

FISCAL NOTE
Requested by Legislative Council
03/18/2015

Amendment to: SB 2113

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 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 2113 with House Amendments provides clarifying language and allows for a small expansion of the disabled veterans property tax credit program.

- 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.*

The bill changes statutory language from 'exemption' to 'credit' for clarification and consistency purposes. Additionally, the references preventing the value of the land to be included in the computation of the credit are removed, facilitating the inclusion of the value of the land in computing the credit. This is consistent with a similar program - the Homestead Credit program.

The House amendments to the engrossed bill removes a provision for surviving spouses enabling them to regain eligibility upon the end of a subsequent marriage.

The bill is expected to increase the amount of credit claimed by applicants that had not reached the credit maximum under existing law. This broadening of the credit is expected to increase state general fund expenditures for the disabled veterans property tax credit program by a relatively small amount in the 2015-17 biennium. The program's expenditure level contained in the executive recommendation is expected to be adequate to cover this expansion.

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.*

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.*

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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The appropriation for the disabled veteran's credit program that is part of the Tax Department budget will likely be adequate to cover the increased costs associated with this bill if it is enacted.

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 03/19/2015

FISCAL NOTE
Requested by Legislative Council
02/03/2015

Amendment to: SB 2113

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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Counties			
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The bill changes statutory language from 'exemption' to 'credit' for clarification and consistency purposes. Additionally, the references preventing the value of the land to be included in the computation of the credit are removed, facilitating the inclusion of the value of the land in computing the credit. This is consistent with a similar program - the Homestead Credit program.

The engrossed bill includes a provision for surviving spouses enabling them to regain eligibility upon the end of a subsequent marriage.

The engrossed bill is expected to increase the amount of credit claimed by applicants that had not reached the credit maximum under existing law. This broadening of the credit is expected to increase state general fund expenditures for the disabled veterans property tax credit program by a relatively small amount in the 2015-17 biennium. The program's expenditure level contained in the executive recommendation is expected to be adequate to cover this expansion.

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The appropriation for the disabled veteran's credit program that is part of the Tax Department budget will likely be adequate to cover the increased costs associated with this bill if it is enacted.

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 02/04/2015

FISCAL NOTE
Requested by Legislative Council
12/22/2014

Revised
 Bill/Resolution No.: SB 2113

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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Counties			
Cities			
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The bill changes statutory language from 'exemption' to 'credit' for clarification and consistency purposes. Additionally, the references preventing the value of the land to be included in the computation of the credit are removed, facilitating the inclusion of the value of the land in computing the credit. This is consistent with a similar program - the Homestead Credit program. The proposal is expected to increase the amount of credit claimed by applicants that had not reached the credit maximum under existing law. This broadening of the credit is expected to increase state general fund expenditures for the disabled veterans property tax credit program by a relatively small amount in the 2015-17 biennium. The program's expenditure level contained in the executive recommendation is expected to be adequate to cover this expansion.

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The appropriation for the disabled veteran's credit program that is part of the Tax Department budget will likely be adequate to cover the increased costs associated with this bill if it is enacted.

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 01/13/2015

FISCAL NOTE
Requested by Legislative Council
12/22/2014

Revised
 Bill/Resolution No.: SB 2113

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$120,000			
Appropriations						

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The appropriation for the disabled veteran's credit program that is part of the Tax Department budget will likely be adequate to cover the increased costs associated with this bill if it is enacted.

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 12/29/2014

FISCAL NOTE
Requested by Legislative Council
12/22/2014

Bill/Resolution No.: SB 2113

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	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$120,000			
Appropriations			\$120,000			

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The appropriation for the disabled veteran's credit program within the Tax Department budget will need to be increased by \$120,000 if this bill is enacted.

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 12/26/2014

2015 SENATE FINANCE AND TAXATION

SB 2113

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB2113
1/14/2015
Job Number 21971

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Relating to the property tax credit for disabled veterans; and to provide an effective date.

Minutes:

Attachment #1, #2, #3

Chairman Cook opened the hearing on SB2113.

Linda Leadbetter, representing the North Dakota Office of State Tax Commissioner appears and presents testimony.
(Attachment #1)

Senator Bekkedahl -- \$6,750.00 equates to roughly \$150,000.00 appraised value, doesn't it?

Linda Leadbetter --We considered that, yes, the \$150,000.00 of what we have true and full value which is market value of the residence.

Senator Bekkedahl -- Under the other Homestead credit for disabled or elderly, within the income limits, is it still at \$4,500.00 for those categories?

Linda Ledbetter -- Correct, it is at \$100,000.00 for the entire homestead. I believe there are proposals currently out there that are changing those parameters in different bills that we've been watching.

Senator Bekkedahl -- I've been trying to look at that myself and figure out, but I did not realize this discrepancy existed. I am trying to figure out why the discrepancy is there, and, as a 20 year veteran myself, I don't mind the discrepancy being there. I am just wondering why it is there.

Linda Leadbetter -- I guess I can't answer that except that it is. That is how it is currently provided in law that it is \$4,500.00 for the Homestead credit and \$6,750.00.

Senator Triplett -- Linda, in your testimony and in the fiscal note the suggestion is that it is only going to increase state general fund expenditures by a relatively small amount in the next biennium and is covered in the governor's budget. But, just for the record, can you tell us within an order of magnitude what is the relatively small amount?

Linda Leadbetter -- We have considered the impact and the budget that is available to us now and we believe probably about \$400,000.00 knowing that we had monies that were not appropriated for the program during the last biennium that we will have some that will be returned and we have that portion of the budget and then an increase in our budget of \$800,000. So we believe with even an influx of more veterans into the program, as they return from service, that we still believe that within the budget request proposed we will meet that.

Senator Dotzenrod -- Just to be clear is that \$400,000.00 estimate, is that the increase or is that the programs expenditure level contained in the executive recommendations?

Linda Leadbetter -- We believe that to be a calculated increase with the best information we have available to us not knowing for certain the value of those lots that are going to be applied to these ones that possibly were not reaching the maximum. There were several of the applicants that did not reach the maximum that their taxable value was \$300. or \$450. so it will be a variance in those values of the lots that will come into play. But we believe that is for the increase in this program.

Terry Traynor from North Dakota Association of Counties presents testimony from Donald Flaherty, Dickey County Director of Tax Equalization. (Attachment #2)

Senator Cook -- Linda, is that true?

Linda Leadbetter -- Confirms the way the language is there because we are still looking in the case that the total sum of the credits submitted would still not be greater than the \$6,750.00, so I would want to have a chance to review the statute to make certain that we are covering that and not having it be a double program, but allow them to reach the maximum. Would you like a written response to the committee?

Chairman Cook -- Yes. I have a little yellow jacket with a bill draft in it dealing with the Homestead Tax Credit that I drafted on behalf on the Veteran Service Office and I'm going to have him give testimony. Ron Otto would you please come up.

Ron Otto, Morton and Oliver County Veteran Service Officer --

An issue came up with regards to this particular section of law that we thought we had covered in a previous session that dealt with intent. The un-remarried surviving spouse has basically been defined as never having been remarried. If you remarry you lose the exemption or the tax credit forever. We tried to follow the federal law in mirror what it does. That particular, a lot of the DIC or survivors benefits are re-capturable with regards too if a subsequent remarriage ends. It has been held that under this particular law, this tax credit is not re-captureable. As a County VSO (veteran service officer) you see a varied degree

of ages with regards to spouses that are eligible for this particular benefit. Some of them are very, very young. (meter 13:07)

Chairman Cook -- John Walstad was going to be down here with an amendment. The committee will get it.

Ron Otto -- The gist of the amendment would be to strike an un-remarried surviving spouse, and change to a surviving spouse who is unmarried. It creates a new section. (meter 14:05)

Chairman Cook -- I will get the amendments that John has drafted. I would like this committee to consider offering those amendments on to this bill.

Chairman Cook closed the hearing on SB2113.

Attachment #3 submitted after the hearing.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2113
1/26/2015
Job # 22531

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

mmonson

Explanation or reason for introduction of bill/resolution:

Minutes:

Attachment #1

Chairman Cook opened committee work on SB 2113 and said it was a housekeeping bill. He explained that the bill they passed last session inadvertently left out surviving spouse. If a veteran passed away the surviving spouse would be able to receive the credit but if she got married she would lose the credit. He presented amendment .01001 (Attachment #1) and explained that it clarifies that a surviving spouse who has become ineligible for the exemption by reason of a subsequent marriage may regain eligibility for the exemption if the subsequent marriage ends and the surviving spouse owns and occupies a homestead. This would then have our state law for benefits for surviving spouses mirror that federal law.

Sen. Triplett moved to adopt the amendment .01001. Seconded by **Sen. Bekkedahl**.

Amendment unanimously adopted on a voice vote.

Sen. Triplett moved a **Do Pass as amended**. Seconded by **Sen. Bekkedahl**.

Discussion followed on whether a fiscal note needs to be attached as a result of this amendment and whether it would need to be rereferred to appropriations. Sen. Triplett withdrew her motion until this can be clarified.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB2113
2/2/2015
Job #22990

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Alice G. Rowe

Explanation or reason for introduction of bill/resolution:

Committee work on SB2113

Minutes:

Chairman Cook opened the committee work on the bill. We had an amendment added to the bill. We had an amendment for a do pass as amended. We took that off the floor because we thought there may be a change in the fiscal note. It appears that there's not. I sent Kathy an e-mail Saturday. She has not responded so I wouldn't think there would be. We have before us SB2113 as amended. Your wishes?

Senator Triplett -- Since I made that do pass motion before, I'll make it again.

Seconded by Senator Unruh.

Roll call vote 6-0-1

Carried by Senator Triplett.

January 26, 2015

TJ
2/2/15

PROPOSED AMENDMENTS TO SENATE BILL NO. 2113

Page 1, line 2, after "veterans" insert "and extension of the disabled veterans' property tax credit to the disabled veteran's surviving spouse"

Page 2, line 7, after "3." insert "A surviving spouse who has become ineligible for the exemption under subsection 1 by reason of subsequent marriage may regain eligibility for the exemption under subsection 1 if the subsequent marriage ends and the surviving spouse owns and occupies a homestead for which the exemption is claimed.

4."

Page 2, line 8, after "time" insert "or a surviving spouse seeking to regain eligibility under subsection 3"

Page 2, line 15, overstrike "4." and insert immediately thereafter "5."

Page 2, line 19, overstrike "5." and insert immediately thereafter "6."

Page 2, line 21, overstrike "6." and insert immediately thereafter "7."

Page 2, line 23, replace "7." with "8."

Page 2, line 28, replace "8." with "9."

Page 3, line 4, replace "9." with "10."

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

Page 3, line 14, replace "11." with "12."

Page 3, line 18, replace "12." with "13."

Renumber accordingly

Date: 1.26.14Roll Call Vote #: 1

**2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO 2113**

Senate Finance and Taxation Committee☐ SubcommitteeAmendment LC# or Description: .01001

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Sen. Triplett Seconded By Sen. Bekkedahl

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook			Senator Jim Dotzenrod		
Vice Chairman Lonnie Laffen			Senator Connie Triplett		
Senator Brad Bekkedahl					
Senator Dave Oehlke					
Senator Jessica Unruh					
<i>Passed unanimously on a voice vote.</i>					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Date: 2-2-15Roll Call Vote #: 1

**2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO 2113**

Senate Finance and Taxation Committee☐ SubcommitteeAmendment LC# or Description: 15-8065.01001 Title .02000

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
 Other Actions: ☐ Reconsider ☐ _____

Motion Made By Sen. Triplett Seconded By Sen. Unruh

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook	✓		Senator Jim Dotzenrod	✓	
Vice Chairman Lonnie Laffen	✓		Senator Connie Triplett	✓	
Senator Brad Bekkedahl	✓				
Senator Dave Oehlke	AB				
Senator Jessica Unruh	✓				

Total (Yes) 6 No 0Absent 1Floor Assignment Sen. Triplett

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

REPORT OF STANDING COMMITTEE

SB 2113: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2113 was placed on the Sixth order on the calendar.

Page 1, line 2, after "veterans" insert "and extension of the disabled veterans' property tax credit to the disabled veteran's surviving spouse"

Page 2, line 7, after "3." insert "A surviving spouse who has become ineligible for the exemption under subsection 1 by reason of subsequent marriage may regain eligibility for the exemption under subsection 1 if the subsequent marriage ends and the surviving spouse owns and occupies a homestead for which the exemption is claimed.

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Renumber accordingly

2015 HOUSE FINANCING AND TAXATION

SB 2113

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2113
3/10/2015
24579

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Mary Bruecker

Explanation or reason for introduction of bill/resolution:

A bill relating to the property tax credit for disabled veterans and extension of the disabled veterans' property tax credit to the disabled veteran's surviving spouse.

Minutes:

Attachment #1, 2

Chairman Headland: Opened hearing.

Linda Leadbetter, Office of State Tax Commissioner: Distributed testimony. See attachment #1. Introduced bill. Ended testimony at 4:26

Chairman Headland: What was the rationale for adding the surviving spouse if they became suddenly separated from their decision to marry someone else?

Linda Leadbetter: I believe it came from a veterans organization and it was the understanding that they felt that surviving spouse should still be eligible for those benefits if at the time of ending whether it be by death or other causes they were still considered eligible for those benefits for their homestead if they had been married to a veteran. It was an amendment that was added and adopted at the senate level.

Chairman Headland: It just seems a bit odd to me. We'll take testimony in support.

Ron Otto, Morton and Oliver County Veteran Service Officer: With regards to the unmarried surviving spouse, this was added because there was an opinion on the word "unremarried." An unmarried spouse according to DIC (Death Indemnity Compensation) is eligible to recapture DIC. If she marries the DIC will go away. If that marriage dissolves for one reason or another she is eligible under the federal rolls to recapture that benefit. We thought we had that clearly included but the attorney general's office said an unremarried spouse meant forever unremarried and that was not our intent at all. The senate side concurred with us.

Chairman Headland: Do you know whether it will impact anyone?

Ron Otto: Very few but it will impact some. We have a unique situation with regards to these wars; we have some very young widows and widowers out there. We're hoping life will go on for them but in the event that doesn't work out for them and they end up being single again they would recapture all of the benefits they were eligible for at the time of the death of their spouse.

Representative Klein: The state system will now match the federal system and that's what your whole intention was in this case.

Ron Otto: That is correct. It will parallel our federal system with regards to those issues.

Chairman Headland: Let us be clear here though I think you're talking about eligibility for benefits is all because there is no federal funded veterans disabled property tax credit.

Ron Otto: That is correct; we are paralleling with the DIC benefit and recapturing what that would be for the surviving spouse.

Chairman Headland: Further testimony in support? Is there any opposition?

Representative Steiner: What is DIC?

Ron Otto: If a veteran dies or is killed in action or dies of a service connected disability an amount of money is paid to their surviving spouse and it is tax exempt. There are other benefits that come along with that.

Representative Steiner: What does it stand for?

Ron Otto: Death Indemnity Compensation.

Chairman Headland: If there is no further testimony we will close the hearing.

Donald Flaherty, Dickey County Director of Tax Equalization: Submitted written testimony but was not present at the hearing. See attachment #2.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2113
3/11/2015
24685

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Mary Buckler

Explanation or reason for introduction of bill/resolution:

A bill relating to the property tax credit for disabled veterans and extension of the disabled veterans' property tax credit to the disabled veteran's surviving spouse.

Minutes:

No attachments.

Vice Chairman Owens: The first part is changing the exemption to a credit. This is actually a technical correction based on a change we made four or six years ago. The only real substantive change in here is surviving spouse. The way it is listed right now is an unmarried surviving spouse so once you're unmarried you still get it and if you remarry you lose it. The other part is the tax department changing and number three is the veterans group changing it. The veteran's officer, Am Vets, and everyone else say if a person makes a bad decision and marries an undesirable person the second time and gets out of it she wants her money back.

Representative Schneider: That's a good idea because you want them to get married and get off of it for a while. If you don't allow them to get back on it they might be too worried to marry the undesirable person in the first place.

Representative Klein: My concern is that she marries a veteran again and then marries a third one; which one does she take then?

Representative Dockter: There's too much of a can of worms on this bill. **Made a motion for a do not pass.**

Representative Klein: Seconded.

Representative Steiner: I'm going to resist that. I think it encourages marriage and it's very good for our society.

Representative Strinden: If you're married and then get alimony, if you marry somebody else and that ends does the original spouse...

Vice Chairman Owens: No. Once you remarry the old one is off the hook and he doesn't care what happens to you after that.

Representative Trottier: Linda Leadbetter stated it was more of a cleanup and it isn't projected to cost anything.

Vice Chairman Owens: It does cost something because the state covers the exemption on the homestead if she were to get it afterwards. Rather than a do not pass I would suggest striking paragraph three and renumbering then striking the change in paragraph four and renumbering. This way you could pass the technical corrections and pull out the surviving spouse getting another divorce and still getting to go back.

Representative Dockter: I would be for that. I'll withdraw my motion.

Representative Klein: Withdrew the second.

Chairman Headland: Does someone want to get an amendment drafted?

Vice Chairman Owens: I will.

Chairman Headland: We'll set this bill aside and wait for the amendment.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee

Fort Totten Room, State Capitol

SB 2113

3/16/2015

24902

☐ Subcommittee

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A bill relating to the property tax credit for disabled veterans and extension of the disabled veterans' property tax credit to the disabled veteran's surviving spouse.

Minutes:

Attached amendment #1

Vice Chairman Owens: I understand what they are trying to do but I think it's wrong. Made a motion to amend this bill on page 2 lines 8-11 delete paragraph 3 and renumber accordingly.

Chairman Headland: What about the language in subsection 4?

Vice Chairman Owens: You're correct. On page 2 line 13 delete "or a surviving spouse seeking to regain eligibility under" and on line 14 delete "subsection 3."

Representative Dockter: This takes the flip flopping of the spouse out?

Vice Chairman Owens: The spouse can be male or female. If the spouse remarries there's not an incentive to run from that marriage later because this is an incentive.

Chairman Headland: Does everybody have it?

Representative Dockter: Seconded motion.

Voice vote: Motion carried.

Vice Chairman Owens: **Made a motion for a do pass as amended.** The remainder of the bill is a technical correction due to changes we made in the disabled veterans property tax credit from before. This changes it from an exemption to a credit in the way the tax department handles the credit for the disabled veterans.

Representative Klein: Seconded.

Roll call vote: 14 yes 0 no 0 absent

House Finance and Taxation Committee

SB 2113

March 16, 2015

Page 2

Motion carries for do pass as amended.

Representative Klein will carry this bill.

March 16, 2015

84
3/16/15

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2113

Page 2, line 8, remove "A surviving spouse who has become ineligible for the exemption under subsection 1"

Page 2, remove lines 9 through 11

Page 2, line 12, remove "4."

Page 2, line 13, remove "or a surviving spouse seeking to regain eligibility under"

Page 2, line 14, remove "subsection 3"

Page 2, line 21, remove the overstrike over "4."

Page 2, line 21, remove "5."

Page 2, line 25, remove the overstrike over "5."

Page 2, line 25, remove "6."

Page 2, line 27, remove the overstrike over "6."

Page 2, line 27, remove "7."

Page 2, line 29, replace "8." with "7."

Page 3, line 3, replace "9." with "8."

Page 3, line 10, replace "10." with "9."

Page 3, line 16, replace "11." with "10."

Page 3, line 20, replace "12." with "11."

Page 3, line 24, replace "13." with "12."

Renumber accordingly

Date: 3-16-15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2113

House Finance and Taxation Committee

☐ Subcommittee (15.8065.02001)

Amendment LC# or Description: p. 2 lines 8-11 delete + renumber accordingly

Recommendation: ☒ Adopt Amendment line 13 delete "on" + subsection 3 on line 14.

☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation

☐ As Amended ☐ Rerefer to Appropriations

☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Rep. Owens Seconded By Rep. Dockter

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND			REP HAAK		
VICE CHAIRMAN OWENS			REP STRINDEN		
REP DOCKTER			REP MITSKOG		
REP TOMAN			REP SCHNEIDER		
REP FROSETH					
REP STEINER					
REP HATLESTAD					
REP KLEIN					
REP KADING					
REP TROTTIER					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voice vote = Motion carries.

Date: 3-16-15
Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2113

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: 15.8065.02001

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Rep. Owens Seconded By Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND	✓		REP HAAK	✓	
VICE CHAIRMAN OWENS	✓		REP STRINDEN	✓	
REP DOCKTER	✓		REP MITSKOG	✓	
REP TOMAN	✓		REP SCHNEIDER	✓	
REP FROSETH	✓				
REP STEINER	✓				
REP HATLESTAD	✓				
REP KLEIN	✓				
REP KADING	✓				
REP TROTTIER	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Rep. Klein

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

REPORT OF STANDING COMMITTEE

SB 2113, as engrossed: Finance and Taxation Committee (Rep. Headland, Chairman)
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends
DO PASS (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2113
was placed on the Sixth order on the calendar.

Page 2, line 8, remove "A surviving spouse who has become ineligible for the exemption under subsection 1"

Page 2, remove lines 9 through 11

Page 2, line 12, remove "4."

Page 2, line 13, remove "or a surviving spouse seeking to regain eligibility under"

Page 2, line 14, remove "subsection 3"

Page 2, line 21, remove the overstrike over "4."

Page 2, line 21, remove "5."

Page 2, line 25, remove the overstrike over "6."

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Page 2, line 27, remove the overstrike over "6."

Page 2, line 27, remove "7."

Page 2, line 29, replace "8." with "7."

Page 3, line 3, replace "9." with "8."

Page 3, line 10, replace "10." with "9."

Page 3, line 16, replace "11." with "10."

Page 3, line 20, replace "12." with "11."

Page 3, line 24, replace "13." with "12."

Renumber accordingly

2015 CONFERENCE COMMITTEE

SB 2113

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB2113
4/7/2015
Job #25883

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Conference Committee

Minutes:

Chairman Bekkedahl opened the conference committee on SB2113. Senators Bekkedahl, Oehlke & Triplett; Rep. Froseth, Klein & Mitskog all present.

Sen. Bekkedahl -- SB2113 relates to the property tax credit for disabled veterans and extension of the disabled veterans property tax credit to the disabled veteran's surviving spouse. Opening up the hearing we have differences between the House and Senate and I will ask if anyone in the House wants to respond to the differences or any issues that have occurred in the bill.

Rep. Froseth -- The House removed the section on page 2 of the original bill, section 3 and parts of lines 13 & 14 & subsection 4. That was the portion that would, if a surviving spouse of a disabled veteran became a widow she would no longer receive the benefits and we discussed it quite thoroughly in our committee and thought this was probably going a little far and it would be a lot of paperwork involved in it. We removed that section in the bill.

Rep. Klein -- When we discussed it, it just seems like the amount of paperwork involved to do this and you are not talking a lot of money and we are extending that back beyond the next marriage and divorce, I didn't think it was worth the effort to do that.

Sen. Bekkedahl -- For clarification, both Rep. Froseth & Rep. Klein are talking about the paperwork involved. Within the county, I believe it is the county tax offices, the tax assessor's office. Is that correct, is that where you discussed that in committee?

Rep. Froseth -- That's part of it, yes.

Sen. Triplett -- I probably should know, having served as county commissioner for 16 years but I didn't get into every detail and that is one that I don't know, we didn't discuss the

paperwork issue at all in our committee. Can one of you describe what amount of paperwork that we are talking about?

Rep. Klein -- A part of it is, she gets remarried and then gets divorced later on and then comes back again and wants to reestablished that, it just seems like for the amount of money involved in it and a decision is made, we are going back and redoing something that, we felt that if you made a decision you should stay with it.

Sen. Oehlke -- The wording that was in that bill said the surviving spouse. It wasn't about a divorced spouse. It was about a widow or a widower. I don't believe it was attributable to a divorce.

Rep. Klein -- The way we understood it was that she had remarried, knowing she could keep it but when she divorced the next time, that's when they wanted to reinstitute it.

Sen. Oehlke -- I get that.

Sen. Triplett -- I think we are talking about older people, if we are talking about people being deceased in the first place. Not always, but for the most part when we are talking about a surviving spouse of a deceased veteran, it's probably someone who is up in years and so if, she or he, as the surviving spouse remarries it's probably just as likely that they are going to be widowed again. This is about keeping older people in their homes. My notion of the paperwork would probably be that they would have to prove that they once had the entitlement and that their second marriage had ended, whether through the death of a spouse or a divorce. I'm not seeing the large administrative burden.

Sen. Bekkedahl -- I would state, from the Senate side, the reason this was entertained in the original language was mirroring federal language provisions that already exist for these events in a person's life.

Rep. Froseth -- Say that again.

Sen. Bekkedahl -- The reason that this was placed in here was it mirrors federal language provisions that are already there where entitlements that follow the surviving spouse if they remarry and subsequently lose another spouse in that process, through divorce or through death, are allowed to claim those federal provisions for benefits.

Rep. Froseth -- Yeah, the federal ones but that wouldn't pertain to the state exemption under this.

Sen. Bekkedahl -- You are correct. The federal provisions deal with other issues other than property tax. These were added in here to allow the property tax provisions under the tax credit.

Sen. Oehlke -- I pulled out some of my testimony from when we heard the bill and I don't remember anybody from the counties coming in and saying that it was a lot of paperwork. Did they come in to your hearing and say that?

Rep. Klein -- Not specifically but during the discussion we discussed that and we said, well, the first time we could see that but on the second time we just thought, at that point, we were saying you've made a decision the second time around, now the third time around you are coming again. It didn't make much sense to us to continue the system. I understand that it mirrors the federal system which they still qualify for but they wouldn't get the property tax credit under the state system. We did a quick look and you are basically talking maybe \$50,000 to \$60,000 a biennium.

Sen. Bekkedahl -- I believe that you are correct. I remember the fiscal note saying, the bill is expected to increase the amount of credit claimed by applicants that had not reached the credit maximum under existing law. The program's expenditure level contained in the executive recommendation is expected to be adequate to cover this expansion. That is why the fiscal note shows zero impact at this point.

Sen. Triplett -- The four of us sit on another conference committee where folks from the House are saying that they won't agree to it because it's too much money and now here you are saying you are opposed to it because it's really not very much money.

Sen. Bekkedahl -- Any other comments or question?

Rep. Froseth -- I just feel that it's probably a property tax exemption that isn't going to amount to much for that person who claims it after her second marriage, it would have to be after her second marriage before she was widowed again that she would be able to claim this, it seemed like we are pushing these exemptions a long ways out. If she remarries she knows that she has to give up that exemption. She goes into this knowing full well that she is going to lose that surviving spouse exemption. We've got a lot of exemptions on the books and we keep adding more.

Rep. Mitskog -- Rather interesting in our committee as I remember back there was extensive discussion about surviving spouse and being remarried and then possibly divorced or widowed again and I think maybe we lost focus of the purpose of this bill. This was brought before us by the tax commissioner that wanted some clarifications on some things. We had extensive discussion about that portion about surviving spouse and I'm wondering if we didn't talk enough about the bones of this bill and what really the tax commissioner needed clarified and cleaned up. Going back to the documentation that was provided by the tax commissioner's office and the reason for the bill; it says here to define the program as a property tax credit and eliminate the use of the word exemption and create equity between the homestead credit. I'm sure everybody was provided with that. Do you remember that?

Sen. Oehlke -- Yes, and I have a copy of that right here. Basically we were trying to get the land into the mix, not just fixtures, buildings and improvements so that didn't have to be subtracted out. All that really does is make it the same as all the other homestead tax credits so they can figure them in the same manner. That was the nuts and bolts of the bill and the part about the spouses and extended tax credit for the unremarried spouse was something to just match up with the federal piece of the pie. I suspect that anybody that loses a spouse and gets married chances are if they are asking for this credit again it isn't because they got divorced. It's because they outlived another spouse. And that could be

male or female. It certainly wouldn't have to be a wife all the time. In this day and age there are plenty of veterans on both sides of the fence.

Sen. Bekkedahl -- Thank you, Sen. Oehlke and Rep. Mitskog for those clarifications because I think that is important to note that the bill originally, at the request of the tax commissioner, was for that clarification of the existing statute to bring in congruence with the existing homestead tax credits where the land is not taken out of that.

My question to the House conferees, did the House, in committee, have any problems with that part of the bill, is that correct? Let the record show that they responded affirmative to that. So the only issue that the House committee had is the issue with the surviving spouse, is that correct? Affirmative response from the House members.

Sen. Oehlke -- If everyone could just die at the same time, this would be a lot simpler.

Sen. Bekkedahl -- We are not wishing that on anybody.

Rep. Klein -- To get the thing on the table, I would move that the Senate accede to the House amendment.

Rep. Froseth -- Seconded

Sen. Bekkedahl -- Motion before us, further discussion.

Sen. Oehlke -- At this point I think I'd like to think about it and have one more meeting.

No further discussion, the roll call vote is taken. Senators 3 no; Rep. 3 yes. Failed.

Sen. Bekkedahl -- At this point, conferees, I think we had good discussion. We've got information that we need to look at.

Sen. Oehlke -- I will just double check with a couple of counties and find out how much paperwork this is and if that is a huge deal and how many times it has transpired in Ramsey County, for instance.

Rep. Mitskog -- I am not sure that we heard that in committee on the numbers. Do you recall, on applicants and how often that occurred?

Sen. Bekkedahl -- It has brought questions into my mind and I'd like to get some research done.

Closed the hearing.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2113
4/13/2015
Job #26057

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Conference Committee

Minutes:

Attachment #1

Chairman Bekkedahl opened the conference committee on SB2113. Senators Bekkedahl, Oehlke and Triplett; Representative Froseth, Klein and Mitskog all present.

Sen. Bekkedahl -- We are open for discussion.

Rep. Froseth -- Last meeting someone was talking about bringing amendments or getting more information.

Sen. Oehlke - I have a copy of the form that is used to apply. **(Attachment #1)** One of the things we talked about previously was someone saying it sounds like a lot of paperwork and it's pretty complicated. Actually it turns out it is really not that big of a deal. You put your name down and put an x in this spot and explain the relationship and it's not rocket science for the people who do the work on it. That was what I was checking on.

Sen. Triplett -- To follow up on Rep. Froseth's comments, I did speak with the two veteran service officers who were in the meeting and they both expressed the same sentiment that there is not a lot of work and the VA does the qualification part of it for the spouses. There is not a particular paperwork burden and the VA officers are happy to help with the certification.

Rep. Froseth -- We got the message on that. We did some checking on that too. My position is that we passed the disabled veterans homestead tax credit bill last week and there is \$7.7M appropriated, \$6.3 was used with the balance of \$1.4M that wasn't used and appropriations committee didn't put any more. I think they were asked to put \$750,000 additional money in that budget. They didn't do that. They left it at \$7.7 and that is the way it passed. This is an unnecessary benefit to extend this. We've got many veterans coming back from Iraq and Afghanistan with disabilities that in the future years are going to make use of this homestead credit and I think this extra \$1.4M that wasn't used will eventually be

needed to help those veterans. It's a look-ahead but I think it's of more benefit than extending the widows benefit for another marriage, or two, or three, or four.

Rep. Klein -- I agree with Rep. Froseth. The other thing, we are talking here roughly \$50,000 out of the general fund. We are hunting for money for SBAR and all of these other programs are good programs that are out there and, like Rep. Froseth said, as time goes on and more people find out about this, they are going to be using it quite a bit more and we will run out of money in that operation.

Sen. Bekkedahl -- Any further discussion? Any motion considerations?

Rep. Froseth -- To get a motion on the table, I would move that the Senate recede from their amendments and accede to the House amendments.

Rep. Klein -- Seconded.

Sen. Oehlke -- A question of clarification, the motion is for us to recede?

Sen. Bekkedahl -- The clarification for the committee is that the Senate accede to the House amendments.

Sen. Froseth -- We took that one section out and you put it back in again. I thought you would have to recede your amendment.

Sen. Oehlke -- I think all we have to do is deal with what you sent over; unless we were reamending.

Sen. Froseth -- That would be my motion, to accede to House amendments.

Sen. Bekkedahl -- Everybody clear on that?

Sen. Oehlke -- I don't particularly see the wisdom in it but I don't see the wisdom in sitting here for 3 or 4 more meetings either.

Roll call vote. Senators 2 yes, 1 no; Representatives 3 yes. Motion carried.

Carriers: Sen. Bekkedahl & Representative Froseth.

**2015 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES**

BILL/RESOLUTION NO. SB2113 as engrossed

Senate Finance & Tax 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: Rep. Klein Seconded by: Rep. Froseth

Senators	4/7			Yes	No		Representatives	4/7			Yes	No
Sen. Bekkedahl	X				X		Rep. Froseth	X			X	
Sen. Oehlke	X				X		Rep. Klein	X			X	
Sen. Triplett	X				X		Rep. Mitskog	X			X	
Total Senate Vote				0	3		Total Rep. Vote				3	0

Vote Count Yes: 3 No: 3 Absent: 0

Senate Carrier _____ House Carrier _____

LC Number _____ of amendment

LC Number _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

**2015 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES**

BILL/RESOLUTION NO. SB2113 as engrossed

Senate Finance & Tax 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: Rep. Froseth Seconded by: Rep. Klein

Senators	4/7	4/13		Yes	No		Representatives	4/7	4/13		Yes	No
Sen. Bekkedahl	X	X		X			Rep. Froseth	X	X		X	
Sen. Oehlke	X	X		X			Rep. Klein	X	X		X	
Sen. Triplett	X	X			X		Rep. Mitskog	X	X		X	
Total Senate Vote				2	1		Total Rep. Vote				3	0

Vote Count Yes: 5 No: 1 Absent: 0

Senate Carrier Sen. Bekkedahl House Carrier Rep. Froseth

LC Number _____ . _____ of amendment

LC Number _____ . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

REPORT OF CONFERENCE COMMITTEE

SB 2113, as engrossed: Your conference committee (Sens. Bekkedahl, Oehlke, Triplett and Reps. Froseth, Klein, Mitskog) recommends that the **SENATE ACCEDE** to the House amendments as printed on SJ pages 883-884 and place SB 2113 on the Seventh order.

Engrossed SB 2113 was placed on the Seventh order of business on the calendar.

2015 TESTIMONY

SB 2113



#1

**Testimony –
Senate Finance and Taxation Committee**

Senate Bill 2113

January 14, 2015
Prepared by Linda Leadbetter, State Supervisor of Assessments
North Dakota Office of State Tax Commissioner
Phone: 328-3128
E-mail: lleadbett@nd.gov

Good morning, Chairman Cook and Members of the Committee:

Introduction

For the record, my name is Linda Leadbetter. I am here on behalf of the North Dakota Office of State Tax Commissioner (Tax Department).

Senate Bill 2113 is a property tax bill relating to the credit available to disabled veterans.

Background

The existing disabled veterans property tax credit provided in N.D.C.C. §57-02-08.8 originated as a property tax exemption. Unless specifically provided in law, land may not be exempted from property taxation. As an exemption, the original revenue loss was absorbed by the counties and other political subdivisions. In 2009, the Legislature changed the exemption to a tax credit, and started reimbursing the counties in a manner similar to the Homestead Credit Program. The current law grants a credit applied against the first six thousand seven hundred fifty dollars of taxable valuation of the *fixtures, buildings, and improvements* of the homestead owned and occupied by the disabled veteran or unremarried surviving spouse. The land is not eligible for the tax credit, a holdover from the days when it was an exemption. This bill seeks to change that provision, allowing the value of the land to be a component of the tax credit.

Reason for bill

Senate Bill 2113 would clean up statutory language and properly define this program as a property tax credit and eliminate the use of the word exemption. This bill will create equity between the Homestead Credit

#1.2
1-14-15

provided in N.D.C.C. § 57-02-08.1 which includes the taxable value of the entire homestead of the applicant. This will create clearer understanding of the program and allow for easier administration.

Another proposed change will also provide for similar administration when compared to the Homestead Credit. Rather than requiring a proration of the property tax at the time of death, the credit will terminate at the end of the taxable year of the death of the applicant.

Explanation of bill

On **page 1, lines 14 through 15, line 24, and page 2, line 3**, the removal of the words “of the fixtures, buildings, and improvements” changes the credit to the entire homestead of the applicant.

The word “**exemption**” is removed and replaced by “**credit**” to explain that the property is not exempt from taxation, but that the tax is paid through the Disabled Veterans Credit program.

On **page 2, lines 21 through 22**, a termination date is provided for the credit at the end of the taxable year of the death of the applicant. Following the death of the disabled veteran, the unremarried surviving spouse would then be the eligible applicant.

The proposed changes to this bill would be effective beginning with the 2015 taxable year.

Fiscal impact

The changes proposed by this bill will expand the credit claimed by applicants that had not previously reached the maximum taxable value of the credit. The broadening of this program is expected to increase the state general fund expenditures for the disabled veterans’ tax credit. The program’s expenditure level contained in the executive recommendation is expected to be adequate to cover the changes to the program.

Conclusion

The Tax Commissioner’s Office respectfully requests favorable consideration of Senate Bill 2113. Thank you.

January 13, 2015

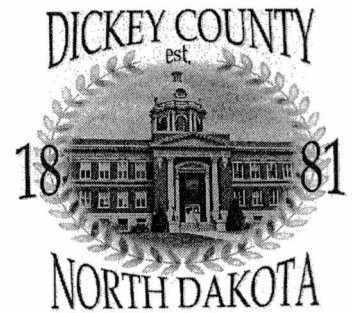
OFFICE OF TAX EQUALIZATION

P. O. Box 393

Ellendale ND 58436

Phone: (701) 349-3249 Ext. 7

E-mail: dflaherty@nd.gov



SB 2113
#2
1-14-15

2015 Senate Finance and Taxation Committee
Honorable Senator Dwight Cook, Chairman
North Dakota State Capitol

Dear Senator Cook and Members of the Senate Finance and Taxation Committee:

My name is Don Flaherty and I am the Director of Tax Equalization for Dickey County. I am writing you today to speak in favor of SB 2113. I believe that the proposed changes to NDCC § 57-02-08.8 to extend the Disabled Veteran's Tax Credit to include all taxable value of a veteran's homestead instead of just the taxable value of improvements will provide consistency for these types of property tax credits. Not only will it be a benefit to the taxpayer by increasing the coverage of the credit but it will also make it easier for the local assessor and/or the county director of tax equalization to calculate and apply this credit to the eligible property. I do however have a recommendation for a proposed amendment to this piece of legislation that I wish to address.

Currently a person can stack the Disabled Veteran's Credit and the Homestead Credit. If a taxpayer meets the qualifications for both credits, they could potentially receive a total credit of up to \$1,250 of taxable value (approximately \$250,000 of True & Full) based on current statute. I feel that the limit should not be greater than the higher of the two (currently the Disabled Veteran's Credit). Therefore I would like to propose the following addition to page 2, line 23 of the proposed legislation:

7. If an applicant for the credit provided in this section is also eligible for the credit in section 57-02-08.1 (1), the applicant may apply for both credits. The credit provided in this section shall be calculated and applied to the applicant's "homestead" before any credit as provided in section 57-02-08.1 (1) is calculated and applied. In no case shall the total sum of the credits outlined in this section and section 57-02-08.1 (1) be greater than six thousand seven hundred fifty dollars of taxable valuation of the applicant's "homestead".

Remaining points to be renumbered accordingly.


Respectfully Submitted,


Donald W. Flaherty

Dickey County Director of Tax Equalization

NDLA, S FIN - Grove, Alice

#3
1.14.15

:
Leadbetter, Linda
Monday, January 19, 2015 2:38 PM
Cook, Dwight C.; Laffen, Lonnie J.; Bekkedahl, Brad; Oehlke, H. Dave; Unruh, Jessica K.;
Dotzenrod, Jim A.; Triplett, Constance T.
Cc: NDLA, Intern 02 - Derks, Cole; NDLA, S FIN - Grove, Alice
Subject: SB 2113


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

In response to testimony provided by Donald W. Flaherty, Dickey County Director of Tax Equalization, on January 14, 2015, relating to Senate Bill 2113:

The changes proposed in SB 2113 do not create an opportunity for a disabled veteran to qualify for a credit provided in both N.D.C.C. 57-02-08.8 (Disabled Veteran Credit) and 57-02-08.1 (Homestead Credit). Currently, if a disabled veteran also meets qualifications of the Homestead Credit program, **both** credits are already available to the disabled veteran.

Records provided through county abstracts indicated less than twenty applicants were included in both the disabled veterans and homestead credit programs in each of the years 2012 and 2013.

Linda Leadbetter

State Supervisor of Assessments
Office of North Dakota Tax Commissioner
. Boulevard Ave., Dept. 127
Bismarck, ND 58505-0599
leadbett@nd.gov
701-328-3128

January 26, 2015

PROPOSED AMENDMENTS TO SENATE BILL NO. 2113

Page 1, line 2, after "veterans" insert "and extension of the disabled veterans property tax credit to the disabled veteran's surviving spouse"

Page 2, line 7, after the period insert: "A surviving spouse who has become ineligible for the exemption under subsection 1 by reason of subsequent marriage may regain eligibility for the exemption under subsection 1 if the subsequent marriage ends and the surviving spouse owns and occupies a homestead for which the exemption is claimed."

4. "

Page 2, line 8, after "time" insert "or a surviving spouse seeking to regain eligibility under subsection 3"

Page 2, line 15, overstrike "4." and insert immediately thereafter "5."

Page 2, line 19, overstrike "5." and insert immediately thereafter "6."

Page 2, line 21, overstrike "6." and insert immediately thereafter "7."

Page 2, line 23, replace "7." with "8."

Page 2, line 28, replace "8." with "9."

Page 3, line 4, replace "9." with "10."

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

Page 3, line 14, replace "11." with "12."

Page 3, line 18, replace "12." with "13."

Renumber accordingly



SB 2113
3-10-15
#1 p. 1

**Testimony –
House Finance and Taxation Committee**

Senate Bill 2113

March 10, 2015
Prepared by Linda Leadbetter, State Supervisor of Assessments
North Dakota Office of State Tax Commissioner
Phone: 328-3128
E-mail: lleadbett@nd.gov

Good morning, Chairman Headland and Members of the Committee:

Introduction

For the record, my name is Linda Leadbetter. I am here on behalf of the North Dakota Office of State Tax Commissioner (Tax Department).

Senate Bill 2113 is a property tax bill relating to the credit available to disabled veterans.

Background

The existing disabled veterans property tax credit provided in N.D.C.C. §57-02-08.8 originated as a property tax exemption. Unless specifically provided in law, land may not be exempted from property taxation. As an exemption, the original revenue loss was absorbed by the counties and other political subdivisions. In 2009, the Legislature changed the exemption to a tax credit, and started reimbursing the counties in a manner similar to the Homestead Credit Program. The current law grants a credit applied against the first six thousand seven hundred fifty dollars of taxable valuation of the *fixtures, buildings, and improvements* of the homestead owned and occupied by the disabled veteran or unremarried surviving spouse. The land is not eligible for the tax credit, a holdover from the days when it was an exemption. This bill seeks to change that provision, allowing the value of the land to be a component of the tax credit.

Reason for bill

Senate Bill 2113 would clean up statutory language and properly define this program as a property tax credit and eliminate the use of the word exemption. This bill will create equity between the Homestead Credit

provided in N.D.C.C. § 57-02-08.1 which includes the taxable value of the entire homestead of the applicant. This will create clearer understanding of the program and allow for easier administration.

Another proposed change will provide for similar administration when compared to the Homestead Credit. Rather than requiring a proration of the property tax at the time of death, the credit will terminate at the end of the taxable year of the death of the applicant.

A provision creating eligibility for the surviving spouse of a veteran, following the end of a subsequent marriage, was added as an amendment and adopted by the Senate Finance and Taxation Committee.

Explanation of bill

On page 1, lines 15 through 16, and page 2, lines 1 and 4, the removal of the words "of the fixtures, buildings, and improvements" changes the credit to the entire homestead of the applicant.

The word "exemption" is removed and replaced by "credit" throughout the document to explain that the property is not exempt from taxation, but that the tax is paid through the Disabled Veterans Credit program.

Page 2, subsection 3, provides the amendment adopted by the Senate Finance and Taxation Committee relating to the eligibility of a surviving spouse whose subsequent marriage ends.

On page 2, lines 27 through 28, a termination date is provided for the credit at the end of the taxable year of the death of the applicant. Following the death of the disabled veteran, the unremarried surviving spouse would then be the eligible applicant.

The proposed changes to this bill would be effective beginning with the 2015 taxable year.

Fiscal impact

The changes proposed by this bill will expand the credit claimed by applicants that had not previously reached the maximum taxable value of the credit. The broadening of this program is expected to increase the state general fund expenditures for the disabled veterans' tax credit. The program's expenditure level contained in the executive recommendation is expected to be adequate to cover the changes to the program.

Conclusion

The Tax Commissioner's Office respectfully requests favorable consideration of Senate Bill 2113. Thank you.

OFFICE OF TAX EQUALIZATION

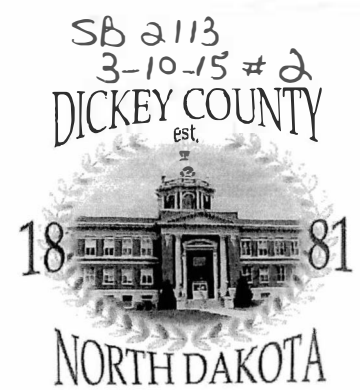
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March 10, 2015



2015 House Finance and Taxation Committee
Honorable Representative Craig Headland, Chairman
North Dakota State Capitol

Dear Representative Headland and Members of the House Finance and Taxation Committee:

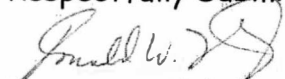
My name is Don Flaherty and I am the Director of Tax Equalization for Dickey County. I am writing you today to speak in favor of SB 2113. I believe that the proposed changes to NDCC § 57-02-08.8 to extend the Disabled Veteran's Tax Credit to include all taxable value of a veteran's homestead instead of just the taxable value of improvements will provide consistency for these types of property tax credits. Not only will it be a benefit to the taxpayer by increasing the coverage of the credit but it will also make it easier for the local assessor and/or the county director of tax equalization to calculate and apply this credit to the eligible property. I do however have a recommendation for a proposed amendment to this piece of legislation that I wish to address.

Currently a person can stack the Disabled Veteran's Credit and the Homestead Credit. If a taxpayer meets the qualifications for both credits, they could potentially receive a total credit of up to \$11,250 of taxable value (approximately \$250,000 of True & Full) based on current statute. I feel that the limit should not be greater than the higher of the two (currently the Disabled Veteran's Credit). Therefore I would like to propose the following addition to page 2, line 29 of the proposed legislation:

7. If an applicant for the credit provided in this section is also eligible for the credit in section 57-02-08.1 (1), the applicant may apply for both credits. The credit provided in this section shall be calculated and applied to the applicant's "homestead" before any credit as provided in section 57-02-08.1 (1) is calculated and applied. In no case shall the total sum of the credits outlined in this section and section 57-02-08.1 (1) be greater than six thousand seven hundred fifty dollars of taxable valuation of the applicant's "homestead".

Remaining points to be renumbered accordingly.

Respectfully Submitted,


Donald W. Flaherty

Dickey County Director of Tax Equalization

March 16, 2015

SB 2113
3-16-15
#1

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2113

Page 2, line 8, remove "A surviving spouse who has become ineligible for the exemption under subsection 1"

Page 2, remove lines 9 through 11

Page 2, line 12, remove "4."

Page 2, line 13, remove "or a surviving spouse seeking to regain eligibility under"

Page 2, line 14, remove "subsection 3"

Page 2, line 21, remove the overstrike over "4."

Page 2, line 21, remove "5."

Page 2, line 25, remove the overstrike over "5."

Page 2, line 25, remove "6."

Page 2, line 27, remove the overstrike over "6."

Page 2, line 27, remove "7."

Page 2, line 29, replace "8." with "7."

Page 3, line 3, replace "9." with "8."

Page 3, line 10, replace "10." with "9."

Page 3, line 16, replace "11." with "10."

Page 3, line 20, replace "12." with "11."

Page 3, line 24, replace "13." with "12."

Renumber accordingly

#1
SPB 2113
4.13.15

Application for Disabled Veterans Property Tax Credit

Disabled Veteran of United States Armed Forces with Service Connected Disability of 50 Percent or More or Extra - Scheduler Rating that Brings the Total Disability Rating to 100 Percent

This application must be filed with the county auditor by February 1 of the first year for which the credit is claimed. A person shall furnish to the assessor or other assessment officials when requested to do so, any information which is believed will support the claim for credit for any subsequent year. A qualifying disabled veteran who acquires the homestead during the year may apply for credit for the portion of the year during which the veteran owns the homestead.

Property Number:
Property Owner:
Property Address:

Legal Description

Is this property the applicant's homestead? Yes ☐ No ☐

Taxable valuation of fixtures
buildings, and improvements: \$ _____

Enter the percentage of the veteran's disability compensation rating or unemployability rating for service-connected disabilities as certified by the Department of Veterans' Affairs for the purpose of applying for a property tax credit. _____%

The applicant is a: Disabled veteran ☐ Unremarried surviving spouse of a disabled veteran ☐
Unremarried spouse receiving DVA dependency and indemnity compensation ☐
(100 percent credit)

Which of the following would best describe the type of ownership of the homestead property (check only one):

- | | |
|---|---|
| A. Is recorded in your (and spouse's) name as owner <input type="checkbox"/> | D. Is held under a life estate in property <input type="checkbox"/> |
| B. Is being purchased by you under a contract for deed <input type="checkbox"/> | E. Is held in a revokable trust <input type="checkbox"/> |
| C. Is held in joint tenancy with one other than spouse <input type="checkbox"/> | |

Credit Claimed Pursuant to North Dakota Century Code Section 57-02-08.8

Instructions

Provide a copy of the DD Form 214 showing veteran's honorable discharge from active military service if claiming credit for first time. (This document is confidential.)

Provide a certificate from the Department of Veterans' Affairs certifying to the percentage of service-connected disability or unemployability rating when claiming credit for the first time, or if the veteran receives a change in the percentage of certified rated service-connected disability. (This document is confidential.)

I make application for real property tax credit for the year _____ on the property described above and, in compliance with North Dakota Century Code § 57-02-14.1, certify the information is accurate to the best of my knowledge and belief.

Note: N.D.C.C. § 12.1-11-02 provides that making a false statement in a governmental matter is punishable as a Class A misdemeanor.

Application is: Approved ☐ Disapproved ☐

Applicant _____ Date _____

Percentage approved _____%

Assessor or Director of Tax Equalization _____ Date _____

Eligible Taxable value \$ _____

Taxable value of credit \$ _____

57-02-08.8. Property tax credit for disabled veterans

1.2
SB 2113
4-13-15

1. A disabled veteran of the United States armed forces with an armed forces service-connected disability of fifty percent or greater or a disabled veteran who has an extra-schedular rating to include individual unemployability that brings the veteran's total disability rating to one hundred percent as determined by the department of veterans' affairs, who was discharged under honorable conditions or who has been retired from the armed forces of the United States, or the unremarried surviving spouse if the disabled veteran is deceased, is eligible for a credit applied against the first six thousand seven hundred fifty dollars of taxable valuation of the fixtures, buildings, and improvements of the person's homestead owned and occupied by the disabled veteran or unremarried surviving spouse equal to the percentage of the disabled veteran's disability compensation rating or unemployability rating for service-connected disabilities as certified by the department of veterans' affairs for the purpose of applying for a property tax credit. An unremarried surviving spouse who is receiving department of veterans' affairs dependency and indemnity compensation receives a one hundred percent credit as described in this subsection.
2. If two disabled veterans are married to each other and living together, their combined credits may not exceed one hundred percent of six thousand seven hundred fifty dollars of taxable valuation of the fixtures, buildings, and improvements of the homestead. If a disabled veteran co-owns the homestead property with someone other than the disabled veteran's spouse, the credit is limited to that disabled veteran's interest in the fixtures, buildings, and improvements of the homestead, to a maximum amount calculated by multiplying six thousand seven hundred fifty dollars of taxable valuation by the disabled veteran's percentage of interest in the homestead property and multiplying the result by the applicant's certified disability percentage or unemployability rating.
3. A disabled veteran or unremarried surviving spouse claiming a credit under this section for the first time shall file with the county auditor an affidavit showing the facts herein required, a description of the property, and a certificate from the United States department of veterans affairs, or its successor, certifying to the amount of the disability. The affidavit and certificate must be open for public inspection. (Note: These documents are confidential under N.D.C.C. § 37-18-11 and may not be disclosed to the public.) A person shall thereafter furnish to the assessor or other assessment officials, when requested to do so, any information which is believed will support the claim for credit for any subsequent year.
4. For purposes of this section, and except as otherwise provided in this section, "homestead" has the meaning provided in section 47-18-01 except that it also applies to a person who otherwise qualifies under the provisions of this section whether the person is the head of the family.
5. This section does not reduce the liability of a person for special assessments levied upon property.
6. The board of county commissioners may cancel the portion of unpaid taxes that represents the credit calculated in accordance with this section for any year in which the qualifying owner has held title to the homestead property. Cancellation of taxes for any year before enactment of this section must be based on the law that was in effect for that tax year.