

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/20/2015**

Bill/Resolution No.: SB 2302

- 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).*

SB 2302 expands provisions of the homestead credit for special assessments program including the lien provisions.

- 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.*

It is not possible to estimate the fiscal impact of SB 2302. No data exists concerning special assessments on properties owned by persons eligible for homestead credit. It is not known how many persons may choose to apply with the modification to the lien provisions contained in this bill.

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.*

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 01/26/2015

**2015 SENATE FINANCE AND TAXATION**

**SB 2302**

# 2015 SENATE STANDING COMMITTEE MINUTES

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

SB2302  
1/27/2015  
22598

- ☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature

*Katie Oliver for Alice Grove*

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

Relating to the homestead credit for special assessments; and to provide an effective date.

### Minutes:

Attachment #1

Chairman Cook opened the hearing on SB2302.

Senator Dotzenrod: District 26. 2302 provides a way of using the homestead credit brackets and applying them on special assessments for those individuals that would qualify for homestead credit conventionally on their primary residence this would apply on special assessments. The current law states that if you qualify for the homestead credits in North Dakota if you get a special assessment that you feel you can't pay the state will pay it for you but it becomes a lien against the property. The credits that are maxed out under current law may not exceed \$6,000 so one thing that the bill does is change that to \$15,000 just to be somewhat more current with what special assessments can be. Page 2, line 19, changes the interest rate from 9% to 6% that is charged on the lien. On line 25 & 26 sets the dates where the rate change would take place. Essence of bill is page 3, lines 16-21, what it says is that you take the current brackets that we have, 20%, 40%, 60%, 80%, and 100% and it allows one half of whatever bracket you are in. So if you qualified for a 60% payment by the state for the conventional homestead credit this bill would provide one half of that and rather than that being a lien the state would pay the 30% and it would not be a lien. The homeowner then would have the option of making the payment or having that 70% become a lien.

Senator Laffen: So you can take half of your credit and apply it against the outstanding special assessment.

Senator Dotzenrod: Basically it doesn't change anything about the way the current system works on your conventional property tax and the way the homestead credits are applied. What that portion of your tax bill that is not covered by our current system, which is the special assessment. On that portion it says that we do not cover the special assessment but we do have a provision that allows for a lien to be taken. What we are finding is that senior citizens who live in a home that is already paid for do not want that lien. This special assessment area where we have the provision to allow the lien what this bill does is seek to

take the existing brackets that are out there for normal property tax and apply it to the portion of the brackets to that portion of the tax that is special assessment. Instead of using the full rate it takes half of that with the state taking up the remaining cost.

Sally Hansen: City Assessor, Valley City. (Attachment #1)

Senator Cook: Did any of these apply for the current special assessment benefit that existed?

Sally Hansen: There were a few that asked for information on it but when they heard about the lien and the 9% interest they backed off.

Senator Triplett: Why do you think removing it partially would make a difference for people?

Senator Dotzenrod: We really essentially have a situation where the homeowner has the option to have the lien installed if they want.

There was no testimony in opposition to the bill.

Dan Rouse: Attorney for the North Dakota Tax Commissioner's Office.

Senator Laffen: Are we just transferring money from the homestead credit over to special assessments that are owned or are we forgiving special assessments?

Senator Cook: We are paying it with state dollars to the city, the bill sets up the payment.

Dan Rouse: Mechanically I think that is the best way to describe it, it is an offset that it is being covered elsewhere.

Senator Laffen: Why wouldn't everybody set up the lien and get the free money?

Dan Rouse: I do not know, it depends on how the structure of the law is and what the options are available to the tax payer and I think each situation is going to be different.

Senator Cook: I think it is important to understand that cities are different in their use of special assessments for services. Some use it quickly and others try not to.

Senator Dotzenrod: The group of people who are eligible is fairly limited, you have to be over 65, have to have income that falls in the brackets and if you are in those categories then when you get a bill for special assessments you would take advantage of it.

Dan Rouse: I can see if there is any way we can get a little more specificity.

Senator Dotzenrod: The status and history of this lien program to find out how many dollars' worth of liens that we have across the state. I will get that information to the committee.

Sara Meier: North Dakota Tax Department. In the last biennium the amount of special assessments that we paid out from the homestead credit program was just shy of \$9,500. It

is not a lot that is paying back to those communities but we will see how many liens are out there already.

There was no further discussion, Senator Cook closed the hearing on SB 2302

# 2015 SENATE STANDING COMMITTEE MINUTES

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

SB2302  
2/9/2015  
Job #23472

☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature



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

Committee work

### Minutes:

Attachment #1

**Chairman Cook** opened the committee work on SB2302.

Senator Dotzenrod, if I look at this bill with your name on it, it seems that you are trying to raise the amount of the special assessment from \$6,000 to \$15,000. You are trying to lower the interest rate, and you are trying to make a mechanism where part of it can be repaid by the state. Do they like that bill?

**Senator Dotzenrod** -- I think for those people that are qualified for the homestead credit under current law, that special assessments can create trouble. For people who are in those brackets. This is an attempt to provide for the state to come in. I think Cole has some numbers, some fiscal numbers. **(Attachment #1)**

**Chairman Cook** -- What is this telling us?

**Senator Dotzenrod** -- What she did, she modeled this after something that Marcy Dickerson provided two years ago. She took the total number of residences in the state and said of the 205,000 residences in the state, how many of those are asking for homestead credit under the current law? There's 6740 that are currently asking for that. She has come up with 3.3% of the residences in the state are in those brackets and are asking for that homestead credit relief. If that is true, if it's 3.3%, you take how many special assessments do we have across the state? She came up with 98 million. There are some assumptions in here because not all residences have special assessments and it's a very uneven distribution. From a fiscal disciplinary point of view, it's difficult to make the right assumption. 2.5 million would probably be closer, just picking a number.

**Chairman Cook** -- This memo from Linda Leadbetter isn't going to indicate that there will be a change in the fiscal note, though? The fiscal note remains zero.

**Senator Dotzenrod** -- The fiscal note remains that they don't have enough data to be able to provide us with some number that we could use.

**Chairman Cook** -- I like what you do in section 1. I think \$15,000 is a little high but I think it is wise policy to raise the 6. I like what you are doing on page 2, lowering the interest rate. I don't know if we should set that interest rate in code. I'd like to see it tied to a certain rate. My only concern is your attempt to take state dollars and start paying down some of these special assessments. Every city uses special assessments differently. My city uses them quickly and there are a lot of people in my city who would probably benefit from this. It's a tax imposed by a local government and the state is randomly paying part of that tax off for a small portion of people. I know this small portion of people is based on need but it's a role that I don't we should go down. Would you be interested in trying to fix what you are doing in the first two and take that out?

**Senator Dotzenrod** -- I think the principal here is something that I am going to continue to advocate for and I understand that the committee has got to do what it's got to do. I'll want to continue to resist changing it and let the votes go where they go.

**Senator Bekkedahl** -- The statistics that you gave us deal with total special certified on the 2013 abstract of taxes. That's only the special assessments certified during that calendar year? That's not cumulative to specials that are still existing out there but not paid off yet?

**Senator Dotzenrod** -- It's my understanding that it's cumulative. It would have the special assessments that might have been imposed 5 years ago that are continuing and then there's an annual cost this year. Some of these projects may have started 10 years ago or 3 years ago. It's not just those special assessments that have come on this year for the first time. It's not the total payoff. It wouldn't be a cumulative total from the standpoint that if you were to pay off all special assessments that this is what you would need. My understanding is this is a special assessment number that is based on what the annual share of special assessments that are due this year.

**Senator Bekkedahl** -- That makes sense to me because the number looks too low to me to include all the special assessments. What they are saying is this is the certification of the payments required for 2013 on the existing specials.

**Senator Triplett** -- Even acknowledging that Senator Dotzenrod thinks the number may be high, if you take the .003 times the total where they came up with \$3.2 million, if you divide that by the homestead credit applications of 6,740 you come up with a number of about \$480/per. If you think that is high, then we are probably talking \$400/per person, on average. Which some could be higher and some lower. It's a relatively modest amount of money for all of the work that it would entail for a lot of local government folks.

**Senator Laffen** -- I would move a do not pass on SB2302.

**Seconded by Senator Oehlke.**

**Roll call vote on a do not pass on SB2302. 6-1-0.**

**Carrier: Senator Laffen**



Date: 2-9-15Roll Call Vote #: 1

**2015 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO 2302**

Senate Finance and Taxation Committee☐ Subcommittee

Amendment LC# or Description: \_\_\_\_\_

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. Laffen Seconded By Sen. Oehlke

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	✓				

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

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

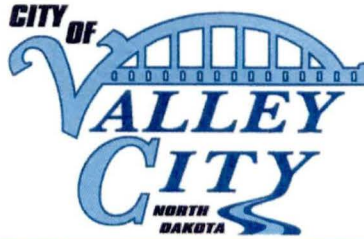
**REPORT OF STANDING COMMITTEE**

**SB 2302: Finance and Taxation Committee (Sen. Cook, Chairman)** recommends **DO NOT PASS** (6 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). SB 2302 was placed on the Eleventh order on the calendar.

**2015 TESTIMONY**

**SB 2302**

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Valley City, ND 58072-0390



SR 2302  
1-27-15 #1  
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January 27, 2015

Mr Chairman and committee members -

The work our North Dakota State Legislature has done and continues to do on upgrades to the Homestead Credit which helps our disabled and senior citizens stay in their homes by offering discounts on their property taxes has been phenomenal. Senate Bill No. 2302 which can provide those same people with help on special assessments is yet another step in the right direction.

I am the City Assessor for the City of Valley City. I received a call from an owner of a smaller home in one of our older neighborhoods who was hoping for some help in alleviating his tax burden. In researching his property, I found that the owner did qualify and was receiving a homestead credit toward his property taxes. But the issue was really the special assessments on the property and no matter what I found in my reassessment, the final estimation was not going to change what was owed on special assessments as they are billed separate from property taxes and are not based on what the property is worth. This is a scenario repeated often as many of those who receive Homestead Credits on their property taxes live in our older sections of town where aging infrastructure means rising special assessments.

In 2014, Valley City received 107 Homestead Credit applications that qualified for credit; 85 of them were at 100% meaning their yearly income fell below \$22,000. A discouraging number of those were even below \$12,000. Of those 107 applications, 71 of those homeowners were faced with additional special assessments. The lowest special assessment yearly payment was \$7; the highest was \$2067 (this was on a property receiving 100% Homestead Credit, and the \$2067 represents 12% of that homeowner's income of that year). The average yearly payment towards special assessments for those 71 applications in 2014 was \$270 which represented 1.66% of the average income on those applications. By passing Senate Bill 2302, any alleviation of special assessments owed would be a tremendous help to those who qualify for Homestead Credit, who are on fixed incomes and are faced with some daunting special assessment payments.

The 2014 total bill of payments towards special assessments if using the same discount as received for Homestead Credit comes to just under \$19,000 for a city the size of Valley City. Although some payments are very minor, there are those that—when you look at the yearly income—represent groceries and other necessities that those individuals may need to forego to stay in their homes where they treasure their independence and security.

Thank you for your consideration and time.

A handwritten signature in blue ink that reads "Sandy Hansen". The signature is fluid and cursive, with the first name "Sandy" and last name "Hansen" clearly legible.

Sandy Hansen / City Assessor for the City of Valley City

#1  
2302  
2-9-15

**Dotzenrod, Jim A.**

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**From:** Leadbetter, Linda  
**Sent:** Monday, February 02, 2015 2:46 PM  
**To:** Dotzenrod, Jim A.  
**Cc:** Strombeck, Kathy L.  
**Subject:** RE: Homestead credit for special assessments

Senator:

Using the same assumptions provided by Marcy Dickerson, the following calculations have been determined:

2013 Homestead Credit applications	6,740
Residential properties, per the sales ratio data collected from counties applied for and were granted homestead credit	205,221 = 3.3% of residential parcels

Total specials certified on the 2013 abstract of tax lists -  $\$98,200,227 \times .033 = \$3,240,607$

I believe this to be an inflated estimate because the total special assessments used for the previous calculation are not limited to residential parcels. In Cass County alone, drain specials accounted for \$5,606,031.

I will consider if there is another way to reach an estimate after reviewing the abstract information.

*Linda Leadbetter*  
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