

FISCAL NOTE
Requested by Legislative Council
01/12/2017

Bill/Resolution No.: HB 1295

- 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.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 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.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 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).*

HB 1295 expands the homestead credit program for individuals who are age 65 and older.

- 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 HB 1295 adds a new subsection authorizing a reduction in property taxes on an individual's homestead of up to the first \$350,000 of true and full value, for homeowners age 65 or older. The amount of the reduction depends on the age of the qualifying homeowner and ranges from 5% for individuals age 65 to 100% for individuals age 75 and older. There is no income or asset limitation; the proposed expansion is based on homeowner age.

There is no information available that details homeowner age and the true and full value of the homestead, so a reasonable fiscal analysis is not possible. Some general statistics that are available include Census data, which indicates there may be 108,000 individuals age 65 and older living in North Dakota, of which approximately 69,000 likely own their homes. Assuming 55,000 would benefit by the provisions of this bill (the others may own tax exempt farm residences or participate in the existing homestead credit program) at an average credit amount of \$1000 each, the provisions of the bill could increase state general fund expenditures for the homestead credit program by \$55 million per year. The actual fiscal impact would depend on the usage of the program, the age of the homeowners, and the true and full value of their homes.

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.*

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Date Prepared: 01/15/2017

2017 HOUSE FINANCE AND TAXATION

HB 1295

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1295
1/17/2017
26990

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to the expansion of the homestead credit exemption for individuals age sixty-five or older.

Minutes:

No attachments

Chairman Headland: Opened hearing on HB 1295.

Representative Maragos: Introduced bill. I'm trying to allow for the situation to exist for someone to finally own their own home unencumbered. This reduces the property tax obligation to seniors down to zero at the age of 75 years. I'd like for this committee to debate this once again and give it favorable consideration.

Representative Steiner: If this bill were to pass how would you know that it hasn't been rented and it comes off the tax rolls if they leave their home?

Representative Maragos: I think a process could be set up for those that qualify under this exemption could be monitored by the county in which they reside. If a person who owns the home is not residing there, then the exemption should be withdrawn.

Representative Hogan: In the section of the true and full value of the home, did you think of just lowering the true and full value?

Representative Maragos: You certainly may do that and I'm not opposed. I wouldn't be opposed to an amendment. The value of homes keeps going up. You could probably amend it down to \$250,000 with a graduated year after year due to general inflation.

Representative Hogan: This is for all seniors.

Representative Maragos: It is for all seniors who own a home they could eventually own it without any incumbencies.

Chairman Headland: Are there any other questions? Is there testimony in support for HB 1295? Is there any opposition?

Representative Hatlestad: In the fiscal note it says no income or asset limitations then in the bill it says \$500,000 assets.

Vice Chairman Dockter: That's from the current homestead credit that we have in the books.

Linda Leadbetter, State Supervisor of Assessments with Office of State Tax Commissioner: This bill is continuing language from the current homestead credit bill. In the beginning of this bill it identifies that the homestead credit would be administered based on income and asset limitations. In addition, we would look to the back part of this and see that this new statute would include a percentage of reduction would be provided to everyone regardless of the asset test and income test. In subsection 3, it identifies that once you reach age 65 you would have a five percent reduction but if it is more beneficial to the owner to use the homestead credit they stay on that side of it until eventually everyone age 75 years would have 100% reduction. The language continues to call it an exemption and the homestead credit is a credit where the state is responsible for the funding. When we reach the side of it when the reduction is 100% we might not have information from the political subdivisions if they are making the assumption that this is a credit and the state will be responsible for making those payments to the county to distribute to the political subdivisions or are we dealing with this specifically as an exemption? That would be the question in how these two would work together. Homestead credit is specifically a reimbursement from the state to the counties to pay those political subdivision taxes. Identifying those as an exemption saying the Tax Department will administer with prescribed forms leads me back to the first section of the bill that it would be a credit but I think that should be clarified.

Chairman Headland: Is there anyone here from the Tax Department who can make that clarification? Since there is no one here we will close the hearing on HB 1295. Committee discussion. What do you want to do?

Representative Hogan: I think 65 years is way too young, maybe to do it at 75-85 years would work. When I'm talking with constituents the number one concern is property tax. Many of them are on fixed incomes, primarily social security, and their only asset is their home. Expanding homestead tax credit would be another option. This is very creative.

Chairman Headland: I think that is part of the problem. There isn't the ability for the local political subdivision to absorb it and there's no ability for the state to pay the property taxes of everyone who reaches the age of 75 years.

Representative Olson: It's a sad fact that with the size of our government the people who are retired and live in their own homes are expected to continue to fund the size of government. These are more reasons that we need to shrink the size of government wherever and whenever possible.

Vice Chairman Dockter: I was on the conference committee when we expanded the homestead credit. This is so open ended with no means test.

Representative B. Koppelman: I think I'm more in favor of doing something with more certainty on what they're paying going forward so they can budget for it. I'm probably not in favor of this bill but I understand the concern over increases in property tax.

Representative Hatlestad: I think there should be an asset and income determination. If you can afford to pay you should pay.

Chairman Headland: Any further discussion?

Representative B. Koppelman: MADE A MOTION FOR A DO NOT PASS

Representative Steiner: SECONDED

Chairman Headland: Any discussion?

Representative Ertelt: I feel the intent of this bill is good and one we may want to try and establish for all home owners. The home should be one place where the government cannot get it's claws into so people of the state have one vestige of freedom that remains truly theirs. I don't feel this bill does enough of that. This is something we should definitely strive for.

Chairman Headland: Any further discussion?

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

Representative Ertelt will carry this bill.

Date: 1-17-17
 Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1295**

House 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 Rep. Koppelman Seconded By Rep. Steiner

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Hogan	✓	✓
Vice Chairman Dockter	✓		Representative Mitskog	✓	
Representative Ertelt	✓				
Representative Grueneich	✓				
Representative Hatlestad	✓				
Representative Howe	✓				
Representative Koppelman	✓				
Representative Olson	✓				
Representative Schobinger	✓				
Representative Steiner	✓				
Representative Toman	✓				
Representative Trottier	✓				

Total (Yes) 13 No 1

Absent 0

Floor Assignment Rep. Ertelt

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

REPORT OF STANDING COMMITTEE

HB 1295: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO NOT PASS** (13 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). HB 1295 was placed on the Eleventh order on the calendar.