

2013 SENATE FINANCE AND TAXATION

SB 2290

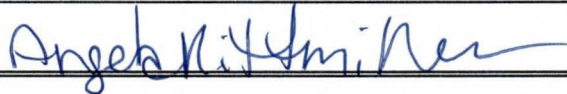
2013 SENATE STANDING COMMITTEE MINUTES

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

SB 2290
1/28/2013
Job Number 17797

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact sections 57-02-08.9 and 57-38-01.34 and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to provision of property tax relief through a residential property tax reduction, renter's income tax credit, or agricultural property tax credit; and to provide an effective date.

Minutes:

Testimony Attached

Chairman Cook opened the hearing on SB 2290.

Senator Dotzenrod introduced SB 2290, handed out a proposed amendment (attachment 1) and a new fiscal note for the amendment (attachment 2).

Chairman Cook - If we tax the farm homes then virtually the exemption will take care of the tax increase and they will get their benefit.

Senator Dotzenrod - You can make that argument but what this bill does it just provides a reduction from where they are today, it provides an initiative for them that they will see some benefit where if we do what you are suggesting there will probably be a net zero effect for them.

Chairman Cook - The 640 acres, I haven't read the definition of adjoining, could it cross a section line?

Senator Dotzenrod - My thought is that it could be as long as they are continuous in some way.

Chairman Cook - A string of a whole bunch of 40's. That is your intent?

Senator Dotzenrod - That is my intent.

Senator Burckhard - Is this going to be a reason for landlords to raise their rents by \$900?

Senator Dotzenrod - The person who owns the property is going to have to look at their own particular set of income and expenses on their property and make some judgement about what they need to recover, that there is some risk in owning property or repairs, insurance, etc. They aren't going to be able to see this, when they do their books and put their income and expenses side by side this won't really show up for them. So I think they will make their decisions in the future as they have in the past.

Senator Burckhard - So this legislation really doesn't affect the property taxes at all.

Senator Dotzenrod - In the provision of this bill if you own income property that's not a primary residence your taxes are not going to be reduced by this bill.

Chairman Cook - You aren't going to argue with me when I say that Ag property has the lowest effective tax rate of any property in the state are you?

Senator Dotzenrod - I would not argue with that.

Senator Miller - What do you think with the direct payment in USDA farming, how that just raised rent by \$10 an acre, do you think something like that would eventually play into this if we were to pass this bill?

Senator Dotzenrod - I don't see how changes in the federal support for agriculture going up or going down would affect the way this bill is written.

Senator Miller - I mean just in the principal of both you've got your renters credit cutting a tax by 15%, giving them money for rent. Do you think that could adversely just raise the cost of rent as we have seen in agriculture?

Senator Dotzenrod - I don't think so because I think the person who owns that property, he's going to have to look at what rent he needs to charge to recover all the costs that he has and the risks that he has as an owner of property. I don't think there is going to be a way for him to incorporate that into his calculation.

Senator Miller - Maybe in a sense you are saying there's enough participants in the market place in that fact that it wouldn't do that whereas in agriculture we are seeing, your kind of stuck.

Senator Dotzenrod - I suppose the landlord would be aware the renters are getting some credit. It's capped at \$900 per year and I think primarily what I've heard from people that own property is they are primarily concerned about recovering and generating some sort of operating profit where they can recover some expenses. I don't know that in farming and agriculture I think the general feeling that farmers are doing well if they are having some good years that landlords want a bigger share on farm land, but that I think is a little more complicated because it's not really about changes in tax law or credits. I don't think it's quite a fair comparison.

Chairman Cook - I would think the first thing a farmer looks at when purchasing land is what the taxes are on that land and it might have a lot to do with what you are willing to pay for a quarter section of land, but if you are already maxed out at your 640 acres, then I suppose it would not affect the price of land. My first thought is that it would cause land prices to go up.

Senator Dotzenrod - I think most people will exhaust this credit on the first quarter section.

Senator Oehlke - Getting back to this marketplace of renters, do you really think that every renter out there is going to collect \$900?

Senator Dotzenrod - I would have to ask the tax department on some numbers. Our tax system, relative to other states, our income taxes are not real aggressive.

Senator Oehlke - My thought is, because of that, if I'm a landlord and I'm thinking about taking advantage of this situation and increasing the rents, just because I know that somebody is getting a

credit, in order to know what I'm doing I have to ask the individual renter for a copy of their tax return. I don't see the realism in that.

Senator Dotzenrod - I think that is true. For landlords to try to put this into their calculation I think it does get complicated.

Chairman Cook - The highest tax property in ND is commercial yet you left them out of this, is there a reason?

Senator Dotzenrod - The thought in trying to put this together is we had in the interim committee the homestead credit. That sort of began this discussion. The question is if you are going to provide tax relief on property how do you do that and confine it to people who are living here, who are residents here and our families that are working and living in the state. I think commercial property, about 35% is owned by out-of-state people, so when you get in to commercial property there's quite a bit of what we are currently spending under our mill levy buy down that goes to people who don't live here. We think the provisions that are in this bill, the way it's written, has an advantage of confining its benefits just about entirely to people that live in ND.

Senator Mathern - I support this bill for three reasons. One, this keeps the money in ND that we plan to divvy out in terms of property tax this session. Second, it is an across the board tax benefit. Third, it is using the systems in place.

Chairman Cook - Do you support this bill being passed along with the current mill levy buy down or is this in your mind something that replaces the mill levy buy down?

Senator Mathern - That's why they come to your committee. We want you to come up with the policy that is the best for our citizens and then you'll move it over to Appropriations.

Susan Beehler - See attached testimony 3 in favor of SB 2290.

Bill Shalhoob, Greater North Dakota Chamber of Commerce - See attached testimony 4, opposed to SB 2290.

Senator Miller - In Minnesota they had a bill last year I think regarding property taxes on businesses, are you aware of that bill and do you know what kind of support that had from the business community?

Bill Shalhoob - I'm not aware of that specific bill. I will make a couple comments about corporate taxes. I think Minnesota has a disproportionate share of its property tax on corporate. They have raised corporate taxes as a percentage and there are ways to do that in the formulas, and lowered it for residential. That's created problems, a real disincentive for corporations to locate in Minnesota because the property tax is unfair. We do hear all the time both on this issue that we don't want to give property tax relief to corporations, particularly out-of-state corporations. We go to these corporations and we say come to our state, develop our oil fields, provide a big box incentive like Wal-Mart, and by the way when you come here we want you to pay everybody as much as you can, and by the way we want you to be sure and have all the full benefits of insurance and all that, so we want all the corporations that are residing in the state and by doing business here they are residents of the state, but then if we reach an area of prosperity where we have all this extra, you can't share in it. I will submit from an economic development point the message that we are trying to say as we develop our state that that is not the right message to be sending to people. When it comes to the good side, the fact that you have helped create this prosperity and do all these things that's given all this money, you're not entitled to it. Suddenly you are a second class citizen, but when we want you to come here we will do anything to get you here. That is the wrong message to

be sending. That is why we say the taxes given should be in proportion to the tax burden that is being paid.

Kevin Glatt, Burleigh County Treasurer/Auditor - See attached testimony 5, opposed to SB 2290.

Senator Dotzenrod - The way we do the homestead credit right now we have the over 65 age and then different brackets depending on your income and then there's the disabled veteran, those currently would probably be in that same category, that is there is no reimbursement, it's extra work. Is that true or is it really not an issue?

Kevin Glatt - It's something we do. It's the only way I can answer that. It's work.

Senator Dotzenrod - So the problem with this bill is, you are doing some of that now, but this really just expands it and makes it a lot more?

Kevin Glatt - It expands it immensely.

Rocky Gordon, North Dakota Apartment Association - We have taken a neutral stance on this as long as it doesn't create an administrative burden for the landlord.

Senator Oehlke - On that section where the income tax credit works, I've had some rental property, and I don't give my renters a receipt. Their check is their receipt. Is that good enough for you?

Donnita Wald, Tax Department explained the renters cancelled check would be sufficient and upfront audit procedures are/will be put in place at the time of filing to assure the right amount is going to the right person.

Chairman Cook closed the hearing on SB 2290.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee

Lewis and Clark Room, State Capitol

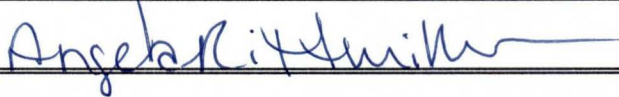
SB 2290

2/11/2013

Job Number 18669

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact sections 57-02-08.9 and 57-38-01.34 and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to provision of property tax relief through a residential property tax reduction, renter's income tax credit, or agricultural property tax credit; and to provide an effective date.

Minutes:

Committee Work

Chairman Cook opened discussion on SB 2290.

Senator Dotzenrod gave a brief overview of what the bill does.

Senator Dotzenrod - I don't mind taking a vote on the bill as it is. I still believe this approach which is kind of a house by house, it's a household by household approach rather than proportional or commercial or an economic development, but if we aren't going to pass this, if it's going to come out of committee as a do not pass, I have some amendments that basically just make it a homestead credit on residential property. (1:40) (attachments 1A and 1B)

Senator Dotzenrod then went through the amendments.

Chairman Cook - So if I have a \$50,000 home are my taxes going to 0?

Senator Dotzenrod - On this version they are going to go to half.

Discussion followed on the dollar and percentage numbers.

Senator Burckhard - So on a scale of 1-10 is this administratively intensive, labor intensive for those tax assessors out there?

Senator Dotzenrod - It's not the same as we are doing with the mill levy buy down, this only applies to the residential class of property. I would think when they do their programming at the county level that this would be fairly achievable.

Chairman Cook - If an individual is entitled to a reduction the taxable valuation under this section and section 57-02-08 and 57-02-08.8, that is the homestead tax credit?

John Walstad, Legislative Council - The homestead tax credit and the disabled veterans homestead credit.

Chairman Cook - If somebody qualifies, elderly low income, they qualify for the homestead tax credit, that is where the state sends a check to the county and their taxable valuation is reduced under that homestead tax credit. Then we go from that number and apply this one.

John Walstad - Correct. So if under the homestead tax credit you get a buy down. Say you've got a \$2,000 taxable valuation credit, and then under this approach you've got another \$1,150 or something that would be added on. The entire amount would be subtracted before the mill rate goes against their remaining value and then those 2 deductions with the local mill rate would be certified to the tax commissioner for payment.

Chairman Cook - You are responsible for all the assessors from one end of the state to the other. Tax equalization officers here are going to deal with this. Imagine what they would be telling us right now if they were here. Do you think they can administer this?

Marcy Dickerson, Tax Department - I think it can be administered. One thing I think would be a little confusing is the fact that it says that the homestead credit and disabled veterans would be taken first and then this other credit. Actually there is nothing wrong with that but the thing that's sticking in my mind at the present time when we have something which is a discretionary exemption we tell them to take the discretionary exemption first before the homestead credit and the disabled veteran's credit. (16:36)

Senator Dotzenrod - You'll notice on line 6 this is created: We are not amending existing law. We are creating a new section. I went with whatever the language was that came out of the Legislative Council.

Chairman Cook - I would welcome a motion on your amendment.

Senator Dotzenrod - I will move the amendment.

Seconded by **Senator Triplett**.

Verbal Vote on Amendment 6-0-1

Chairman Cook closed discussion on SB 2290.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee

Lewis and Clark Room, State Capitol

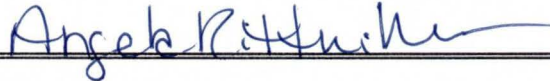
SB 2290

2/12/2013

Job Number 18761

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact sections 57-02-08.9 and 57-38-01.34 and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to provision of property tax relief through a residential property tax reduction, renter's income tax credit, or agricultural property tax credit; and to provide an effective date.

Minutes:

Committee Work

Chairman Cook opened discussion on SB 2290.

Senator Dotzenrod - SB 2290 when introduced was kind of a big comprehensive bill that covered residential property and Ag land that was associated with the residence and a renter's credit. We had a discussion here about possibly taking that down to just a residential credit and how to do that. The chairman very generously offered me a choice of whether to try to do that residential credit on SB 2290 or would it be better to put it on to our mill levy buy down bill. I thought about that and I guess I think if I'm interested in trying to see this become part of what we eventually do here I would prefer, I think the best way to do it is to put it on the mill levy buy down bill. I think if it goes over to the House as part of SB 2290 as a standalone proposition, they have already killed the homestead credit bill that came out of the interim committee, I think what I would prefer to do myself is take SB 2290, it won't probably come out of this committee with a burst of enthusiasm so I expect to probably take it to the floor and defend it as best I can as it stands unamended.

Senator Triplett - You said you would like to take it to the floor unamended but my notes say that we passed the amendments that you proposed yesterday.

Senator Dotzenrod - I did consider the possibility of trying to do both, that is take SB 2290 as a standalone proposition but I guess if we have adopted the amendments then I can argue against the amendments and say we've got this bill as it was introduced and would like to try encourage people to think about doing that.

Chairman Cook - We have to come out of here with a tax policy and I think we are all getting a good idea of where we are at.

Senate Finance and Taxation Committee
SB 2290
2/12/2013
Page 2

Senator Dotzenrod - I will move a Do Pass as Amended and re-refer to Appropriations.

Seconded by **Senator Triplett.**

Roll Call Vote 7-0-0

Carried by **Senator Dotzenrod.**

FISCAL NOTE
Requested by Legislative Council
01/21/2013

Bill/Resolution No.: SB 2290

- 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			\$(193,500,000)			
Expenditures			\$639,272,000			
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 2290 creates a residential property tax credit, a agricultural property tax credit, and a renters' refundable income tax credit.

- 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 2290 creates a property tax credit for a resident's primary residence. Section 1 also creates a property tax credit for certain agricultural property if the owner is a resident whose primary residence in an exempt farm home. Section 2 creates a refundable income tax credit for individuals who rent their primary residences.

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.*

The residential and agricultural property tax credits authorized in Section 1 of SB 2290 are expected to increase state general fund expenditures by an estimated \$639.272 million in the 2013-15 biennium. The renter's income tax credit authorized in Section 2 is expected to reduce individual income tax revenues by an estimated \$193.5 million in the 2013-15 biennium.

- 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 increase in expenditures is the estimated biennial cost of the property tax credits authorized in Section 1. These expenditures do not include any administrative costs for the tax department.


- 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: 01/26/2013


2-12-13

PROPOSED AMENDMENTS TO SENATE BILL NO. 2290

- Page 1, line 1, replace "sections" with "section"
- Page 1, line 1, remove "and 57-38-01.34 and a new"
- Page 1, line 2, remove "subdivision to subsection 7 of section 57-38-30.3"
- Page 1, line 3, remove ", renter's income tax"
- Page 1, line 4, remove "credit, or agricultural property tax credit"
- Page 1, line 8, remove "**- Agricultural property tax credit**"
- Page 1, line 10, replace "four" with "one"
- Page 1, line 10, replace "five" with "one"
- Page 1, line 10, after "hundred" insert "twenty-five"
- Page 1, line 10, after "dollars" insert "or fifty percent, whichever is less."
- Page 1, line 14, after "reduction" insert "under this section must be applied first and then any reduction"
- Page 1, line 15, remove "first and then the reduction under this section must be"
- Page 1, line 16, remove "applied"
- Page 2, line 1, remove "and the definition of primary residence under"
- Page 2, line 2, remove "subsection 13"
- Page 3, line 24, remove "(1)"
- Page 3, remove lines 29 through 31
- Page 4, remove lines 1 and 2
- Page 5, remove lines 1 through 31
- Page 6, remove lines 1 through 5
- Re-number accordingly

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

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2290

Senate Finance & Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 13.0031.02003

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

Motion Made By Senator Dotzenrod Seconded By Senator Triplett

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) 6 No 0

Absent 1

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. 2290

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 Dotzenrod Seconded By Senator Miller

Senators	Yes	No	Senator	Yes	No
Chairman 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 Dotzenrod

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

REPORT OF STANDING COMMITTEE

SB 2290: 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 2290 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "sections" with "section"

Page 1, line 1, remove "and 57-38-01.34 and a new"

Page 1, line 2, remove "subdivision to subsection 7 of section 57-38-30.3"

Page 1, line 3, remove ", renter's income tax"

Page 1, line 4, remove "credit, or agricultural property tax credit"

Page 1, line 8, remove "**- Agricultural property tax credit**"

Page 1, line 10, replace "four" with "one"

Page 1, line 10, replace "five" with "one"

Page 1, line 10, after "hundred" insert "twenty-five"

Page 1, line 10, after "dollars" insert "or fifty percent, whichever is less."

Page 1, line 14, after "reduction" insert "under this section must be applied first and then any reduction"

Page 1, line 15, remove "first and then the reduction under this section must be"

Page 1, line 16, remove "applied"

Page 2, line 1, remove "and the definition of primary residence under"

Page 2, line 2, remove "subsection 13"

Page 3, line 24, remove "(1)"

Page 3, remove lines 29 through 31

Page 4, remove lines 1 and 2

Page 5, remove lines 1 through 31

Page 6, remove lines 1 through 5

Renumber accordingly

2013 SENATE APPROPRIATIONS

SB 2290

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2290
02-20-2013
Job # 19236

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to provision of property tax relief through a residential property tax reduction

Minutes:

See attached testimony

Chairman Holmberg called the committee to order on Wednesday, February 20, 2013 in regards to SB 2290. All committee members were present. Brady Larson from Legislative Council and Joe Morrisette OMB were present.

Senator Dotzenrod, District 26, introduced SB 2290. (00:30)

Chairman Holmberg - Earlier today we passed out SB 2036, which has amendments that ended up being very similar to what is in this particular bill.

Senator Dotzenrod - SB 2036 has in it in its entirety, this bill. SB 2290 in complete form is in SB 2036 and the thought was, the way this came up in the committee is sort of one thing happened first and then putting it together in a package came second and the first thought was to see if we set this aside and put it as a standalone proposition how much interest would there be in it. The chairman of the committee felt that after we had passed SB 2290 that when SB 2036 which is the mill levy buy down bill, when that goes over to the House he would like to be able to put this together so that they could see, and I shouldn't be trying to speak for Senator Cook at this point because it was his decision that he wanted to get that SB 2290 into SB 2036. I guess it would be up to this committee to recommend possibly if you wanted to get rid of SB 2290 and leave it as a package proposition but they didn't both happen on the same day. We got SB 2290 to the point where we thought that we had enough information about it, we had some estimates and we got some examples of how it would work on homes across the state. Then the idea of putting it into SB 2036 came probably a week or so later.

Chairman Holmberg - One of the things we try to do is eliminate redundant bookkeeping so our books at crossover have eliminated as much as possible duplication. Maybe if both of these bills were alive at crossover, how would each one of them be put on the books and would there be duplication of tax relief?

Brady Larson - We try to remove any duplication between bills so if there are 2 bills providing the same property tax relief we will asterisk at least one of the bills to indicate that is a duplicate bill and will not be included in the overall total for general fund revenue effects or appropriation expenditures.

Chairman Holmberg - So if you had a bill that had a \$50 million income tax reduction and another one that was duplicative but had \$100 million the total would be \$100 million asterisked, it wouldn't be \$150 million?

Brady Larson - That is correct. On one bill we would show the duplication.

Chairman Holmberg - Anyone else wishing to testify? We will close the hearing.

Senator Carlisle - So you're saying that SB 2290 would have an asterisk because of SB 2036?

Brady Larson - Any amount that is duplicated in the bills would have an asterisk and would not be included in the overall revenue effects.

Senator Mathern - It seems to me the tax committee has approved two bills that have a little different way of approaching the property taxing. One is kind of the past governor's proposal and the other one is this. They both came out in a unanimous way; I think we ought to send them over to the House that way. The amount of dollars is the same. It's more a matter of do you want to do this in the context of the old way of doing it or a different way of doing it under our current homestead tax credit. (8:34)

Chairman Holmberg - If the committee was going to eliminate the duplication what would happen technically if the committee said the concepts are also in SB 2036 and we decided that we didn't want to send the 2 over what would happen is SB 2036 is already gone, that would be on the calendar first, if that were to pass, this bill if we put a do not pass on it, this bill wouldn't hit the floor until after SB 2036 had been disposed of.

Senator Warner moved a do pass on SB 2290. Seconded by Senator Mathern.

Senator Carlisle - If my understanding is right, mechanically we should roll the SB 2290 into SB 2036.

Chairman Holmberg - It's already there.

Senator Carlisle - So I would resist this motion.

Chairman Holmberg - Call the roll on a do pass on SB 2290.

A Roll Call vote was taken. Yea :4; Nay: 9; Absent: 0.

Chairman Holmberg - The motion failed. Can we have a motion on a Do Not Pass?

Senator Erbele moved a do not pass. Seconded by Senator Wanzek.

Chairman Holmberg - Call the roll on a do not pass on SB 2290.

A Roll Call vote was taken. Yea: 9; Nay: 4; Absent:0. The motion carried.

Senator Krebsbach will carry the bill.

Date: 2-20-13

Roll Call Vote # 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 2290

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DO Pass

Motion Made By Warner Seconded By Mathern

Senators	Yes	No	Senator	Yes	No
Chairman Ray Holmberg		<input checked="" type="checkbox"/>	Senator Tim Mathern	<input checked="" type="checkbox"/>	
Co-Vice Chairman Bill Bowman		<input checked="" type="checkbox"/>	Senator David O'Connell	<input checked="" type="checkbox"/>	
Co-Vice Chair Tony Grindberg		<input checked="" type="checkbox"/>	Senator Larry Robinson	<input checked="" type="checkbox"/>	
Senator Ralph Kilzer		<input checked="" type="checkbox"/>	Senator John Warner	<input checked="" type="checkbox"/>	
Senator Karen Krebsbach		<input checked="" type="checkbox"/>			
Senator Robert Erbele		<input checked="" type="checkbox"/>			
Senator Terry Wanzek		<input checked="" type="checkbox"/>			
Senator Ron Carlisle		<input checked="" type="checkbox"/>			
Senator Gary Lee		<input checked="" type="checkbox"/>			

Total (Yes) 24 No Failed 9

Absent _____

Floor Assignment _____

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

Date: 2-20-13

Roll Call Vote # 2

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 2290

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do NOT Pass

Motion Made By Erbele Seconded By Wanzek

Senators	Yes	No	Senator	Yes	No
Chairman 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) 9 No 4

Absent 0

Floor Assignment Krebsbach

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

REPORT OF STANDING COMMITTEE

SB 2290, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **DO NOT PASS** (9 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed SB 2290 was placed on the Eleventh order on the calendar.

2013 TESTIMONY

SB 2290

13.0031.02001
Title.

Prepared by the Legislative Council staff for
Senator Dotzenrod
January 22, 2013

PROPOSED AMENDMENTS TO SENATE BILL NO. 2290

Page 1, line 10, replace "four" with "three"

Page 1, line 10, replace "five" with "six"

Page 1, line 10, after "dollars" insert ", or eighty percent, whichever is less."

Renumber accordingly

Dotzenrod, Jim A.

From: Strombeck, Kathy L.
Sent: Saturday, January 26, 2013 1:05 PM
To: Dotzenrod, Jim A.
Subject: SB 2290

Good afternoon Sen. Dotzenrod;

I have completed the fiscal note on your original version of SB 2290 as well as your proposed amendment (13.0031.02001). The bill as introduced has the following estimated biennial fiscal impact:

- \$463.272 million for the residential property tax credit equal to the first \$100,000 of true and full value for primary residences
- \$175.999 million for the agricultural property tax credit equal to 640 adjacent acres for residents with exempt farm homes
- \$193.500 million for the renters' refundable income tax credit provisions

Your proposed amendment changes the property tax credit available to homeowners to 80% or \$80,000, whichever is less. The fiscal impact of this amendment is below:

- \$370.617 million for the residential property tax credit equal to the first 80% or \$80,000 whichever is less
- \$175.999 million for the agricultural property tax credit equal to 640 adjacent acres for residents with exempt farm homes
- \$193.500 million for the renters' refundable income tax credit provisions

Please let me know if you have any questions or comments, Jim. Have an enjoyable weekend!

Kathy

Kathryn L. Strombeck
 Director of Research and Communications
 North Dakota Office of State Tax Commissioner
 (701)328-3402
kstrombeck@nd.gov

Testimony SB 2290 Finance and Taxation Committee

Good Morning Chairman and members of the Committee.

My name is Susan Beehler, I am a small business owner and also work part time for an international education company, I am a home owner in Mandan. Since 2005 I have seen three mayors, one keeping his position even after a recall and attended meeting after meeting with many of them affecting the cost for my family to live in their home. Property tax caught my attention when our house payment was about the same or started to exceed our home mortgage payment as our escrow put away each month. Property tax increases were exceeding the percent we were receiving in pay increases, it is unsustainable. This means the government was growing while my spendable income was decreasing. We have almost a \$2 billion surplus. When did it become acceptable for government to get rich at the expense of our citizens?

I urge a do pass on SB2290 but without SECTION 2 Renter's income tax credit. In Fargo and in many areas large property tax exemptions have been given to rental property. To me it is subsidizing landlords which I feel is not good public policy. I would rather see a bill to limit these exemptions and if exemptions are given a pass through to the renter should be required. Landlords are getting guaranteed profit. I thought we were a conservative state, why should we be guaranteeing profit for landlords while tenants are treated high rents? In Mandan we have a large complex paying no property tax on the building, yet tenants are receiving homestead property tax credit checks, but there is little property tax being paid by the owners on the undervalued land. If renters are to be included I believe criteria should be set for the property requiring the property has not received a property tax exemption in the past 5 or 10 years and also be proportionate to the amount of tax each unit is contributing. A homeowner with two children and a renter with two children are not paying equitable taxes especially in relation to the cost of schooling the children; apartment units just pay the same amount of property. If education was not part of the property tax equation than maybe there would not be such a disparity in the equity of property tax. Currently cities are be "pitched" by planners multi units save the city infrastructure costs which may be true, but they can hold plenty of children which the school districts have to provide for and the rest of the property owners pick up the tab for. These large complexes have an unfair advantage of existing rental units in having been exempt from property tax. I believe these exemptions have caused a shift from individuals home to multi units in Fargo ND.

I also have some other comments. Page 2 I believe it would be administratively effective to require a onetime application and if the property ownership changes require a new application just similar to what is done for property tax exemptions, also instead of attaching a paper copy an electronic form could be used and actually the application could be done online if this is available.

SB2290 does give some relief but fails to address some major issues with property tax.

Property taxpayers in many areas are a minority when it comes to the polls, yet they are paying for a majority of local services used by all, while large apartment developers receive tax exemptions, while corporations such as Wal-mart receive a tax exemption. Any vote for a change in the property tax system may not ever be able to achieve a majority vote because so many have been exempt from

paying or many areas government is the largest employer so employees dependent on the property tax for their income may not want to vote for a change because it could affect their pay raises, their income.

Everyone needs a place to live. If the circumstances of your life such as cancer or a traffic accident affects your ability to work you may be able to negotiate some costs to live, but the property tax if you become behind after three years you could lose your home, not matter the equity of the home. There should be a temporary "stay" of property tax when a catastrophic event affects your ability to pay your property tax. Walmart can get out of paying their taxes with an exemption, yet someone with a temporary disability cannot have their property tax waived temporarily. A person should not have to choose between a place to live or the treatments they need to survive.

There is no cap, the ability for a local entity to continue to raise taxes in spite of the so-called relief given to tax payers may actually encourage local governments to continue to raise taxes and they may even be required to if home values continue to inflate with the growth we are seeing in our state. There needs to be a dollar for dollar reduction in the local entity budget or a cap on their budget for the exchange or shift of the tax from the state to the local entity, the taxpayers are still paying for the services it is just a matter of whether it is the property tax or some other tax the state has already collected from another source of tax revenue.

Property tax cannot support unprecedented growth. Local governments should have the ability to opt for exchange a property tax for the sales tax or a local income tax; income and sales tax grows when the economy grows, property tax just inflates the cost to live in your home, while no extra value is necessarily given for the increased cost and the increase is not based on one's ability to pay so if your communities grow and employment earnings does not for the property owner. The property taxpayer loses while the government does not feel the same "pinch".

Property tax pays for things like jails/social services but the increase in jail space/services should not be just the homeowners/the property owner's plight. Our fines are not being using to pay for more of the expense for jails, WHY? Why is a homeowner or business owner punished with additional taxes while the criminal is not paying a bigger share? I have been told the state gets the fines, while our state has a surplus. Why is the homeowner not the state helping out by allowing the increase in fines and fees to come back to the communities who need it? Property tax on many businesses is a tax without representation because of the proximity to Bismarck many Mandan owners live in Bismarck but cannot vote in Mandan.

The assessor has the most "taxing" power, an **unelected** official which can be the authority for local taxing for the life of their career. In Mandan we have found it is difficult to fight what you may think is an unfair assessment or an "automatic" home value increase, it is very subjective and they are not required to give a detailed reason why your property and not the neighbors has a 10% increase, just explanation of a computer model they use should not be a good enough reason to increase one person's property on the block. There is very little recourse other than having to expend more resources by hiring an attorney. Just as a form would be provided for this credit, taxpayers should

have better access to dispute values and other property tax issues. What is the safeguard for the taxpayer from having an overzealous assessor from inflating the value of your property just because they can?

The average taxpayer does not understand what taxable valuation is. The past year in talking with many assessors, a majority when making a quick phone call to several, it is not always clear how taxable value is determined. If I am understanding this bill correctly; the amount of property tax credit would be on \$100,000 true and full value for a primary residence (Maybe the committee could clarify or explain how taxable value is determine) Also taxable value is used in determining mill level, will these credits be included in determining mill levy than backed out leaving everyone actually picking up a bigger share of the property tax pie and shifting more tax to business properties?

A new homebuyer in our community receives a property tax exemption so will this credit be in addition to their exemption, so if their home is worth \$150,000 will they get a tax credit on a home value and a property tax exemption, (in our city it is off \$75,000 value) will this bill allow them to receive the benefit of both up to the maximum value of the home?

This bill also does not address those on fixed income, I would ask the committee give a exemption starting at the age to 55 and incrementally give a credit or end property tax entirely for those who are aging in our communities, I believe an 85 year old does not put the same demands on the communities infrastructure as younger families. Nursing homes and assisted living homes are many times more expensive than allowing an elderly person to receive care in their home. Many times the property tax required is a motivating factor to leave their home, yet research and surveys shows many want to stay in their homes as long as possible. Eliminating property tax for the elderly may help enable this. Also if you go to our SNAP (food stamps) calculator on our ND Human Services website you can pop in some hypothetical numbers and you will find property tax is considered; depending on the applicants income; our state through SNAP may already be subsidizing property tax because every dollar spent for a tax is one less dollar for a taxpayer to use for food or other things.

How will the primary owner/ resident be determined when often time it is difficult to determine who a corporation actually is? I can see this easily being abused. What will be the proof a member of the corporation is the primary resident?

I would like to see it "state not rented to another individual" to allow an immediate family member or heir to rent the residence.

How does this work if a couple becomes separated and purchases a different residence or owns multiple properties? Could they claim either residence, how will primary residence be verified through number 3?

Special assessments have not been addressed another form of property tax; in Mandan special assessment revenue for our city now exceeds our property tax revenue. I am asking the legislature to put a safeguard in place so local communities could not abuse their taxing authority and attach more taxes to a property through special assessments in place of these credits. Without caps or an

exchange dollar for dollar the entity could just be getting additional money from the state and still continue to tap the property tax by increasing home values. Mandan does not have a maintenance plan for streets so they have taken and made assessment districts so large, it is difficult to protest them out, they actual draw the district larger if it has already been protested out so the residents virtually cannot protest them out again if they have a life besides fighting city hall. These special assessment districts are becoming larger than our voter turnout. They have circumvented the process to such an extent the only recourse is hiring an attorney. "Locals" need a cap, if a credit is given we need to be assured through law they will not tax us with another tax for the same services property tax was used for.

Susan Beehler suzybbuzz@gmail.com 701 220-2297 702 14th ST NW Mandan ND 58554

Testimony of Bill Shalhoob
Greater North Dakota Chamber of Commerce
SB 2290
January 28, 2013

Mr. Chairman and members of the committee, My name is Bill Shalhoob and I am here today representing the Greater North Dakota Chamber of Commerce, the champions for business in North Dakota. GNDC is working to build the strongest business environment possible through its more than 1,100 business members as well as partnerships and coalitions with local chambers of commerce from across the state. GNDC also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce. As a group we stand in opposition to SB 2290 and urge a do not pass from your committee on the bill.

GNDC has been among the principle advocates for tax reductions in past sessions and that role will continue in this session. The 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 part of numerous debates and conversations surrounding this topic. We heard from owners of all classes of property and relied on our members and other interested parties to defeat the measure. In seeking any reduction in property taxes our goal is that any relief given will be measured, fairly distributed among all classes of taxpayers and above all else sustainable for the long term.

While the intent of SB 2290 is desirable it fails in some key areas. First, it does not treat all property equally. Owners of commercial property are omitted and owners of multiple tracts of agricultural property are entitled to one tax deduction resulting in a disproportionate share of the reduction going to residential taxpayers. We firmly believe reductions should be given in proportion to the burden of paying property tax. Relief in this bill is given through credits. Our view of the administration of the general tax credit the legislature enacted in 2007 is that it was cumbersome to administer. More critically, it did not get to all eligible taxpayers and many of those that did take advantage did not feel they were getting any tax relief. Although we think we have to find a better, more sustainable delivery method than current the mill levy deduct plan, the current system is better than giving general credits. Hopefully this body will be able to develop a better delivery method for property tax relief than general credits. We are supporting the property tax reduction bill that was proposed by the Governor, but at a \$560 million level that we believe is a reduction that is measured, fair and sustainable.



Thank you for the opportunity to appear before you today in opposition to SB 2290. I would be happy to answer any questions.



PO Box 2639 P: 701-222-0929
Bismarck, ND 58502 F: 701-222-1611

www.ndchamber.com

**TESTIMONY TO THE
SENATE FINANCE & TAXATION COMMITTEE
Prepared by Kevin J. Glatt, Burleigh County Auditor\Treasurer**

SENATE BILL 2290

Mr. Chairman and members of the committee, I appear before you to express my opposition to SB2290.

- Cities, townships, and counties will be required to administer this proposal with no compensation or reimbursement for the work
 - Applicant must file form with assessor (city, township, county)
 - County Auditor must certify to tax commissioner.
- Replacement funding will not be received by counties, and subsequently all political subdivisions, until sometime after June 1st. This will create a cash flow problem for many local governments. (\$1,389 per \$100,000 of value).
- This statute will create a significant financial burden on county government.

Mr. Chairman, members of the House Political Subdivisions Committee I respectfully request a do not pass for SB2290.

Thank You.

Kevin J. Glatt
Burleigh County Auditor\Treasurer

50,000⁰⁰ residential at 50% maximum
or 25,000⁰⁰ credit maximum

Introduced by

Senators Dotzenrod, Mathern, Nelson

Representatives Gruchalla, Guggisberg, Onstad

1 A BILL for an Act to create and enact section ~~57-02-08.9~~ and ~~57-38-01.34~~ and a new
2 ~~subdivision to subsection 7 of section 57-38-30.3~~ of the North Dakota Century Code, relating to
3 provision of property tax relief through a residential property tax reduction, ~~renter's income tax~~
4 ~~credit, or agricultural property tax credit~~, and to provide an effective date.

5 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

6 SECTION 1. Section 57-02-08.9 of the North Dakota Century Code is created and enacted
7 as follows:

8 57-02-08.9. Residential property tax credit - Agricultural property tax credit -

or fifty percent
whichever is
less

9 Certification - Distribution.

- 10 1. An individual is entitled to receive a reduction of ^{one} ~~four~~ thousand ^{one} ~~five~~ hundred ^{twenty-five} ~~hundred~~ dollars of
11 the taxable valuation of the individual's primary residence as provided in this section. A
12 reduction under this section applies regardless of whether the individual is the head of
13 a family. If an individual is entitled to a reduction in taxable valuation under this section
14 and section 57-02-08.1 or 57-02-08.8, any reduction under sections 57-02-08.1 and
15 57-02-08.8 must be applied first and then the reduction under this section must be
16 applied. The reduction under this section, alone or in combination with any other
17 reduction allowed by law, may not exceed the taxable valuation of the primary
18 residence.
- 19 2. An estate or trust or a corporation or passthrough entity that owns residential property
20 used as part of a farming or ranching operation is entitled to a reduction as provided in
21 subsection 1 if that residential property is occupied as a primary residence, as of the
22 assessment date of the taxable year, by an individual who is a beneficiary of the estate
23 or trust or who holds an ownership interest in the corporation or passthrough entity.
24 Either the occupant or the entity that owns the residence may be the applicant for

13.0031.02002
Title.

Prepared by the Legislative Council staff for
Senator Dotzenrod
February 8, 2013

PROPOSED AMENDMENTS TO SENATE BILL NO. 2290

- Page 1, line 1, replace "sections" with "section"
- Page 1, line 1, remove "and 57-38-01.34 and a new"
- Page 1, line 2, remove "subdivision to subsection 7 of section 57-38-30.3"
- Page 1, line 3, remove ", renter's income tax"
- Page 1, line 4, remove "credit, or agricultural property tax credit"
- Page 1, line 8, remove "- Agricultural property tax credit"
- Page 1, line 10, replace "four" with "one"
- Page 1, line 10, replace "five" with "one"
- Page 1, line 10, after "hundred" insert "twenty-five"
- Page 1, line 10, after "dollars" insert "or fifty percent, whichever is less."
- Page 2, line 1, remove "and the definition of primary residence under"
- Page 2, line 2, remove "subsection 13"
- Page 3, line 24, remove "(1)"
- Page 3, remove lines 29 through 31
- Page 4, remove lines 1 and 2
- Page 5, remove lines 1 through 31
- Page 6, remove lines 1 through 5
- Renumber accordingly