	Homeowners and renters age 65 and older	Assessment reduction or refund	Yes
Ohio	All homeowners <sup>1</sup>	Assessment reduction	No
Oklahoma	All homeowners <sup>1</sup>	Assessment reduction	Yes
Oregon	None <sup>6</sup>		
Pennsylvania	Homeowners and renters age 65 and older <sup>7</sup>	Property tax rebate	Yes
Rhode Island	Homeowners age 65 and older	Property tax credit	Yes
South Carolina	All homeowners <sup>1</sup>	Assessment reduction	No
South Dakota	Homeowners age 65 and older	Property or sales tax refund	Yes
Tennessee	Homeowners age 65 and older	Assessment reduction	Yes
Texas	All homeowners <sup>8</sup>	Assessment reduction	No
Utah	Homeowners age 65 and older <sup>1</sup>	Assessment reduction and local option	Yes
Vermont	All homeowners	Property tax refund	Yes
Virginia	Homeowners age 65 and older	Property tax deferral at local option	Yes
Washington	Homeowners age 61 and older <sup>1</sup>	Assessment reduction	Yes
West Virginia	Homeowners age 65 and older <sup>10</sup>	Assessment reduction	No
Wisconsin	All homeowners and renters <sup>11</sup>	Income tax credit	Yes
Wyoming	Homeowners age 65 and older	Property tax refund	Yes

<sup>1</sup>A larger assessment reduction is available for homeowners based on age and income qualifications.

<sup>2</sup>Colorado homeowners or renters age 65 and older with limited income may also qualify for property tax, rent, and heating cost rebates.

<sup>3</sup>Maine allows additional tax credits for homeowners and renters who meet income limits.

<sup>4</sup>Minnesota has a senior citizen property tax deferral program, a regular property tax refund program, and a special property tax refund program with differing effects based on age, income, and property tax levels.

<sup>5</sup>New Jersey provides additional property tax reimbursement for homeowners age 65 and older based on income eligibility.

<sup>6</sup>Oregon allows homeowners age 62 or older to claim a property tax deferral if they meet income limits.

<sup>7</sup>Pennsylvania school districts also have the option of offering an assessment reduction for homeowners without income limits.

<sup>8</sup>Texas also allows an additional assessment reduction for homeowners age 65 or older or disabled without income limits.

<sup>9</sup>Washington also allows homeowners an option to choose between two property tax deferred programs.

<sup>10</sup>West Virginia also allows homeowners age 65 or older or disabled who meet income limits an income tax credit.

<sup>11</sup>Wisconsin also allows homeowners and renters who meet income limits an income tax credit and allows homeowners age 65 or older or disabled who meet income limits to claim a property tax deferral.

### **SUGGESTED STUDY APPROACH**

It appears the intent of this study resolution is to determine whether it is appropriate to target property tax relief to residential property and bring the effective tax rate for residential property nearer to the effective tax rate for agricultural property. It appears most states have incorporated homestead credits as a component of their property tax structure, with tax relief targeted to resident homeowners in general and additional tax relief targeted to older and disabled homeowners. A large portion of these programs also target tax relief to residents who rent their primary residence.

Significant changes in 2009 will affect the effective tax rates for all property types. Senate Bill No. 2244 (2009) reduces the capitalization rate for tax years 2009 through 2012 under the valuation formula for agricultural property which will tend to increase

agricultural property assessments gradually for tax years 2009 and later. This will probably be accompanied by some shifting of property tax burdens. Property tax relief of approximately \$295 million provided by Senate Bill No. 2199 (2009) will reduce the effective tax rate for all property types. Increased eligibility for the homestead credit will not reduce effective tax rates because the property tax reduction is paid by the state and will not be reflected as a property tax reduction. However, homestead credit benefits for significantly more taxpayers and more tax relief must be considered as part of the property tax picture. It will be necessary to await availability of property tax statistics for taxable year 2009 before effective tax rate comparisons and consideration of relative property tax burdens can be made.

**NDLA, Intern 06 - Hagel, Justin**

---

**From:** Cook, Dwight C.  
**Date:** Wednesday, January 23, 2013 1:47 PM  
**To:** NDLA, Intern 06 - Hagel, Justin  
**Subject:** Fwd: SB2171 Homestead Credit

Begin forwarded message:

**From:** Kevin Glatt <kglatt@nd.gov>  
**Date:** January 23, 2013 12:10:24 PM CST  
**To:** <dcook@nd.gov>  
**Cc:** "Terry O. Traynor" <ttraynor@ndaco.org>, 'Al Vietmeier' <avietmeier@nd.gov>  
**Subject:** SB2171 Homestead Credit

Senator Cook:

I believe less people should get more and not more people get less!

Raise the taxable values	100% should get 5400TV credit (\$120,000MV)
	80% should get 4500TV (\$100,000MV)
	60% should get 3600TV
	40% should get 2700TV
	20% should get 1800TV

Increase the income on the lower end and reduce on top end....\$18,000 income should be increased and the \$60,000 at top end should be decreased....  
Give more help to those that need it most!

Also **NEED ASSET TEST** – increase to \$275,000 including value of home. That is a \$100,000 increase.

*I am not hearing much complaint about the current system at least in Burleigh\Bismarck.....*

Just my thoughts...

Kevin  
Burleigh County Auditor\Treasurer

13.8178.01002  
Title.

Prepared by the Legislative Council staff for  
Senator Miller

February 4, 2013

PROPOSED AMENDMENTS TO SENATE BILL NO. 2171

Page 2, line 24, remove the overstrike over "~~A person is ineligible for the exemption under this subsection if the value of the~~"

Page 2, remove the overstrike over lines 25 and 26

Page 2, line 27, remove the overstrike over "~~homestead, exceeds~~"

Page 2, line 27, after "exceeds" insert "two hundred"

Page 2, line 27, remove the overstrike over "~~seventy five thousand dollars, including the value of any~~"

Page 2, line 28, remove the overstrike over "~~assets divested within the last three years.~~"

Renumber accordingly



SB2171- SUPPORT  
Monday March 11, 2013  
House Finance and Taxation Committee  
Josh Askvig – AARP ND  
[jaskvig@aarp.org](mailto:jaskvig@aarp.org) or 701-989-0129

Chairman Belter, members of the House Finance and Taxation Committee, I am Josh Askvig, Associate State Director of Advocacy for AARP North Dakota. We stand in support of SB2171.

As you know, property taxes are the single most burdensome tax for many low-income and older homeowners. Many of our more elderly citizens have lived in their homes for a long time. As their property values have appreciated, so have their property taxes. But many do not have the income to afford the yearly increases in their property taxes while also meeting their basic needs for food, medicine and utilities.

AARP Policy supports efforts for property tax relief provided in an equitable manner to low- and moderate-income homeowners and renters. AARP supports “circuit breaker” measures, like the North Dakota homestead property tax credit. Circuit breaker programs offer property tax credits or homestead exemptions that decrease as income increases, resulting in a more progressive tax system. Therefore, lower-income households receive greater tax relief than higher-income households. Further, these programs are specifically targeted to low- and moderate-income households.

About 33 states and the District of Columbia offer circuit breaker programs. Most of these provide tax relief to both homeowners and renters. Most of them are targeted to older homeowners and renters or provide more generous benefits to older homeowners and renters. Most circuit breaker programs are state-financed.

The bill before you would implement the Governor’s budget recommendation to expand the homestead tax credit to ensure more low- to moderate-income residents can access this beneficial and important property tax relief program. We especially like the provisions that increase the current sliding scale for relief; this fits with AARP policy that as your income is higher your ability to pay is higher and therefore your relief is lower.

The original version of this legislation amended the statute to eliminate Social Security from the definition of “income” for the purposes of the homestead tax credit. We would encourage this committee to restore that language into this bill. Attached to my testimony is a state fact sheet about Social Security and Medicare in North Dakota. As you can see, 92.7 percent of North Dakota seniors, or 90,700, received Social Security in 2010. The

#1  
e

average annual benefit was only \$12,600. Further, low- and middle-income seniors in North Dakota are even more reliant on Social Security's earned benefit, typically receiving 77.5 percent of their individual annual income from Social Security.

This expansion of the homestead tax credit is crucial, especially for those on fixed incomes who may be struggling to make ends meet.

We strongly support SB2171 and urge you to give it a DO PASS Recommendation.

## Why Social Security and Medicare are Vital to North Dakota's Seniors

Seniors count on Medicare and Social Security benefits to provide them with the foundation of income and health care they need in retirement, having contributed to these programs for years while working. In today's difficult economy—with widespread loss of retirement savings and home equity, coupled with rising health care costs—Social Security and Medicare are more vital than ever.

#1 p.3

### SOCIAL SECURITY in North Dakota

#### North Dakota seniors count on Social Security benefits earned through a lifetime of work

- 92.7 percent of North Dakota seniors, or 90,700, received Social Security in 2010. The average annual benefit was only \$12,600.
- Social Security accounted for 60.7 percent of the typical older North Dakotans' own income.
- Low and middle income seniors in North Dakota are even more reliant on Social Security's earned benefit, typically receiving 77.5 percent of their individual income from Social Security.

#### Social Security plays an important role in North Dakota's economy

- Social Security provided \$1.5 billion in benefits to North Dakotans in 2009.

### MEDICARE in North Dakota

#### Medicare provides guaranteed health coverage, but out of pocket costs are high

- On average, beneficiaries from North Dakota spent \$4,900 on out of pocket health care costs.
- For the typical North Dakota senior on Medicare, out of pocket spending for health care consumes 23.7 percent of their income.

#### Medicare provides peace of mind for North Dakota seniors

- Nearly 99.8 percent of North Dakota seniors, or 94,704, were enrolled in Medicare in 2009.
- In contrast, nearly 10.7 percent of the 60–64 year olds are uninsured.

#### Medicare plays an important role in North Dakota's economy

- The Medicare program spent \$0.82 billion on health care services for North Dakotans in 2010.



2#

Engrossed Senate Bill 2171  
House Finance and Taxation  
March 11, 2012  
Pam Sharp, Director, OMB

On behalf of Governor Dalrymple, I am testifying in support of Engrossed Senate Bill 2171 however, I am asking that you consider funding this additional Homestead Tax credit at the level proposed in the Governor's Budget, which is \$20 million.

The proposal as part of the Governor's budget included:

Expanded income brackets for computing the credit;

Removing the asset test;

Removing social security income from the income used in calculating if an applicant qualifies.

Senate Bill 2171 was amended in the Senate from its original form and instead of removing the asset test, the limit for the asset was increased from \$75,000 to \$275,000.

In addition, Engrossed Senate Bill 2171 includes social security income in calculating an applicant's eligibility whereas the Governor's proposal excluded it.

The funding for the \$20 million included in the Governor's budget was included in House Bill 1006, the appropriation bill for the Tax Department. The House Appropriations Committee removed the \$20 million of funding for this additional credit because the policy bill was on the Senate side and the funding was on the House side. At this point, there is no funding for this bill anywhere.

Mr. Chairman, we believe the homestead tax credit is a very valuable and important for our elderly population. We do prefer that the asset test be removed and social security income be excluded as proposed in the Governor's budget.

Testimony of Jon Godfread  
Greater North Dakota Chamber of Commerce  
SB 2171  
March 11, 2013

Mr. Chairman and members of the committee, my name is Jon Godfread and I am here today representing the Greater North Dakota Chamber of Commerce, the champions for business in North Dakota. Greater North Dakota Chamber is working on behalf of our more than 1,100 members, to build the strongest business environment in North Dakota. Greater North Dakota Chamber also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce. As a group we stand in support of SB 2171.

To provide some background the Greater North Dakota Chamber was the primary association that led the charge in defeating Measure 2 in the last primary election, that Measure would have abolished property taxes in North Dakota. We intimately understand the property tax issues in our state and were a part of numerous debates and conversations surrounding this topic. We heard from owners of all classes of property and relied heavily on our members to defeat that measure.

We support SB 2171 as part of the larger property tax reduction package. Addressing and expanding the current homestead exemption for elderly and disabled citizens in our state addresses one of the concerns raised in the measure 2 discussions. Our position has not changed in that property tax relief needs to include all classes of property, however this is targeted relief granted those we are often the most concerned about. This measured expansion of the homestead exemption we believe fits into the larger tax relief package.

Thank you for the opportunity to appear before you today in support of SB 2171. I would be happy to answer any questions.

#17

Prepared by the Office of  
State Tax Commissioner for the  
House Finance and Taxation Committee  
March 11, 2013

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2171

Page 3, line 6, after "2012" insert " , for ad valorem property taxes and for taxable years  
beginning after December 31, 2013, for mobile home taxes"

Re-number accordingly

Prepared by the Office of  
State Tax Commissioner for the  
House Finance and Taxation Committee  
March 11, 2013

#  
AM  
1

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2171

Page 3, line 6, after "2012" insert ", for ad valorem property taxes and for taxable years beginning after December 31, 2013, for mobile home taxes"

Renumber accordingly



PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2171

- Page 1, line 1, replace "subsection" with "subsections"
- Page 1, line 1, after the first "1" insert "and 5"
- Page 1, line 4, replace "Subsection" with "Subsections"
- Page 1, line 4, after the first "1" insert "and 5"
- Page 1, line 5, replace "is" with "are"
- Page 1, line 16, replace "twenty-six" with "twenty-two"
- Page 1, line 20, replace "twenty-six" with "twenty-two"
- Page 1, line 21, replace "thirty" with "twenty-six"
- Page 2, line 1, replace "thirty" with "twenty-six"
- Page 2, line 2, replace "thirty-four" with "thirty"
- Page 2, line 6, replace "thirty-four" with "thirty"
- Page 2, line 7, replace "thirty-eight" with "thirty-four"
- Page 2, line 11, replace "thirty-eight" with "thirty-four"
- Page 2, line 12, replace "forty-two" with "thirty-eight"
- Page 2, line 28, remove "two hundred"
- Page 2, line 28, overstrike "seventy-five" and insert immediately thereafter "three hundred"
- Page 3, after line 4, insert:

"5. For the purposes of this section:

- a. "Dependent" has the same meaning it has for federal income tax purposes.
- b. "Homestead" has the same meaning as provided in section 47-18-01.
- c. "Income" means income for the most recent complete taxable year from all sources, including the income of any dependent of the applicant, and including any county, state, or federal public assistance benefits, ~~social security, or other retirement benefits,~~ and eighty percent of social security benefits, but excluding any federal rent subsidy, any amount excluded from income by federal or state law, and medical expenses paid during the year by the applicant or the applicant's dependent which is not compensated by insurance or other means.

- d. "Medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the person may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.
- e. "Permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician or a written determination of disability from the social security administration."

2/1/11

Renumber accordingly

SB 2171  
 April 4, 2013

MEMO 1  
 13.9629.01000

**SUMMARY OF WORKFORCE DEVELOPMENT  
 AND WORKFORCE TRAINING FUNDS - 2013-15 BIENNIUM**  
 (As of Crossover)

Workforce development is the education and training of individuals provided by school districts, higher education institutions, and state and federal government agencies. Major state agencies partnering to provide workforce development and workforce training throughout the state include the North Dakota University System, Department for Career and Technical Education, Department of

Human Services, Job Service North Dakota, and Department of Commerce. The following is a summary of the funding included in the agencies' 2013-15 budgets, as of crossover, for workforce development and workforce training, excluding any educational training provided as general coursework by the University System and any educational training by school districts:

Agency	General Fund	Special Funds	Federal Funds	Total
<b>SB 2016 - Job Service North Dakota</b>				
Workforce 20/20 - This is a state-funded job training program designed to assist North Dakota business and industry in retraining and upgrading workers' skills to meet demands brought about by the introduction of new technologies and work methods into the workplace. Funding assists primarily with tuition and travel costs.	\$1,541,924			\$1,541,924
Trade adjustment assistance - This program provides special job training, job search assistance, relocation, and related services to workers who become unemployed as a result of foreign competition. The program provides for reemployment services and funds to assist workers in returning to suitable employment.			\$200,000	200,000
Job opportunities and basic skills (JOBS) training program - This program is designed to assist individuals receiving temporary assistance for needy families (TANF) to transition from welfare to work and self-sufficiency. This program is provided under contract with the Department of Human Services. The funding reflected is also included in the amount reported for the JOBS training program under the Department of Human Services.			1,627,821	1,627,821
Workforce Investment Act - The Workforce Investment Act is designed to increase occupational skills attainment, employment, retention, and earnings of participants through program activities resulting in improved quality of the workforce, reduced welfare dependency, and enhanced productivity and competitiveness of the nation.			10,877,826	10,877,826
Funding from the U.S. Department of Labor for SkillBuildND, a demonstration grant to help train workers for jobs in the oil industry and building trades. This grant targets population sectors with higher unemployment challenges (veterans and Native Americans)			1,274,213	1,274,213
New jobs training program - This program is designed to provide incentives to businesses and industries that are expanding employment opportunities or locating employment opportunities within the state.		\$516,724		516,724
<b>Subtotal - Job Service North Dakota</b>	<b>\$1,541,924</b>	<b>\$516,724</b>	<b>\$13,979,860</b>	<b>\$16,038,508</b>
<b>SB 2018 - Department of Commerce</b>				
Division of Workforce Development - This is funding for support of the Department of Commerce Division of Workforce Development. The division is responsible for identifying current and emerging workforce issues in the state, developing a coordinated response to issues raised by North Dakota workforce delivery system partners, and identifying and recommending responses relating to gaps in the workforce delivery system.				
Salaries and wages	\$918,551		\$185,650	\$1,104,201
Operating expenses	1,854,296	\$125,000	205,596	2,184,892
Workforce enhancement grant	2,000,000			2,000,000
Operation intern	1,500,000			1,500,000



Agency	General Fund	Special Funds	Federal Funds	Total
Workforce state commission grant			1,200,000	1,200,000
Other grants	3,500,000			3,500,000
SB 2218 - Department of Commerce				
Workforce development grants - This funding is provided to the tribally controlled colleges through the Department of Commerce. The grants may be used for development programs to provide workforce training or for assisting any North Dakota student at the college to establish a new business.	5,000,000			5,000,000
Subtotal - Department of Commerce	\$14,772,847	\$125,000	\$1,591,246	\$16,489,093
SB 2019 - Department for Career and Technical Education				
Workforce training contracts - This is funding provided to the state's two-year higher education institutions assigned primary responsibility for workforce training in their respective quadrant to develop the delivery system for needed training.	\$3,000,000	\$2,600,000		\$5,600,000
HB 1012 - Department of Human Services				
JOBS training program - This program is designed to assist individuals receiving TANF to transition from welfare to work and self-sufficiency. This program is provided under contract with Job Service North Dakota, Community Options for Residential and Employment Services, Inc., and Turtle Mountain Employment and Training.			\$8,174,472	8,174,472
Basic employment skills training (BEST) program - This program is intended to provide individuals participating in the supplemental nutrition assistance program with job-seeking and retention skills. The program is operating in Cass and Burleigh Counties.			189,580	189,580
Subtotal - Department of Human Services	\$3,000,000	\$2,600,000	\$8,364,052	\$13,964,052
Total funding for workforce development and workforce training in 2013-15 agency budget as of crossover	\$19,314,771	\$3,241,724	\$23,935,158	\$46,491,653



SB 2171 options.xlsx

SB 2171 Change Brackets 2.xlsx

Brackets

<u>If your income including SS is:</u>	<u>Taxable value is Reduced by</u>
\$0 - \$27,000	100%
\$27,001 - 30,000	80%
\$30,001 - 33,000	60%
\$33,001 - 36,000	40%
\$36,001 - 39,000	20%
<b>Additional Biennium Cost</b>	<b>\$9,912,000</b>

SB 2171 Change Brackets 3.xlsx

Brackets

<u>If your income including SS is:</u>	<u>Taxable value is Reduced by</u>
\$0 - \$22,000	100%
\$22,001 - 26,000	80%
\$26,001 - 30,000	60%
\$30,001 - 34,000	40%
\$34,001 - 38,000	20%
<b>Additional Biennium Cost</b>	<b>\$7,771,000</b>

SB 2171 Change Brackets 4.xlsx

Brackets

<u>If your income including SS is:</u>	<u>Taxable value is Reduced by</u>
\$0 - \$26,000	100%
\$26,001 - 30,000	80%
\$30,001 - 34,000	60%
\$34,001 - 38,000	40%
\$38,001 - 42,000	20%
<b>Additional Biennium Cost</b>	<b>\$16,998,000</b>

SB 2171 Change Brackets 5.xlsx

Brackets

<u>If your income including SS is:</u>	<u>Taxable value is Reduced by</u>
\$0 - \$28,000	100%
\$26,001 - 32,000	80%
\$32,001 - 36,000	60%
\$36,001 - 40,000	40%
\$40,001 - 44,000	20%
<b>Additional Biennium Cost</b>	<b>\$17,822,000</b>

SB 2171 Change Brackets 6.xlsx

Brackets

<u>If your income including SS is:</u>	<u>Taxable value is Reduced by</u>
\$0 - \$28,000	100%
\$28,001 - 31,000	80%
\$31,001 - 34,000	60%
\$34,001 - 37,000	40%
\$37,001 - 40,000	20%
<b>Additional Biennium Cost</b>	<b>\$13,209,000</b>

Prepared by Legislative Intern Justin Hagel for  
Senator Miller

April 30, 2013

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2171

In lieu of the amendments adopted by the House as printed on pages 1114 and 1115 of the House Journal, Engrossed Senate Bill No. 2171 is amended as follows:

Page 1, line 1, replace "subsection" with "subsections"

Page 1, line 1, after "1" insert "and 5"

Page 1, line 4, replace "Subsection" with "Subsections"

Page 1, line 4, after "1" insert "and 5"

Page 1, line 5, replace "is" with "are"

Page 1, line 16, replace "twenty-six" with "twenty-two"

Page 1, line 20, replace "twenty-six" with "twenty-two"

Page 1, line 21, replace "thirty" with "twenty-six"

Page 2, line 1, replace "thirty" with "twenty-six"

Page 2, line 2, replace "thirty-four" with "thirty"

Page 2, line 6, replace "thirty-four" with "thirty"

Page 2, line 7, replace "thirty-eight" with "thirty-four"

Page 2, line 11, replace "thirty-eight" with "thirty-four"

Page 2, line 12, replace "forty-two" with "thirty-eight"

Page 2, line 26, remove ", excluding the"

Page 2, remove line 27

Page 2, line 28, replace "homestead, exceeds two hundred seventy-five" with "exceeds five hundred"

Renumber accordingly