

2021 SENATE POLITICAL SUBDIVISIONS

SB 2139

2021 SENATE STANDING COMMITTEE MINUTES

Political Subdivisions Committee Sakakawea, State Capitol

SB 2139
2/4/2021 PM

Relating to the creation of neighborhood zones
--

Chairman Burckhard opened committee discussion on SB 2139 at 2:42 p.m. Senators present: Burckhard, Lee, Larson, Kannianen, Oban, Heitkamp. Senator Anderson is absent.

Discussion Topics:

- Commerce department
- Bismarck downtown Association

Senator Oban noted that the commerce department is in touch with the Bismarck Downtown Association and they are discussing their concerns. She will follow up and bring back information for future committee work.

Chairman Burckhard closed the discussion on SB 2139 at 2:43 p.m.

Patricia Lahr, Committee Clerk

2021 SENATE STANDING COMMITTEE MINUTES

Political Subdivisions Committee Sakakawea, State Capitol

SB 2139
2/18/2021

A BILL for an Act to amend and reenact sections 40-63-01, 40-63-02, and 40-63-03, subsection 4 of section 40-63-04, sections 40-63-06, 40-63-07, and 40-63-10, and subdivision b of subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to the creation of neighborhood zones and neighborhood zone incentives; and to provide an effective date.

Chairman Burckhard opened the discussion on SB 2139 at 8:38 a.m. Members present: Burckhard, Anderson, Lee, Larson, Kannianen, Oban, Heitkamp.

Discussion Topics:

- neighborhood zones
- neighborhood incentives

[8:38] Senator Erin Oban, District 35. Provided the committee with an overview of amendment 21.0209.02003 (testimony #6915).

Senator Oban moves to **ADOPT AMENDMENT 21.0209.02003**

Senator Lee seconded.

The motion passed 7-0-0

Senators	Vote
Senator Randy A. Burckhard	Y
Senator Howard C. Anderson, Jr.	Y
Senator Jason G. Heitkamp	Y
Senator Jordan Kannianen	Y
Senator Diane Larson	Y
Senator Judy Lee	Y
Senator Erin Oban	Y

Senator Oban moves **DO PASS, AS AMENDED.**

Senator Larson seconded.

The motion passed 7-0-0

Senator Lee will carry SB 2139.

Chairman Burckhard closed the hearing on SB 2139 8:45 a.m.

Senators	Vote
Senator Randy A. Burckhard	Y
Senator Howard C. Anderson, Jr.	Y
Senator Jason G. Heitkamp	Y
Senator Jordan Kannianen	Y
Senator Diane Larson	Y
Senator Judy Lee	Y
Senator Erin Oban	Y

Patricia Lahr, Committee Clerk

February 17, 2021

SK
218
194

PROPOSED AMENDMENTS TO SENATE BILL NO. 2139

Page 1, line 1, remove the second "and"

Page 1, line 2, remove "subsection 4 of section"

Page 1, line 2, replace "sections" with "40-63-05,"

Page 1, line 17, after "potential" insert "renaissance"

Page 1, line 17, after "projects" insert "or neighborhood zone projects"

Page 2, line 20, after "approved" insert "renaissance"

Page 2, line 20, after "project" insert "or neighborhood zone project"

Page 2, line 26, after "6." insert "\"Neighborhood zone project\" means the purchase, rehabilitation, or reconstruction of a detached, single-family, residential structure or a structure that contains no more than four separate dwelling units in a neighborhood zone approved for zone incentives by a majority vote of the city governing body or local zone authority."

7."

Page 2, line 29, overstrike "7." and insert immediately thereafter "8."

Page 3, line 2, after "for" insert "detached."

Page 3, line 2, after "homes" insert "or structures consisting of no more than four separate dwelling units"

Page 3, line 3, overstrike "8." and insert immediately thereafter "9. \"Renaissance zone project\" means the purchase, lease, rehabilitation, or historical preservation or renovation of a building or space in a building approved for zone incentives by a majority vote of the city governing body or a zone authority."

10."

Page 3, line 6, overstrike "9." and insert immediately thereafter "11."

Page 3, overstrike line 8

Page 3, line 9, overstrike "renovation of a"

Page 3, line 9, remove "single-family home."

Page 3, line 9, overstrike the first "building"

Page 3, line 9, remove the second underscored comma

Page 3, line 9, overstrike "or space in a building approved for zone"

Page 3, overstrike line 10

Page 4, line 4, after the period insert "For purposes of a neighborhood zone, seventy-five percent or more of the structures on a block must have been constructed before 1959"

204

and the majority of the structures on the block must be used for residential purposes for the block to qualify for inclusion in a neighborhood zone."

Page 4, line 17, remove "for a renaissance zone or ten years for a"

Page 4, line 18, remove "neighborhood zone"

Page 6, line 17, remove the overstrike over "the"

Page 6, line 17, remove "a renaissance zone"

Page 6, line 19, after "renaissance" insert "or neighborhood"

Page 6, line 19, remove "If a neighborhood zone expansion is"

Page 6, remove lines 20 and 21

Page 7, replace lines 12 through 22 with:

"SECTION 4. AMENDMENT. Section 40-63-04 of the North Dakota Century Code is amended and reenacted as follows:

40-63-04. Income tax exemptions.

1. An individual taxpayer who purchases ~~or~~, rehabilitates, or reconstructs a detached, single-family, residential property for the individual's primary place of residence as a renaissance zone project or neighborhood zone project is exempt from up to ten thousand dollars of personal income tax liability as determined under section 57-38-30.3 for five taxable years beginning with the date of occupancy or completion of rehabilitation.
2. A taxpayer that purchases, leases, rehabilitates, reconstructs, or makes leasehold improvements to residential, public utility infrastructure, or commercial property for any business or investment purpose as a renaissance zone project or neighborhood zone project is exempt from tax on income derived from the business or investment locations within the zone for five taxable years, beginning with the date of purchase, lease, reconstruction, or completion of rehabilitation.
 - a. The maximum amount of income that a taxpayer may exempt from tax under this subsection for any taxable year is five hundred thousand dollars. The limitation in this subdivision applies to the sum of the exempt income derived from the taxpayer's business and investment interests in all renaissance zone projects and neighborhood zone projects.
 - b. If a renaissance zone project or neighborhood zone project consists of a physical expansion of an existing building owned and used by the taxpayer for business or investment purposes, the amount of income exempt from tax under this subsection is limited to an amount equal to the income derived from the business, or from the investment use of the building, during the taxable year multiplied by a ratio equal to the square footage added by the expansion divided by the total square footage of the building after expansion.
3. If the cost of a new business purchase, leasehold improvement, or expansion of an existing business, approved as a renaissance zone project, exceeds seventy-five thousand dollars, and the business is located

in a city with a population of not more than two thousand five hundred, an individual taxpayer may, in lieu of the exemption provided in subsection 2, elect to take an income tax exemption of up to two thousand dollars of individual income tax liability as determined under section 57-38-30.3. The election must be made on the taxpayer's return as originally and timely filed. The election is irrevocable and binding for the duration of the exemptions provided in subsection 2 or this subsection. If an election is not made on the original return, the taxpayer is only eligible for the exemption provided in subsection 2.

- 4. If a property owner not participating in a renaissance zone project or neighborhood zone project is required to make changes in utility services or in a building structure because of changes made to property that is part of a renaissance zone project or neighborhood zone project, the owner of the nonparticipating property is entitled to state income tax credits equal to the total amount of the investment necessary to complete the required changes. The credit must be approved by the local renaissance or neighborhood zone authority. The credit must be claimed in the taxable year in which the related project was completed. The credit may not exceed the taxpayer's tax liability, and an unused credit may be carried forward up to five taxable years.
- 5. The exemptions provided by this section do not eliminate any duty to file a return or to report income as required under chapter 57-38.

SECTION 5. AMENDMENT. Section 40-63-05 of the North Dakota Century Code is amended and reenacted as follows:

40-63-05. Property tax exemptions.

- 1. A municipality may grant a partial or complete exemption from ad valorem taxation on detached, single-family, residential property, exclusive of the land on which it is situated, if the property was purchased ~~or~~ rehabilitated, or reconstructed by an individual for the individual's primary place of residence as a renaissance zone project or a neighborhood zone project. An exemption granted under this subsection may not extend beyond five taxable years following the date of acquisition, reconstruction, or completion of rehabilitation.
- 2. A municipality may grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements purchased, reconstructed, or rehabilitated as a renaissance zone project or a neighborhood zone project for any business or investment purpose. The state board of equalization may grant a partial or complete exemption from ad valorem taxation on public utility infrastructure rehabilitated as a renaissance zone project. An exemption under this subsection may not extend beyond five taxable years following the date of purchase or completion of rehabilitation.
- 3. To qualify for the exemption under this section, the property purchased, reconstructed, or rehabilitated as a neighborhood zone project initially must have been built before 1959."

Page 8, line 11, after "finance" insert "renaissance"

4/28/11

Page 8, line 11, after the first "projects" insert "or neighborhood zone projects"

Page 8, line 19, after "a" insert "renaissance"

Page 8, line 19, after "project" insert "or a neighborhood zone project"

Page 10, line 25, replace "single-family" with "residential"

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2139: Political Subdivisions Committee (Sen. Burckhard, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2139 was placed on the Sixth order on the calendar.

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2. A taxpayer that purchases, leases, rehabilitates, reconstructs, or makes leasehold improvements to residential, public utility infrastructure, or commercial property for any business or investment purpose as a renaissance zone project or neighborhood zone project is exempt from tax on income derived from the business or investment locations within the zone for five taxable years, beginning with the date of purchase, lease, reconstruction, or completion of rehabilitation.
 - a. The maximum amount of income that a taxpayer may exempt from tax under this subsection for any taxable year is five hundred thousand dollars. The limitation in this subdivision applies to the sum of the exempt income derived from the taxpayer's business and investment interests in all renaissance zone projects and neighborhood zone projects.
 - b. If a renaissance zone project or neighborhood zone project consists of a physical expansion of an existing building owned and used by the taxpayer for business or investment purposes, the amount of income exempt from tax under this subsection is limited to an amount equal to the income derived from the business, or from the investment use of the building, during the taxable year multiplied by a ratio equal to the square footage added by the expansion divided by the total square footage of the building after expansion.
3. If the cost of a new business purchase, leasehold improvement, or expansion of an existing business, approved as a renaissance zone project, exceeds seventy-five thousand dollars, and the business is located in a city with a population of not more than two thousand five hundred, an individual taxpayer may, in lieu of the exemption provided in subsection 2, elect to take an income tax exemption of up to two

thousand dollars of individual income tax liability as determined under section 57-38-30.3. The election must be made on the taxpayer's return as originally and timely filed. The election is irrevocable and binding for the duration of the exemptions provided in subsection 2 or this subsection. If an election is not made on the original return, the taxpayer is only eligible for the exemption provided in subsection 2.

4. If a property owner not participating in a renaissance zone project or neighborhood zone project is required to make changes in utility services or in a building structure because of changes made to property that is part of a renaissance zone project or neighborhood zone project, the owner of the nonparticipating property is entitled to state income tax credits equal to the total amount of the investment necessary to complete the required changes. The credit must be approved by the local renaissance or neighborhood zone authority. The credit must be claimed in the taxable year in which the related project was completed. The credit may not exceed the taxpayer's tax liability, and an unused credit may be carried forward up to five taxable years.
5. The exemptions provided by this section do not eliminate any duty to file a return or to report income as required under chapter 57-38.

SECTION 5. AMENDMENT. Section 40-63-05 of the North Dakota Century Code is amended and reenacted as follows:

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1. A municipality may grant a partial or complete exemption from ad valorem taxation on detached, single-family, residential property, exclusive of the land on which it is situated, if the property was purchased ~~or~~ rehabilitated, or reconstructed by an individual for the individual's primary place of residence as a renaissance zone project or a neighborhood zone project. An exemption granted under this subsection may not extend beyond five taxable years following the date of acquisition, reconstruction, or completion of rehabilitation.
2. A municipality may grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements purchased, reconstructed, or rehabilitated as a renaissance zone project or a neighborhood zone project for any business or investment purpose. The state board of equalization may grant a partial or complete exemption from ad valorem taxation on public utility infrastructure rehabilitated as a renaissance zone project. An exemption under this subsection may not extend beyond five taxable years following the date of purchase or completion of rehabilitation.
3. To qualify for the exemption under this section, the property purchased, reconstructed, or rehabilitated as a neighborhood zone project initially must have been built before 1959."

Page 8, line 11, after "finance" insert "renaissance"

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Page 8, line 19, after "project" insert "or a neighborhood zone project"

Page 10, line 25, replace "single-family" with "residential"

Renumber accordingly

21.0209.02003

Sixty-seventh
Legislative Assembly
of North Dakota

SENATE BILL NO. 2139

Introduced by

Senators Lee, Bekkedahl, Burckhard, Kreun

Representatives Dockter, Keiser

1 A BILL for an Act to amend and reenact sections 40-63-01, 40-63-02, ~~and~~ 40-63-03,
 2 ~~subsection 4 of section~~ 40-63-04, ~~sections~~ 40-63-05, 40-63-06, 40-63-07, and 40-63-10, and
 3 subdivision b of subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating
 4 to the creation of neighborhood zones and neighborhood zone incentives; and to provide an
 5 effective date.

6 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

7 **SECTION 1. AMENDMENT.** Section 40-63-01 of the North Dakota Century Code is
 8 amended and reenacted as follows:

9 **40-63-01. Definitions.**

10 As used in this chapter:

- 11 1. "Boundary" means the boundary established by vote of the city governing body and
 12 approved by the department of commerce division of community services.
- 13 2. "Development plan" means a written plan that addresses the criteria in subsection 1 of
 14 section 40-63-03 and includes the following:
 - 15 a. A map of the proposed renaissance or neighborhood zone which indicates the
 16 geographic boundaries and blocks, a description of the properties and structures
 17 on each block, identification of those properties and structures to be targeted for
 18 potential renaissance zone projects or neighborhood zone projects, and a
 19 description of the present use and conditions of the targeted properties and
 20 structures.
 - 21 b. A description of the existing physical assets, in particular natural or historical
 22 assets, of the zone and a plan for the incorporation and enhancement of the
 23 assets within the proposed development.

- 1 c. An outline of goals and objectives and proposed outcomes, including major
2 milestones or benchmarks, by which to gauge success resulting from the
3 designation of the zone.
- 4 d. A description of the types of projects the city would encourage in the city's
5 targeted properties.
- 6 e. A description of the promotion, development, and management strategies to
7 maximize investment in the zone.
- 8 f. A plan for the development, promotion, and use of a renaissance or
9 neighborhood fund organization, if one is desired to be established. If a city is not
10 ready to commit to establishing a renaissance or neighborhood fund
11 organization, the city may indicate in the renaissance or neighborhood zone
12 application the city's desire to submit a plan for approval at a later date.
- 13 g. Evidence of community support and commitment from residential and business
14 interests. Evidence of community support must include letters of support from the
15 governing bodies of each county and school district that contain property located
16 within the boundaries of the proposed renaissance or neighborhood zone.
- 17 3. "Investor" means the individual, partnership, limited partnership, limited liability
18 company, trust, or corporation making an investment in a renaissance or
19 neighborhood fund organization.
- 20 4. "Lease" means the lease of space in a building in a designated renaissance or
21 neighborhood zone by a new business moving into the zone or by an existing zone
22 business expanding in the zone, and the continuation of a lease of an existing zone
23 tenant in a building rehabilitated as an approved renaissance zone project or
24 neighborhood zone project. For existing zone tenants expanding in the zone, the term
25 does not include existing leased space.
- 26 5. "Local zone authority" means the city or the entity designated by the city to promote,
27 develop, and manage the zone and may include any nonprofit incorporated entity such
28 as an economic development corporation, community development corporation, main
29 street organization, or chamber of commerce.
- 30 6. "Neighborhood zone project" means the purchase, rehabilitation, or reconstruction of a
31 detached, single-family, residential structure or a structure that contains no more than

1 four separate dwelling units in a neighborhood zone approved for zone incentives by a
2 majority vote of the city governing body or local zone authority.

3 7. "Original principal amount" means the funds invested in a renaissance or
4 neighborhood fund organization after designation of the renaissance or neighborhood
5 zone and before the sunset of that zone.

6 ~~7.8.~~ "Rehabilitation", as used in sections 40-63-04 and 40-63-05, means the repair or
7 remodeling of a building or public utility infrastructure at a cost that is equal to or
8 exceeds fifty percent of the current true and full value for commercial buildings or
9 public utility infrastructure and twenty percent for detached, single-family homes or
10 structures consisting of no more than four separate dwelling units.

11 ~~8.9.~~ "Renaissance zone project" means the purchase, lease, rehabilitation, or historical
12 preservation or renovation of a building or space in a building approved for zone
13 incentives by a majority vote of the city governing body or a zone authority.

14 10. "Taxpayer" means an individual, corporation, or trust subject to the taxes imposed by
15 chapter 57-38 and includes a partnership, subchapter S corporation, limited
16 partnership, limited liability company, or any other passthrough entity.

17 ~~9.11.~~ "Zone" means a renaissance or neighborhood zone proposed by a city and designated
18 by the department of commerce division of community services.

19 ~~10.~~ "Zone project" means the purchase, lease, rehabilitation, or historical preservation or
20 renovation of a single-family home, building, or space in a building approved for zone
21 incentives by a majority vote of the city governing body or zone authority.

22 **SECTION 2. AMENDMENT.** Section 40-63-02 of the North Dakota Century Code is
23 amended and reenacted as follows:

24 **40-63-02. Eligibility - Local zone authority designation.**

25 Any incorporated city may apply to the department of commerce division of community
26 services to designate a portion of the city as a renaissance or neighborhood zone. Any
27 individual, partnership, limited partnership, limited liability company, trust, or corporation may
28 apply for a tax credit or exemption under sections 40-63-04 through 40-63-07. The governing
29 body of a city may designate a local zone authority to implement a development plan on behalf
30 of the city.

1 **SECTION 3. AMENDMENT.** Section 40-63-03 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **40-63-03. Renaissance and neighborhood zones.**

4 1. A city may apply to the department of commerce division of community services to
5 designate a portion of that city as a renaissance or neighborhood zone if the following
6 criteria are met:

- 7 a. The geographic area proposed for the renaissance or neighborhood zone is
8 located wholly within the boundaries of the city submitting the application.
- 9 b. The application includes a development plan.
- 10 c. The proposed neighborhood zone is not more than twenty-five square blocks and
11 the proposed renaissance zone is not more than thirty-four square blocks, except
12 in a city with a population of greater than five thousand the renaissance zone
13 may exceed thirty-four square blocks at the rate of one additional block for each
14 additional five thousand population to a maximum size of forty-nine blocks.
15 Population is based upon the most recent federal decennial census or federal
16 census estimate. For purposes of a neighborhood zone, seventy-five percent or
17 more of the structures on a block must have been constructed before 1959 and
18 the majority of the structures on the block must be used for residential purposes
19 for the block to qualify for inclusion in a neighborhood zone.

20 If a city finds that renaissance or neighborhood zone projects have
21 satisfactorily completed one or more blocks within the renaissance or
22 neighborhood zone, the city may apply for and the department of commerce
23 division of community services may approve withdrawal of those blocks from the
24 renaissance or neighborhood zone and replacement of those blocks with other
25 blocks that otherwise meet the requirements of this chapter.

26 d. Except as provided under subdivision g, the proposed renaissance zone has a
27 continuous boundary and all blocks are contiguous. A proposed neighborhood
28 zone is not required to have a continuous boundary or consist of contiguous
29 blocks.

30 e. The proposed land usage includes both commercial and residential property.

- 1 f. The application includes the proposed duration of renaissance or neighborhood
2 zone status, not to exceed fifteen years ~~for a renaissance zone or ten years for a~~
3 neighborhood zone. Upon application by the city, the department of commerce
4 division of community services may extend the duration of renaissance zone
5 status in increments of up to five years. The duration of neighborhood zone
6 status may not be extended.
- 7 g. The proposed renaissance zone may have a single exception to the continuous
8 boundary and contiguous block requirements under subdivision d if the area of
9 the excepted noncontiguous blocks does not exceed three square blocks.
- 10 2. The department of commerce division of community services shall:
- 11 a. Review all applications for renaissance or neighborhood zone designation
12 against the criteria established in this section and designate zones.
- 13 b. Approve or reject the duration of renaissance or neighborhood zone status as
14 submitted in an application.
- 15 c. Approve or reject the geographic boundaries and total area of the renaissance or
16 neighborhood zone as submitted in an application.
- 17 d. Promote the renaissance and neighborhood zone ~~program~~programs.
- 18 e. Monitor the progress of the designated renaissance and neighborhood zones
19 against submitted plans in an annual plan review.
- 20 f. Report on renaissance and neighborhood zone progress to the governor and the
21 legislative management on an annual basis until all designated zones expire.
- 22 3. The department of commerce division of community services shall consider the
23 following criteria in designating a renaissance or neighborhood zone:
- 24 a. The viability of the development plan.
- 25 b. The incorporation and enhancement of unique natural and historic features into
26 the development plan.
- 27 c. Whether the development plan is creative and innovative in comparison to other
28 applications.
- 29 d. Public and private commitment to and other resources available for the proposed
30 renaissance or neighborhood zone, including the provisions for a renaissance or
31 neighborhood fund organization.

- 1 e. How renaissance or neighborhood zone designation would relate to a broader
2 plan for the community as a whole.
- 3 f. How the local regulatory burden, in particular that burden associated with the
4 renovation of historic properties and that burden associated with mixed use
5 development, will be eased for developers and investors in the renaissance or
6 neighborhood zone.
- 7 g. The strategies for the promotion, development, and management of the zone,
8 including the use of a local zone authority if designated.
- 9 h. Any other information required by the office.
- 10 4. The department of commerce division of community services may not designate a
11 portion of a city as a renaissance or neighborhood zone unless, as a part of the
12 application, the city provides a resolution from the governing body of the city that
13 states if the renaissance or neighborhood zone designation is granted, persons and
14 property within the renaissance or neighborhood zone are exempt from taxes as
15 provided in sections 40-63-04 through 40-63-07.
- 16 5. A city may not propose or be part of more than one renaissance zone or more than
17 one neighborhood zone. A city may propose to be part of a renaissance zone and a
18 neighborhood zone and blocks proposed for inclusion in either zone may overlap.
- 19 6. A parcel of property may be exempted from property taxes under section 40-63-05
20 only once, but during the five taxable years of eligibility for that exemption, the
21 property tax exemption transfers with the transfer of the property to a qualifying user.
22 The ownership or lease of, or investment in, a parcel of property may qualify for
23 exemption or credit under section 40-63-04 only once, but during the five taxable
24 years of eligibility for that exemption or credit, the exemption or credit under section
25 40-63-04 transfers with the transfer of the property to a qualified user and with respect
26 to the year in which the transfer is made must be prorated for use of the property
27 during that year. An investment used to calculate an income tax credit under this
28 chapter may not be used to calculate any other income tax credit.
- 29 7. A city may apply to the department of commerce division of community services at any
30 time during the duration of a zone to expand a previously approved renaissance or
31 neighborhood zone that is less than the maximum size allowed under subdivision c of

1 subsection 1. If ~~the~~a renaissance zone expansion is approved by the department of
2 commerce division of community services, the blocks in the expansion are eligible for
3 up to fifteen years of renaissance or neighborhood zone status. ~~If a neighborhood~~
4 ~~zone expansion is approved by the department of commerce division of community~~
5 ~~services, the blocks in the expansion are eligible for up to ten years of neighborhood~~
6 ~~zone status.~~

7 8. The use of grant funds as the sole source of investment in the purchase of a building
8 or space in a building does not qualify a taxpayer for any tax exemption or credit
9 available under the chapter, and grant funds may not be counted in determining if the
10 cost of rehabilitation meets or exceeds the current true and full value of the building.

11 9. If a portion of an approved renaissance or neighborhood zone is not progressing, the
12 city may request the department of commerce division of community services to permit
13 deleting that portion and to make an adjustment of the boundaries to add another
14 equal, ~~contiguous~~ area to the original zone. Area added to a renaissance zone must
15 be contiguous.

16 10. If within a renaissance zone there is property that is included in a tax increment
17 financing district, the city in which the property is located shall provide the department
18 of commerce an annual report regarding any such property at the time requested by
19 the department of commerce. The report required under this subsection must identify
20 the property, provide the expected duration of inclusion of the property in the tax
21 increment financing district and the renaissance zone, and identify any property and
22 income tax benefits of the property and the expected duration of those benefits. The
23 department of commerce shall deliver an annual report compiling the information
24 required under this subsection to the legislative management interim committee on
25 taxation issues or upon request of any other interim committee of the legislative
26 management.

27 ~~SECTION 4. AMENDMENT. Subsection 4 of section 40-63-04 of the North Dakota Century~~
28 ~~Code is amended and reenacted as follows:~~

29 ~~4. If a property owner not participating in a renaissance or neighborhood zone~~
30 ~~project is required to make changes in utility services or in a building structure~~
31 ~~because of changes made to property that is part of a zone project, the owner of the~~

~~nonparticipating property is entitled to state income tax credits equal to the total amount of the investment necessary to complete the required changes. The credit must be approved by the local renaissance or neighborhood zone authority. The credit must be claimed in the taxable year in which the related project was completed. The credit may not exceed the taxpayer's tax liability, and an unused credit may be carried forward up to five taxable years.~~

SECTION 4. AMENDMENT. Section 40-63-04 of the North Dakota Century Code is amended and reenacted as follows:

40-63-04. Income tax exemptions.

1. An individual taxpayer who purchases ~~or~~, rehabilitates, or reconstructs a detached, single-family, residential property for the individual's primary place of residence as a renaissance zone project or neighborhood zone project is exempt from up to ten thousand dollars of personal income tax liability as determined under section 57-38-30.3 for five taxable years beginning with the date of occupancy or completion of rehabilitation.
2. A taxpayer that purchases, leases, rehabilitates, reconstructs, or makes leasehold improvements to residential, public utility infrastructure, or commercial property for any business or investment purpose as a renaissance zone project or neighborhood zone project is exempt from tax on income derived from the business or investment locations within the zone for five taxable years, beginning with the date of purchase, lease, reconstruction, or completion of rehabilitation.
 - a. The maximum amount of income that a taxpayer may exempt from tax under this subsection for any taxable year is five hundred thousand dollars. The limitation in this subdivision applies to the sum of the exempt income derived from the taxpayer's business and investment interests in all renaissance zone projects and neighborhood zone projects.
 - b. If a renaissance zone project or neighborhood zone project consists of a physical expansion of an existing building owned and used by the taxpayer for business or investment purposes, the amount of income exempt from tax under this subsection is limited to an amount equal to the income derived from the business, or from the investment use of the building, during the taxable year

1 multiplied by a ratio equal to the square footage added by the expansion divided
2 by the total square footage of the building after expansion.

- 3 3. If the cost of a new business purchase, leasehold improvement, or expansion of an
4 existing business, approved as a renaissance zone project, exceeds seventy-five
5 thousand dollars, and the business is located in a city with a population of not more
6 than two thousand five hundred, an individual taxpayer may, in lieu of the exemption
7 provided in subsection 2, elect to take an income tax exemption of up to two thousand
8 dollars of individual income tax liability as determined under section 57-38-30.3. The
9 election must be made on the taxpayer's return as originally and timely filed. The
10 election is irrevocable and binding for the duration of the exemptions provided in
11 subsection 2 or this subsection. If an election is not made on the original return, the
12 taxpayer is only eligible for the exemption provided in subsection 2.
- 13 4. If a property owner not participating in a renaissance zone project or neighborhood
14 zone project is required to make changes in utility services or in a building structure
15 because of changes made to property that is part of a renaissance zone project or
16 neighborhood zone project, the owner of the nonparticipating property is entitled to
17 state income tax credits equal to the total amount of the investment necessary to
18 complete the required changes. The credit must be approved by the local renaissance
19 or neighborhood zone authority. The credit must be claimed in the taxable year in
20 which the related project was completed. The credit may not exceed the taxpayer's tax
21 liability, and an unused credit may be carried forward up to five taxable years.
- 22 5. The exemptions provided by this section do not eliminate any duty to file a return or to
23 report income as required under chapter 57-38.

24 **SECTION 5. AMENDMENT.** Section 40-63-05 of the North Dakota Century Code is
25 amended and reenacted as follows:

26 **40-63-05. Property tax exemptions.**

- 27 1. A municipality may grant a partial or complete exemption from ad valorem taxation on
28 detached, single-family, residential property, exclusive of the land on which it is
29 situated, if the property was purchased ~~or,~~ rehabilitated, or reconstructed by an
30 individual for the individual's primary place of residence as a renaissance zone project
31 or a neighborhood zone project. An exemption granted under this subsection may not

1 extend beyond five taxable years following the date of acquisition, reconstruction, or
2 completion of rehabilitation.

3 2. A municipality may grant a partial or complete exemption from ad valorem taxation on
4 buildings, structures, fixtures, and improvements purchased, reconstructed, or
5 rehabilitated as a renaissance zone project or a neighborhood zone project for any
6 business or investment purpose. The state board of equalization may grant a partial or
7 complete exemption from ad valorem taxation on public utility infrastructure
8 rehabilitated as a renaissance zone project. An exemption under this subsection may
9 not extend beyond five taxable years following the date of purchase or completion of
10 rehabilitation.

11 3. To qualify for the exemption under this section, the property purchased, reconstructed,
12 or rehabilitated as a neighborhood zone project initially must have been built before
13 1959.

14 **SECTION 6. AMENDMENT.** Section 40-63-06 of the North Dakota Century Code is
15 amended and reenacted as follows:

16 **40-63-06. Historic preservation and renovation tax credit.**

17 A credit against state tax liability as determined under sections 57-38-30 and 57-38-30.3 is
18 allowed for investments in the historic preservation or renovation of property within the
19 renaissance or neighborhood zone. The amount of the credit is twenty-five percent of the
20 amount invested, up to a maximum of two hundred fifty thousand dollars. The credit may be
21 claimed in the year in which the preservation or renovation is completed. Any excess credit may
22 be carried forward for a period of up to five taxable years.

23 **SECTION 7. AMENDMENT.** Section 40-63-07 of the North Dakota Century Code is
24 amended and reenacted as follows:

25 **40-63-07. Renaissance or neighborhood fund organization - Exemption from taxation.**

26 1. Each city with a designated renaissance or neighborhood zone may establish a
27 renaissance or neighborhood fund organization, if the detailed plan for such an
28 organization is clearly established in the development plan and approved with the
29 plan, or is submitted at a later date to the department of commerce division of
30 community services for approval after the designation of a renaissance or
31 neighborhood zone.

- 1 2. The purpose of a renaissance or neighborhood fund organization is solely to raise
2 funds to be used to finance renaissance zone projects or neighborhood zone projects
3 and other projects located in designated renaissance or neighborhood zones. A
4 renaissance or neighborhood fund organization may provide financing to projects
5 undertaken by individuals, partnerships, limited partnerships, limited liability
6 companies, trusts, corporations, nonprofit organizations, and public entities. The
7 financing may include any combination of equity investments, loans, guarantees, and
8 commitments for financing. The amount of financing is not limited by this chapter.
- 9 3. A renaissance or neighborhood fund organization shall confirm the following conditions
10 are met before providing financing to a renaissance zone project or a neighborhood
11 zone project:
- 12 a. The funding is required for the project to proceed;
13 b. The funding is adequate for the completion of the project; and
14 c. The funding does not exceed the amount required to complete the project.
- 15 4. A renaissance or neighborhood fund organization is exempt from any tax imposed by
16 chapter 57-38. An exemption under this section may be passed through to any
17 shareholder, partner, and owner if the renaissance or neighborhood fund organization
18 is a passthrough entity for tax purposes. A corporation entitled to the exemption
19 provided by this subsection shall file required returns and report income to the tax
20 commissioner as required by the provisions of chapter 57-38 as if the exemption did
21 not exist. If an employer, this subsection does not exempt a renaissance or
22 neighborhood fund organization from complying with the income tax withholding laws.
- 23 4.5. A credit against state tax liability as determined under section 57-38-30 or 57-38-30.3
24 is allowed for investments in a renaissance or neighborhood fund organization. The
25 amount of the credit is fifty percent of the amount invested in the renaissance or
26 neighborhood fund organization during the taxable year. Any amount of credit which
27 exceeds a taxpayer's tax liability for the taxable year may be carried forward for up to
28 five taxable years after the taxable year in which the investment was made.
- 29 5.6. The total amount of credits allowed under this section may not exceed, in the
30 aggregate, ten million five hundred thousand dollars for investments in renaissance
31 fund organizations or, in the aggregate, ten million five hundred thousand dollars for

1 investments in neighborhood fund organizations. A renaissance or neighborhood fund
2 organization that has received investments that qualify for the credits under this
3 subsection shall use those investments to finance projects within a renaissance or
4 neighborhood zone.

5 ~~6-7.~~ Income to a renaissance or neighborhood fund organization derived from the sale or
6 refinancing of zone properties financed wholly or in part by the organization may be
7 disbursed as annual dividends equal to the income, minus ten percent, derived from
8 all sources and proportional to the investment. In the event of a loss to the fund
9 resulting in a temporary diminishment of the fund below the original principal amount,
10 no annual dividend may be paid until the fund is restored.

11 ~~7-8.~~ Income to a renaissance or neighborhood fund organization derived from interest or
12 the temporary investment of its funds in certificates of deposit, bonds, treasury bills, or
13 securities may be used for administration.

14 ~~8-9.~~ If an investment in a renaissance or neighborhood fund organization which is the basis
15 for a credit under this section is redeemed by the investor within ten years of the date
16 it is purchased, the credit provided by this section for the investment must be
17 disallowed, and any credit previously claimed and allowed with respect to the
18 investment must be paid to the tax commissioner with the appropriate return of the
19 taxpayer covering the period in which the redemption occurred. When payments are
20 made to the tax commissioner under this section, the amount collected must be
21 handled in the same manner as if no credit had been allowed.

22 ~~9-10.~~ A renaissance or neighborhood fund organization shall secure an annual audit of its
23 financial records, prepared by an independent certified public accounting firm in
24 accordance with generally accepted auditing standards. The audit report must include
25 a statement of the percentage of annual investments received by the organization
26 which have been invested by the organization in investments permitted under this
27 chapter, including the use of investments, distinguishing between organization
28 investments made in renaissance or neighborhood zones and outside renaissance or
29 neighborhood zones. A renaissance or neighborhood fund organization shall file a
30 copy of each audit of its financial records under this subsection with the governing
31 body of the city in which it was established, the department of commerce division of

1 community services, and the tax commissioner. The department of commerce division
2 of community services shall provide an annual report to the budget section of the
3 legislative management showing the conclusions of audit reports filed under this
4 subsection.

5 ~~40-11.~~ Renaissance or neighborhood fund organization officers and employees may be
6 actively involved in the enterprises in which the renaissance or neighborhood fund
7 organization invests but the renaissance or neighborhood fund organization may not
8 invest in any enterprise if any one renaissance or neighborhood fund organization
9 officer or employee owns more than forty-nine percent of the ownership interest in the
10 enterprise. A renaissance or neighborhood fund organization may not invest in an
11 enterprise if renaissance or neighborhood fund organization officers and employees
12 collectively own more than forty-nine percent of the ownership interests, either through
13 direct ownership or through ownership of interest in a passthrough entity.

14 12. A neighborhood fund organization is eligible to receive a state appropriation as a grant
15 or low interest loan to meet the objectives of ~~single-family~~ residential home restoration.

16 **SECTION 8. AMENDMENT.** Section 40-63-10 of the North Dakota Century Code is
17 amended and reenacted as follows:

18 **40-63-10. Passthrough of tax exemption or credit.**

19 A partnership, subchapter S corporation, limited partnership, limited liability company, or
20 any other passthrough entity that purchases or leases property in a renaissance or
21 neighborhood zone for any business purpose, invests in a historic preservation or renovation of
22 property within a renaissance or neighborhood zone, or invests in a renaissance or
23 neighborhood fund organization must be considered to be the taxpayer for purposes of any
24 investment limitations in sections 40-63-04, 40-63-06, and 40-63-07, and the amount of the
25 exemption or credit allowed with respect to the entity's investments must be determined at the
26 passthrough entity level. The amount of the total exemption or credit determined at the entity
27 level must be passed through to the partners, shareholders, or members in proportion to their
28 respective interests in the passthrough entity.

29 **SECTION 9. AMENDMENT.** Subdivision b of subsection 7 of section 57-38-30.3 of the
30 North Dakota Century Code is amended and reenacted as follows:

- 1 b. Renaissance and neighborhood zone tax credits under sections 40-63-04,
- 2 40-63-06, and 40-63-07.

3 **SECTION 10. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
4 December 31, 2020.

2021 HOUSE FINANCE AND TAXATION

SB 2139

2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

SB 2139
3/17/2021

A bill relating to the creation of neighborhood zones and neighborhood zone incentives.

Chairman Headland opened the hearing at 9:00am.

Representatives	Present
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	Y
Representative Ben Koppelman	Y
Representative Marvin E. Nelson	Y
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

Discussion Topics:

- Neighborhood zones
- Neighborhood zone incentives
- Affordable housing

Emily Thompson, Code Revisor with Legislative Council, introduced bill (no written testimony).

Senator Lee also introduced bill (no written testimony).

Emily Thompson continued her introduction and review of the bill with the committee.

Former Senator Tony Grindberg, resident of Fargo, support #9813.

Maria Effertz Hanson, Economic and Community Development Lead with the Department of Commerce, support #9782.

Bill Wocken, Lobbyist with North Dakota League of Cities, support #9651.

Jonathon Rosenthal, Economic Development Administrator for the City of Minot, support #9733.

Kate Herzog, Chief Operating Officer with the Downtown Business Association of Bismarck, support #9305.

Brandon Bochenski, Mayor of Grand Forks, support #9653.

Kay Beckermann, Fargo, support #9721.

Kayla Effertz, Lobbyist for North Dakota Association of Realtors, support (no written testimony).

Dustin Gawrylow, Managing Director with North Dakota Watchdog Network, opposition, #8901.

Additional written testimony:

Bernie Dardis, Commission President with the City of West Fargo, support #9617.

Chairman Headland closed the hearing at 10:47am.

Mary Brucker, Committee Clerk

Testimony-SB 2139
North Dakota House Finance & Tax Committee
Neighborhood Zones
Tony Grindberg
March 17, 2021

Good morning Chairman Headland and members of the Finance & Tax committee. I am Tony Grindberg, testifying as a resident of Fargo, ND and am pleased to offer my support for the concept contained in SB 2139.

The Neighborhood Zone concept targets post World War II era single family homes that have deteriorated in communicates across North Dakota. The neighborhood concept goals are similar to the highly successful Renaissance Zone legislation that was passed in 1999.

To illustrate, in 1999 the assessed value of the Renaissance Zone properties in Fargo was \$197,375,000. In 2017, the assessed property rose to \$546,331,600. Value of estimated improvements for projects from 1999 to January 2021 are \$297,850,617. *During the first 15 years of the program, the approximate increase in property tax collections exceeded \$15 million.* As one of the sponsors of the legislation, the results have far exceeded our expectations of stimulating investments benefiting from existing infrastructure and economic growth.

The Neighborhood Zone proposal includes establishing public/private funds in North Dakota. Further, the bill requires local political subdivision investment and private sector. I would expect to see financial institutions, non-profit organizations as well as individuals participating in a locally driven fund to restore single family homes and receiving a North Dakota tax credit in some cases.

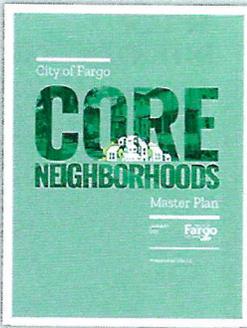
Important points to keep in mind, the legislation targets remodeling of older homes. I could see new single-family homes being constructed in certain cases where existing homes would not make financial sense with a remodel option. Local political subdivisions are required to adopt a development plan to meet intent of legislation. It would be important to recognize what works for one community might not be the case for another. Thus, local decision authority should prevail for approvals of respective neighborhood zones.

Data compiled by a recent CZB core neighborhood study suggests a range of \$35,000-\$75,000 per single family home in Fargo core neighborhoods would be a targeted amount to meet the intended outcomes/impact to rebuild single family homes. I would believe the same range would be applicable statewide as well. *I am providing a copy of CZB ROI analysis for your review.*

Below is a summary of other key CZB study findings:

- Over 1,500 single-family residential properties in the core neighborhoods (1 in 6) show visible signs of disinvestment (e.g. peeling paint, worn siding, a roof or porch in disrepair)
 - Based on 2020 visual survey
 - Assuming an average cost of \$35,000 to bring these homes into good repair—this would equate to over \$50 million in deferred maintenance in private housing stock in the core neighborhoods.
 - Higher levels of visible disinvestment correlate with smaller home configurations (e.g., 2 bed, 1 bath home), which are more commonly found in core neighborhoods.
- An estimated 16% of single-family homes in the core neighborhoods are absentee owned (about 1,200 out of 7,500 total houses).
 - On average, these absentee-owned houses are 10% smaller, have assessed values 17% lower, and higher levels of visual disinvestment than owner-occupied houses within the same neighborhoods.
 - “Once single-family homes decline to a certain price point in the core (generally below \$130,000, but higher closer to NDSU), their feasibility as investment properties rise and investors out-bit the owner-occupant competition”
 - Core Neighborhoods are unique in having single-family houses which front high-volume arterial streets. The Absentee-ownership rate for these houses, which front arterial streets is nearly double (31%) the overall rate of the core neighborhoods. Lower sales prices, assessed values, and property conditions also correlate with houses along these busy streets.
- *From 2020 to 2023, school enrollment is projected to decline by 1.2% within the core neighborhoods, while increasing by 4.7% outside of the core neighborhoods.*

Mr. Chairman and members of the committee, thank you for your consideration of SB 2139. I look forward to your questions and thoughts to move this legislation forward to benefit North Dakota communities, homeowners and school districts.



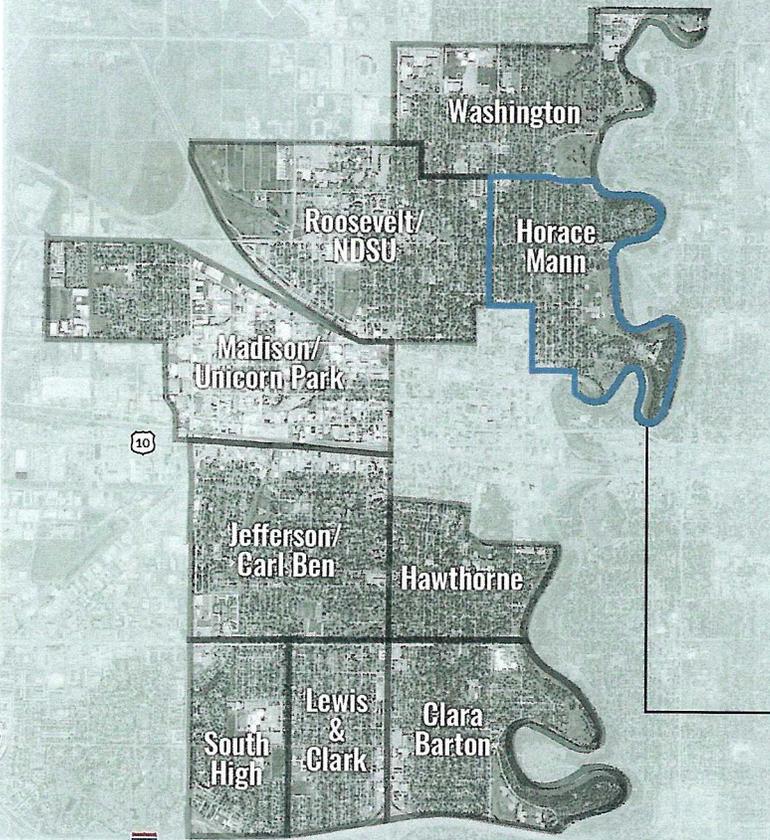
City of Fargo CORE NEIGHBORHOODS MASTER PLAN

The City of Fargo recently completed a Core Neighborhoods Master Plan that recommends several tools to improve the condition and value of the existing housing stock. This focus on residential reinvestment was driven by analysis that found that 1 in 6 properties in the core neighborhoods showed visible signs of disinvestment in 2020—a proportion that is not yet overwhelming but could become so if not addressed over the next decade.

The plan’s most direct recommendation on this front is for the creation of new resources to partner with private property owners on improvements to aging properties, with a focus on improvements that will boost confidence in neighborhoods and set high standards for the core’s housing market. A key ingredient of this approach is public capital to leverage private dollars.

The current proposal to amend the North Dakota Century Code in order to create neighborhood zones would be one way to make public capital available for the purposes of residential reinvestment on designated blocks. **But what about the return on investment?**

To explore this question, czbLLC focused on the **Horace Mann neighborhood**, running a scenario to predict how investments in a small number of properties might impact housing conditions and the tax base.



Read the full plan
<https://fargond.gov/CoreNeighborhoodsPlan>



Prepared by
czbLLC





HORACE MANN NEIGHBORHOOD

BASELINE → INTERVENTION → AFTER INTERVENTION

RESIDENTIAL PROPERTY CONDITIONS	PROPERTIES			PROPERTIES	
	#	%		#	%
Slipping or distressed	139	15%	<p>20% of slipping or distressed properties (28) receive high-impact investments to elevate their condition to very good or excellent, at a cost ranging from \$75,000 to \$150,000 per property depending on existing condition.</p> <p>10% of average or good properties (43) receive high-impact investments to elevate their condition to very good or excellent, at a cost ranging from \$25,000 to \$50,000 per property depending on existing condition.</p>	111	12%
Average or good	431	45%		388	41%
Very good or excellent	378	40%		449	47%
Aggregate Residential Assessed Value*	\$198.2 million			\$206.2 million	

	Total Investment	\$4.1 million
	Number of Properties	71
	Average Cost Per Property	\$58,000

Investment Capital by Source...

...on Blocks in a Neighborhood Zone		...on Other Blocks	
Property Owners and Private Lenders	33%	50%	Property Owners and Private Lenders
City of Fargo	33%		
Neighborhood Zone	33%	50%	City of Fargo

**This assumes that properties improved to very good or excellent condition will have their value increase to reflect the existing average value of very good or excellent properties*

Estimated Return on Investment

\$8.0 million gain in total assessed residential value compared to \$4.1 million invested in property improvements

Disruption of a gradual increase in slipping or distressed properties, as well as a reduction in average to good properties that would be vulnerable to slippage

This estimate does not account for the following returns that would be likely to accompany this intervention:

- Investments made by property owners on their own, spurred by visible improvements elsewhere in the neighborhood
- Stabilization and growth in owner-occupancy rates due to the rising share of properties in very good or excellent condition

Department of Commerce Testimony SB 2139
March 17, 2021
House Finance and Taxation Committee

Chairman and members of the House Finance and Taxation Committee:

My name is Maria Effertz Hanson and I am the Economic and Community Development Lead for the Department of Commerce. With several of my past positions, I had the privilege of supporting communities across North Dakota with writing and administering Renaissance Zones and with the Department of Commerce, was in attendance with Mr. Grindberg when he brought together a group of people in Fargo to discuss the beginnings of this bill. I am here today to testify in support of SB 2139 as amended.

Commerce has provided administration and management for the Renaissance Zone program since its inception. The Renaissance Zone program has proven to be a tremendous opportunity for the state to partner with communities and the private sector to increase property values, preserve historic buildings, create and house new businesses that add jobs and provide additional housing opportunities in rural and urban settings across North Dakota - adding the Neighborhood Zone can have a similar positive impact.

I have heard support and enthusiasm for the amended bill from several communities. I would like to highlight some of the changes that would improve this legislation for a variety of local and regional entities.

- Seventy five percent of the houses in the Neighborhood Zone block, which are taking advantage of the incentives, must be built prior to 1959. This eliminates gentrification of areas along with pure remodel of newer developments.
- The creation of a Neighborhood Fund will allow communities to attract investment into older homes and neighborhoods. The Neighborhood Zone will be an option for local investors to take advantage of tax credits while improving housing stock throughout the community.
- The continued ability of local entities to set the limits on tax incentives. In the past, while I was helping communities write their plans, this was a highlight of the benefits. With both the Neighborhood and Renaissance Zone programs, communities can determine the both level of investment by the private sector and the commensurate amount of tax incentives they achieve for the investment made for both commercial and housing. This flexibility creates plans that works for each community depending on their needs.

This bill, if passed, will provide options for older homes to become more attractive, thus saving many neighborhoods in both large and small communities and taking advantage of existing infrastructure. I would like to humbly ask for a "Do Pass" vote on SB2139. Thank you and I will stand for any questions and bring to your attention that Rikki Roehrich, Renaissance Program Administrator is in the audience and can provide details on the current program.

Testimony in Favor of Senate Bill 2139
March 17, 2021
House Finance and Taxation Committee
Bill Wocken on behalf of the North Dakota League of Cities

Good Morning Mr. Chairman and members of the House Financer and Taxation Committee. For the record, my name is Bill Wocken and I am very pleased to be testifying today in favor of Senate Bill 2139 on behalf of the North Dakota League of Cities.

Senate Bill 2139 allows for the creation of neighborhood zones. The purpose of a neighborhood zone is stated very succinctly at the bottom of page 2 and top of page 3 of the bill. That is the “what” so let us talk about the “why”. We have all visited or at least seen pictures of areas of cities where we might feel at risk or in which we would be unwilling to live. Some may call them “slums” while the more polite term might be “areas of limited investment”. These are areas where housing has fallen into disrepair and where demolition is the only construction activity.

This bill helps to avoid creation of those undesirable housing areas by giving persons who are willing to live in the zone an incentive for investing to make buildings viable and functional for residential occupancy. As neighborhoods evidence examples of buy-in and investment, this positive behavior often sparks projects in nearby blocks and whole areas of the more central part of our cities can be rehabilitated and returned to productivity. Investment and lack of investment both follow examples.

To apply a business model, as a property ages its relative value and production of tax revenue for a city decreases while the city’s service costs increase. Building conditions and police calls put a greater demand on city services, increasing city costs even as the real estate produces less tax income. A new or remodeled building, on the other hand, will have a higher value and pay more in taxes but it normally requires much less special attention by a city and a corresponding lowering of service costs.

Senate Bill 2139 helps to insure the rehabilitation of our cities' oldest neighborhoods (pre-1959 construction). It discourages absentee landlords and helps to combat the decline of neighborhoods while providing housing stock to the community. Often done in the past with expensive urban renewal programs, Senate Bill 2139 quietly encourages strong urban neighborhoods utilizing relatively inexpensive tax incentives to accomplish the work and to attract the investment of private capital in the most vulnerable areas of our cities.

The North Dakota League of Cities supports this program for the health of our cities and our state. We respectfully request a DO PASS recommendation for Senate Bill 2139.



March 16, 2021

Sixty-seventh Legislative Assembly of North Dakota
Bismarck, ND

Testimony: Jonathan Rosenthal, AICP, Economic Development Administrator

Email: jonathan.rosenthal@minotnd.org

Phone: 701-420-4524

Senate Bill 2139 Urging a “Pass” Recommendation

Dear Members of the Committee:

The City of Minot would like to express its enthusiastic support for Senate Bill 2139 sponsored by Senators Lee, Burckhard, Bekkedahl and Kreun and by Representatives Dockter and Keiser.

The creation of *neighborhood zones* as a proposed addition to the North Dakota Century Code and the existing Renaissance Zone legislation will provide municipalities in North Dakota the important opportunity to incentivize housing rehabilitation improvements for neighborhoods located throughout a city.

The proposed program changes allow the necessary flexibility for local governments to identify and then include the most promising neighborhoods in the program. We assess the level of organization and commitment from the community and the level of organization of local property owners. The City appreciates that the bill sponsors plan to give localities substantial latitude to choose the best redevelopment opportunities from amongst all our neighborhoods.

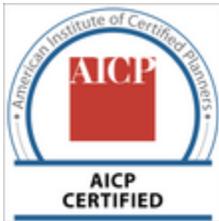
Nearly a decade later, Minot is still addressing issues caused by severe flooding in 2011. It had a disproportionate effect on lower income residents. This worthy program can assist in addressing these ongoing concerns. When the program can be combined with a portion of a local CDBG allocation it can really spur rehab.

The City of Minot thanks all of you for your consideration and commitment to improving our neighborhoods.

For all these reasons we strongly recommend the passage of SB-2139.

Sincerely,

Jonathan Rosenthal, AICP, Economic Development Administrator
City of Minot



Cc: Mayor Shaun Sipma
Minot City Council
Harold Stewart, City Manager
Brian Billingsley, Community & Economic Development Director
Shane Goettle, Special Assistant City Attorney



House Political Subdivisions
Chairperson and Committee Members
SB2139 Support and Suggested Amendment/Clarification

The Downtown Business Association of Bismarck represents over 200 members with 9,000 employees in North Dakota's second largest employment district.

Our Board of Directors voted to support the amended version of SB2139 Neighborhood Zones. We worked with the Senate Political Subdivisions Committee and the ND Commerce Department on amendments to SB2139 to tighten up language and make sure that those who may participate in this potential new program do so in a way that takes the property to normal or above normal assessed condition. Our organization feels comfortable with the bill as amended, with the exception of a small wording change attached. We recommend that this wording change, suggested by the City of Bismarck Planning Department, be amended to clarify dwelling by removing the word "detached". See page 2 of my testimony.

Please let me know if you have any questions for me, we recommend favorable consideration of SB2139. Thank you-

A handwritten signature in black ink, appearing to read "Kate Herzog". The signature is fluid and cursive, with a large initial "K" and "H".

Kate Herzog, COO
Chief Operating Officer
Downtowners Bismarck



Suggested amendments to SB 2139 to clarify language:

Remove the word “detached” from both page 7, line 27 and page 9, line 16 of SB 2139.



**TESTIMONY ON SENATE BILL 2139
House Finance and Tax Committee**

March 17, 2021

Mayor Brandon Bochenski, City of Grand Forks, ND

Chairman Headland and members of the Finance and Tax Committee, my name is Brandon Bochenski, Mayor of the City of Grand Forks, and I thank you for the opportunity to provide testimony and express my support for Senate Bill 2139, with one suggested modification.

The Renaissance Zone program has proven the profound impact that exempting added value (and added value only) can have in spurring development and bolstering neighborhoods and local and state tax base. Grand Forks sees this impact firsthand as our downtown continues to rebuild and grow, physically and fiscally, from its deteriorated post-flood state 20 years ago. The proposed Neighborhood Zones program would only serve to apply these tried and true strategies on a broader scale throughout the community.

As applied in Grand Forks, the Renaissance Zone program has no downside to taxing entities, but lots of upside. As only the added value on approved projects is exempted, taxing entities continue to collect the same base level of taxes during the exemption period as they did pre-project. While plenty of details would remain to be ironed out, I anticipate neighborhood zones would operate in a similar way, giving homeowners a powerful incentive to improve their property and benefit their entire neighborhood.

I believe this program will particularly empower those homeowners who may not otherwise be able to immediately afford the corresponding tax increase on the added value that would result from improving their homes. Additionally, homeowners may be able to afford more extensive projects than they otherwise might, enabling them to build more value in their property and amplifying the positive impact on their neighborhood.

In the vein of maximizing this program's potential impact, I ask that you consider a minor change to the language of the bill, specifically in defining the income and property tax exemptions allowed for renaissance and neighborhood zone projects (Sections 40-63-04 and 40-63-05). The inclusion of the term "detached" in reference to single-family residential properties appears to eliminate condominiums as an eligible project for both renaissance and neighborhood zones. Promoting the improvement of all home types is an important aim, and I do not believe it is the intention of this bill to exclude this specific type. Simply

removing the term “detached” from these two sections will ensure the aim of the bill can be applied more holistically in our neighborhoods.

While the downtown area continues its growth under the Renaissance Zone program, there exists immense potential in numerous other core neighborhoods in Grand Forks and neighborhood zones would be a powerful means of driving reinvestment to benefit not only those residents who live in that particular area directly, but indeed the whole community. SB 2139 presents an excellent opportunity to apply proven strategies to do just that in targeted areas throughout our community and as such receives my wholehearted support.

I humbly ask for a DO PASS recommendation for SB 2139.

Hello, and thank you for letting me speak about the experience of living in an older home in a historic neighborhood.

Nineteen years ago, my husband and I were a young couple with a toddler and hopes for a larger family. With that in mind, we decided it was time to purchase a home in which our family could grow. Our wish list was relatively short, we wanted mature trees and a home with character. Naturally we desired the mansions on Fargo's Historic 8th Street but our budget said, "cozy fixer-upper."

We soon found our 1905 Italianate Cube-style house near Fargo's Island Park. The neighborhood offered mature trees, an elementary school, a historic park, river trails, and is alive with character. The house fit our "cozy fixer-upper" budget and we were excited to move in.

The house immediately offered challenges as the old knob and tube wiring didn't pass inspection. It was, in fact, moments away from starting the house on fire. The basement needed a great deal of repair, the asbestos siding needed to be removed, shingles needed replacing, the furnace was old, drain tile needed installation, and much, much more. Our budget, as mentioned, was limited and many of these updates occurred over the course of two decades.

We were fortunate enough to have afforded these updates; however, it wasn't easy. Despite saving for repairs, home emergencies happened, we had to put a lot of this on credit cards, and it was a vicious cycle for a while. It was tough and sometimes we wondered if we were in too deep. Tax exemptions, grants, or other incentives would have gone a long way. They would have helped us fix the roof before water damaged the attic and ceiling. We could have fixed the furnace earlier, helping our asthmatic daughter breathe easier as a young child. We could have installed drain tile earlier, preventing basement flooding and the subsequent mold. We could have removed the asbestos siding earlier, revealing the original wood and beautifying the neighborhood earlier (the siding was truly ugly). We are currently saving to repair the cement foundation and window restoration.

But if asked if we would do it again, the answer is a resounding "yes." Living in an older neighborhood and home has challenges, but the rewards offer so much more. For example, restoring the original wood siding of our house was a months-long task but 100% worth it. We uncovered stories buried underneath the ugly asbestos siding, like where decorative elements once resided and the initials of the home builders. These discoveries are gifts newer homes cannot offer.

Before I close my story, I want to share comments from my neighbors regarding the love and challenges of living in an older neighborhood.

Emily discusses the basement repair they have been putting off for years due to the expense, as does Dina.

Karissa had to refinance her 1920s home in order to pay for necessary upkeep. She said potential exemptions sound amazing.

Nicole talks about basement and electrical surprises but she “loves living in an established community near downtown.”

Finally, Justin says it best when he states, “...old structures are by far the most painful...and the most rewarding. It would be fantastic to have more support to keep the history standing.”

Thank you for your time.

Dr. Kay Beckermann
Fargo, ND

SB 2139 – Testimony by Dustin Gawrylow (Lobbyist #266) North Dakota Watchdog Network

SB 2139 creates yet another tax exemption program that will allow cities to take more property tax producing properties off the book as a means of subsidizing more development/redevelopment.

This bill would create Neighborhood Zones, which would be added to and mimic the existing Renaissance Zone program, TIF Districts, PILOTs, and whatever ad hoc exemption program local governments can come up with.

We oppose adding to the tax exempt power of local government. If property taxes are such an obstacle to development, we should be addressing that root problem directly with property tax reform.

I urge a DO NOT PASS on SB 2139

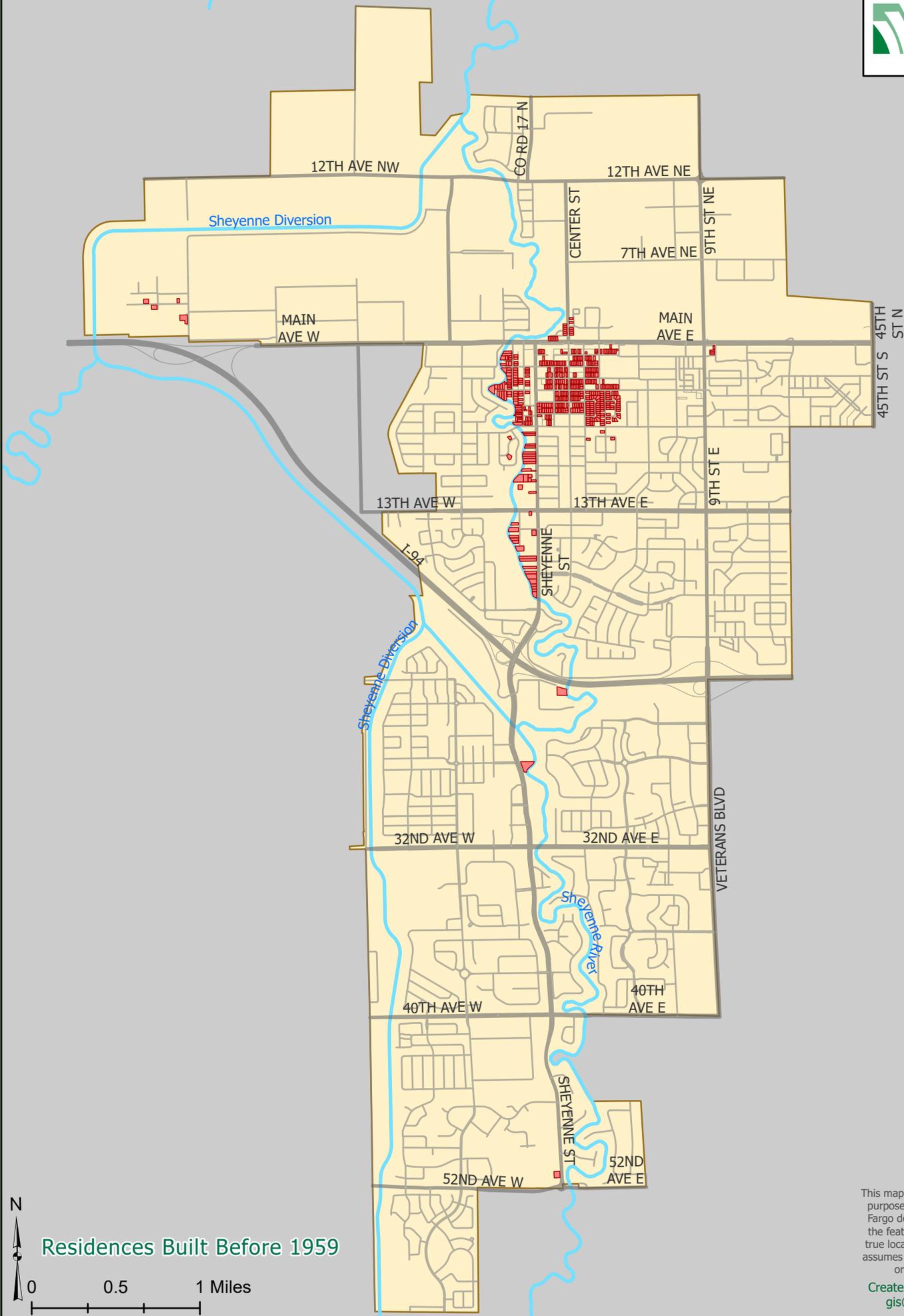


**Testimony on SB 2139
Presented to the House Finance and Taxation Committee
Prepared by Bernie Dardis, West Fargo Commission President
Wednesday, March 17, 2021**

1 Chairperson Headland and House Finance and Taxation Committee
2 members: I would like to submit my testimony in support of SB 2139, a bill that
3 would amend and reenact several sections of the North Dakota Century Code
4 relating to the creation of neighborhood zones and neighborhood zone
5 incentives.

6 After reviewing this bill with the City of West Fargo's Economic
7 Development and Planning and Zoning Departments, we determined this bill
8 would be beneficial as it would provide City of West Fargo residents living in
9 older homes the opportunity to make cost-saving improvements to their homes.
10 This will add to the longevity of the City's aging housing stock, which also
11 represents a majority of our affordable housing stock. Many of these
12 homeowners are already facing steep maintenance costs due to the aging
13 infrastructure in and around their structures, so a tax incentive to lessen the
14 burden of those costs is sure to be welcomed by our community.

15 In total, the City of West Fargo has more than 480 homes that were built
16 before 1959 that could potentially make use of a neighborhood zone project /
17 designation. Most of these homes are located in our "core" area (see attached)
18 – a part of the city that will require major infrastructure upgrades to water and
19 sewage utilities over the next decade. As such, we feel the timing of this bill
20 could not be better and for this reason we urge the committee to vote a DO PASS on
21 this bill.



Residences Built Before 1959

This map is intended for reference purposes only. The City of West Fargo does not make claim that the features depicted represent true locations; therefore the City assumes no liability for any errors or omissions herein.

Created By: West Fargo GIS
gis@westfargond.gov

2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

SB 2139
3/22/2021

A bill relating to the creation of neighborhood zones and neighborhood zone incentives.

Chairman Headland opened up the meeting at 2:40pm.

Representatives	Present
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	AB
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	AB
Representative Ben Koppelman	AB
Representative Marvin E. Nelson	Y
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

Discussion Topics:

- Proposed amendment 21.0209.03001
- Proposed amendment 21.0209.03004.
- Committee decision

Representative Ista proposed amendment 21.0209.03001 (#10375).

Representative Ista made a motion to adopt the amendment 21.0209.03001.

Representative M. Nelson seconded the motion.

Voice vote-motion carried.

Chairman Headland proposed an amendment 21.0209.03004 (#10378).

Representative Dockter made a motion to adopt amendment 21.0209.03004.

Representative Bosch seconded the motion.

Voice vote-motion carried

Representative Dockter made a motion for a DO PASS AS AMENDED.

Vice Chairman Steiner seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	AB
Representative Ben Koppelman	Y
Representative Marvin E. Nelson	AB
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

Motion carried 12-0-2

Vice Chairman Steiner is the bill carrier.

Chairman Headland closed the discussion at 3:03pm.

Mary Brucker, Committee Clerk

21.0209.03001
Title.

Prepared by the Legislative Council staff for
Representative Ista
March 17, 2021

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2139

Page 2, line 31, remove "detached."

Page 3, line 9, remove "detached."

Page 7, line 27, remove "detached."

Page 7, line 28, remove the underscored comma

Page 9, line 16, remove "detached."

Page 9, line 16, remove the second underscored comma

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2139

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 54-27.2 and a new section to chapter 57-01 of the North Dakota Century Code, relating to an income tax rate reduction fund and an income tax rate adjustment; and to provide for a transfer.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 54-27.2 of the North Dakota Century Code is created and enacted as follows:

Certain general fund revenues to be deposited in the income tax rate reduction fund.

After any required transfers from the general fund to the budget stabilization fund under section 54-27.2-02, if the amount in the general fund exceeds sixty-five million dollars at the end of any biennium, the state treasurer shall transfer up to one hundred fifty million dollars from the general fund to the income tax rate reduction fund under section 2 of this Act.

SECTION 2. A new section to chapter 57-01 of the North Dakota Century Code is created and enacted as follows:

Income tax rate reduction fund - Income tax rate adjustment - Tax commissioner - Transfer.

1. There is created in the state treasury the income tax rate reduction fund. The fund consists of all moneys deposited in the fund under section 1 of this Act.
2. If money is transferred into the income tax rate reduction fund under section 1 of this Act, the tax commissioner shall publish reduced individual and corporate income tax rates and notify taxpayers of the reduced rates by November first of the first fiscal year of the biennium. The tax commissioner may determine the form and manner for publishing the reduced rates and notifying taxpayers, including any notification that taxpayers are not required to file returns or pay taxes. The tax commissioner shall reduce the individual income tax rates and the corporate income tax rates based on the following:
 - a. The percentage reduction to the individual and corporate income tax rates is equal to the rate reduction amount divided by the total estimated tax collections, including both the individual tax collections and corporate income tax collections, for the second year of the biennium.

- b. Any reductions to the individual income tax rates and the corporate income tax rates apply to taxable years beginning after a rate reduction is calculated and published under this section.
 - c. The reductions to the individual income tax rates and the corporate income tax rates must be proportional to the estimated tax collections for each tax relative to the combined total estimated tax collections for both taxes.
 - d. The reductions to the individual income tax rates and corporate income tax rates must be applied equally to all tax brackets for each tax.
 - e. The reduced individual income tax rates and corporate income tax rates must be rounded to the nearest one-hundredth of a percent.
 - f. The tax commissioner shall calculate the reduced individual income tax rates and corporate income tax rates until the rates are reduced to zero.
3. If the income tax rate reduction results in a disproportionate amount of tax to be deducted and withheld under section 57-39-59, the tax commissioner may adjust the percentage that, when withheld, will as closely as possible pay the income tax liability imposed.
 4. This section does not limit or suspend any provision in chapter 57-38 which is not in conflict with this section, including provisions for assessment and refund under sections 57-38-34.4, 57-38-38, and 57-38-40.
 5. In April of each calendar year, the state treasurer shall transfer the amounts certified by the tax commissioner from the income tax rate reduction fund to the general fund. The amount transferred to the general fund each year may not be less than the rate reduction amount determined for the current biennium plus the rate reduction amount determined for each preceding biennium.
 6. For purposes of this section:
 - a. "Base funding amount" means the total amount transferred from the income tax rate reduction fund to the general fund in the preceding biennium.
 - b. "Estimated tax collections" means the income tax collection amounts included in the revenue forecast of the current biennial state budget as approved by the most recently adjourned special or regular session of the legislative assembly.
 - c. "Rate reduction amount" means one-half of the funds deposited in the income tax rate reduction fund exceeding the base funding amount.
 7. The tax commissioner shall certify to the state treasurer that the individual income tax and corporate income tax rates have been reduced to zero. Upon receiving the certification from the tax commissioner, the state treasurer immediately shall transfer any moneys remaining in the income tax reduction fund to the state general fund."

DP 3/22/21
3 of 3

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2139, as engrossed: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). Engrossed SB 2139 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 54-27.2 and a new section to chapter 57-01 of the North Dakota Century Code, relating to an income tax rate reduction fund and an income tax rate adjustment; and to provide for a transfer.

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3. If the income tax rate reduction results in a disproportionate amount of tax to be deducted and withheld under section 57-39-59, the tax commissioner may adjust the percentage that, when withheld, will as closely as possible pay the income tax liability imposed.
 4. This section does not limit or suspend any provision in chapter 57-38 which is not in conflict with this section, including provisions for assessment and refund under sections 57-38-34.4, 57-38-38, and 57-38-40.
 5. In April of each calendar year, the state treasurer shall transfer the amounts certified by the tax commissioner from the income tax rate reduction fund to the general fund. The amount transferred to the general fund each year may not be less than the rate reduction amount determined for the current biennium plus the rate reduction amount determined for each preceding biennium.
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Renumber accordingly

21.0209.03001
Title.

Prepared by the Legislative Council staff for
Representative Ista
March 17, 2021

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2139

Page 2, line 31, remove "detached."

Page 3, line 9, remove "detached."

Page 7, line 27, remove "detached."

Page 7, line 28, remove the underscored comma

Page 9, line 16, remove "detached."

Page 9, line 16, remove the second underscored comma

Renumber accordingly

21.0209.03004
Title.

Prepared by the Legislative Council staff for
Representative Headland
March 22, 2021

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2139

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 54-27.2 and a new section to chapter 57-01 of the North Dakota Century Code, relating to an income tax rate reduction fund and an income tax rate adjustment; and to provide for a transfer.

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2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

SB 2139
3/31/2021

A bill relating to the creation of neighborhood zones and neighborhood zone incentives.

Chairman Headland opened the discussion at 9:00am.

Representatives	Present
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	AB
Representative Ben Koppelman	AB
Representative Marvin E. Nelson	AB
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

Discussion Topics:

- Reconsideration of actions
- Committee decision

Representative Dockter made a motion to reconsider our actions.

Vice Chairman Steiner seconded the motion.

Voice vote-motion carried.

Vice Chairman Steiner made a motion to further amend the bill by adding the emergency clause to the bill.

Representative Fisher seconded the motion.

Voice vote-motion carried.

Representative Dockter made a motion for a DO PASS AS AMENDED.

Representative Fisher seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	AB
Representative Ben Koppelman	AB
Representative Marvin E. Nelson	AB
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

Motion carried-11-0-3

Vice Chairman Steiner is the bill carrier.

Chairman Headland closed the discussion at 10:07am.

Mary Brucker, Committee Clerk

JP
3/31/21
1 of 3

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2139

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 54-27.2 and a new section to chapter 57-01 of the North Dakota Century Code, relating to an income tax rate reduction fund and an income tax rate adjustment; to provide for a transfer; and to declare an emergency.

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- JF
3/31/21
2023
- b. Any reductions to the individual income tax rates and the corporate income tax rates apply to taxable years beginning after a rate reduction is calculated and published under this section.
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SECTION 3. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

of
3/31/21
3 of 3

REPORT OF STANDING COMMITTEE

SB 2139, as engrossed: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). Engrossed SB 2139 was placed on the Sixth order on the calendar.

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 6. For purposes of this section:
 - a. "Base funding amount" means the total amount transferred from the income tax rate reduction fund to the general fund in the preceding biennium.
 - b. "Estimated tax collections" means the income tax collection amounts included in the revenue forecast of the current biennial state budget as approved by the most recently adjourned special or regular session of the legislative assembly.
 - c. "Rate reduction amount" means one-half of the funds deposited in the income tax rate reduction fund exceeding the base funding amount.
 7. The tax commissioner shall certify to the state treasurer that the individual income tax and corporate income tax rates have been reduced to zero. Upon receiving the certification from the tax commissioner, the state treasurer immediately shall transfer any moneys remaining in the income tax reduction fund to the state general fund.

SECTION 3. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

SB 2139
4/6/2021

A bill relating to the creation of neighborhood zones and neighborhood zone incentives.

Chairman Headland opened the meeting up for discussion at 9:00am.

Representatives	Present
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	Y
Representative Ben Koppelman	N
Representative Marvin E. Nelson	Y
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

Discussion Topics:

- Reconsideration of actions
- Proposal of a verbal amendment
- Committee decision

Representative Hatlestad made a motion to reconsider our actions.

Representative Dockter seconded the motion.

Voice vote-motion carried.

Vice Chairman Steiner made a motion for an amendment to remove the emergency clause.

Representative Dockter seconded the motion.

Voice vote-motion carried.

Vice Chairman Steiner made a motion for a DO PASS AS AMENDED.

Representative D. Anderson seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	Y
Representative Ben Koppelman	AB
Representative Marvin E. Nelson	N
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

Motion carried 12-1-1

Vice Chairman Steiner is the bill carrier.

Chairman Headland closed the discussion at 9:08am.

Mary Brucker, Committee Clerk

April 6, 2021

DA 4/6/21
1 of 3

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2139

In lieu of the amendments printed on page 1401 through 1403 of the House Journal, Engrossed Senate Bill No. 2139 is amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 54-27.2 and a new section to chapter 57-01 of the North Dakota Century Code, relating to an income tax rate reduction fund and an income tax rate adjustment; and to provide for a transfer.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 54-27.2 of the North Dakota Century Code is created and enacted as follows:

Certain general fund revenues to be deposited in the income tax rate reduction fund.

After any required transfers from the general fund to the budget stabilization fund under section 54-27.2-02, if the amount in the general fund exceeds sixty-five million dollars at the end of any biennium, the state treasurer shall transfer up to one hundred fifty million dollars from the general fund to the income tax rate reduction fund under section 2 of this Act.

SECTION 2. A new section to chapter 57-01 of the North Dakota Century Code is created and enacted as follows:

Income tax rate reduction fund - Income tax rate adjustment - Tax commissioner - Transfer.

1. There is created in the state treasury the income tax rate reduction fund. The fund consists of all moneys deposited in the fund under section 1 of this Act.
2. If money is transferred into the income tax rate reduction fund under section 1 of this Act, the tax commissioner shall publish reduced individual and corporate income tax rates and notify taxpayers of the reduced rates by November first of the first fiscal year of the biennium. The tax commissioner may determine the form and manner for publishing the reduced rates and notifying taxpayers, including any notification that taxpayers are not required to file returns or pay taxes. The tax commissioner shall reduce the individual income tax rates and the corporate income tax rates based on the following:
 - a. The percentage reduction to the individual and corporate income tax rates is equal to the rate reduction amount divided by the total estimated tax collections, including both the individual tax collections and corporate income tax collections, for the second year of the biennium.

- b. Any reductions to the individual income tax rates and the corporate income tax rates apply to taxable years beginning after a rate reduction is calculated and published under this section.
 - c. The reductions to the individual income tax rates and the corporate income tax rates must be proportional to the estimated tax collections for each tax relative to the combined total estimated tax collections for both taxes.
 - d. The reductions to the individual income tax rates and corporate income tax rates must be applied equally to all tax brackets for each tax.
 - e. The reduced individual income tax rates and corporate income tax rates must be rounded to the nearest one-hundredth of a percent.
 - f. The tax commissioner shall calculate the reduced individual income tax rates and corporate income tax rates until the rates are reduced to zero.
3. If the income tax rate reduction results in a disproportionate amount of tax to be deducted and withheld under section 57-38-59, the tax commissioner may adjust the percentage that, when withheld, will as closely as possible pay the income tax liability imposed.
 4. This section does not limit or suspend any provision in chapter 57-38 which is not in conflict with this section, including provisions for assessment and refund under sections 57-38-34.4, 57-38-38, and 57-38-40.
 5. In April of each calendar year, the state treasurer shall transfer the amounts certified by the tax commissioner from the income tax rate reduction fund to the general fund. The amount transferred to the general fund each year may not be less than the rate reduction amount determined for the current biennium plus the rate reduction amount determined for each preceding biennium.
 6. For purposes of this section:
 - a. "Base funding amount" means the total amount transferred from the income tax rate reduction fund to the general fund in the preceding biennium.
 - b. "Estimated tax collections" means the income tax collection amounts included in the revenue forecast of the current biennial state budget as approved by the most recently adjourned special or regular session of the legislative assembly.
 - c. "Rate reduction amount" means one-half of the funds deposited in the income tax rate reduction fund exceeding the base funding amount.
 7. The tax commissioner shall certify to the state treasurer that the individual income tax and corporate income tax rates have been reduced to zero. Upon receiving the certification from the tax commissioner, the state treasurer immediately shall transfer any moneys remaining in the income tax reduction fund to the state general fund."

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2139, as engrossed: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). Engrossed SB 2139 was placed on the Sixth order on the calendar.

In lieu of the amendments printed on page 1401 through 1403 of the House Journal, Engrossed Senate Bill No. 2139 is amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 54-27.2 and a new section to chapter 57-01 of the North Dakota Century Code, relating to an income tax rate reduction fund and an income tax rate adjustment; and to provide for a transfer.

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Certain general fund revenues to be deposited in the income tax rate reduction fund.

After any required transfers from the general fund to the budget stabilization fund under section 54-27.2-02, if the amount in the general fund exceeds sixty-five million dollars at the end of any biennium, the state treasurer shall transfer up to one hundred fifty million dollars from the general fund to the income tax rate reduction fund under section 2 of this Act.

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2. If money is transferred into the income tax rate reduction fund under section 1 of this Act, the tax commissioner shall publish reduced individual and corporate income tax rates and notify taxpayers of the reduced rates by November first of the first fiscal year of the biennium. The tax commissioner may determine the form and manner for publishing the reduced rates and notifying taxpayers, including any notification that taxpayers are not required to file returns or pay taxes. The tax commissioner shall reduce the individual income tax rates and the corporate income tax rates based on the following:
 - a. The percentage reduction to the individual and corporate income tax rates is equal to the rate reduction amount divided by the total estimated tax collections, including both the individual tax collections and corporate income tax collections, for the second year of the biennium.
 - b. Any reductions to the individual income tax rates and the corporate income tax rates apply to taxable years beginning after a rate reduction is calculated and published under this section.
 - c. The reductions to the individual income tax rates and the corporate income tax rates must be proportional to the estimated tax.

- collections for each tax relative to the combined total estimated tax collections for both taxes.
- d. The reductions to the individual income tax rates and corporate income tax rates must be applied equally to all tax brackets for each tax.
 - e. The reduced individual income tax rates and corporate income tax rates must be rounded to the nearest one-hundredth of a percent.
 - f. The tax commissioner shall calculate the reduced individual income tax rates and corporate income tax rates until the rates are reduced to zero.
3. If the income tax rate reduction results in a disproportionate amount of tax to be deducted and withheld under section 57-38-59, the tax commissioner may adjust the percentage that, when withheld, will as closely as possible pay the income tax liability imposed.
 4. This section does not limit or suspend any provision in chapter 57-38 which is not in conflict with this section, including provisions for assessment and refund under sections 57-38-34.4, 57-38-38, and 57-38-40.
 5. In April of each calendar year, the state treasurer shall transfer the amounts certified by the tax commissioner from the income tax rate reduction fund to the general fund. The amount transferred to the general fund each year may not be less than the rate reduction amount determined for the current biennium plus the rate reduction amount determined for each preceding biennium.
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 7. The tax commissioner shall certify to the state treasurer that the individual income tax and corporate income tax rates have been reduced to zero. Upon receiving the certification from the tax commissioner, the state treasurer immediately shall transfer any moneys remaining in the income tax reduction fund to the state general fund."

Renumber accordingly

2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

SB 2139
4/20/2021

A bill relating to an income tax rate reduction fund and an income tax rate adjustment.

Chairman Headland opened the discussion at 9:00am.

Representatives	Present
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	Y
Representative Ben Koppelman	Y
Representative Marvin E. Nelson	Y
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

Discussion Topics:

- Committee decision

Vice Chairman Steiner made a motion to bring the bill back to committee.

Representative D. Anderson seconded the motion.

Voice vote-motion carried.

Committee discussion.

Representative Dockter made a motion for a **DO PASS AS AMENDED** (as previously passed out of committee on April 6, 2021 with amendment 21.0209.03006).

Representative Hatlestad seconded the motion.

Representatives	Vote
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	N
Representative Tom Kading	Y
Representative Ben Koppelman	Y
Representative Marvin E. Nelson	N
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

Motion carried 12-2-0.

Chairman Headland closed the discussion at 9:06am.

Mary Brucker, Committee Clerk

REPORT OF STANDING COMMITTEE

SB 2139, as engrossed: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2139 was placed on the Sixth order on the calendar.

In lieu of the amendments printed on page 1401 through 1403 of the House Journal, Engrossed Senate Bill No. 2139 is amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 54-27.2 and a new section to chapter 57-01 of the North Dakota Century Code, relating to an income tax rate reduction fund and an income tax rate adjustment; and to provide for a transfer.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 54-27.2 of the North Dakota Century Code is created and enacted as follows:

Certain general fund revenues to be deposited in the income tax rate reduction fund.

After any required transfers from the general fund to the budget stabilization fund under section 54-27.2-02, if the amount in the general fund exceeds sixty-five million dollars at the end of any biennium, the state treasurer shall transfer up to one hundred fifty million dollars from the general fund to the income tax rate reduction fund under section 2 of this Act.

SECTION 2. A new section to chapter 57-01 of the North Dakota Century Code is created and enacted as follows:

Income tax rate reduction fund - Income tax rate adjustment - Tax commissioner - Transfer.

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2. If money is transferred into the income tax rate reduction fund under section 1 of this Act, the tax commissioner shall publish reduced individual and corporate income tax rates and notify taxpayers of the reduced rates by November first of the first fiscal year of the biennium. The tax commissioner may determine the form and manner for publishing the reduced rates and notifying taxpayers, including any notification that taxpayers are not required to file returns or pay taxes. The tax commissioner shall reduce the individual income tax rates and the corporate income tax rates based on the following:
 - a. The percentage reduction to the individual and corporate income tax rates is equal to the rate reduction amount divided by the total estimated tax collections, including both the individual tax collections and corporate income tax collections, for the second year of the biennium.
 - b. Any reductions to the individual income tax rates and the corporate income tax rates apply to taxable years beginning after a rate reduction is calculated and published under this section.
 - c. The reductions to the individual income tax rates and the corporate income tax rates must be proportional to the estimated tax.

- collections for each tax relative to the combined total estimated tax collections for both taxes.
- d. The reductions to the individual income tax rates and corporate income tax rates must be applied equally to all tax brackets for each tax.
 - e. The reduced individual income tax rates and corporate income tax rates must be rounded to the nearest one-hundredth of a percent.
 - f. The tax commissioner shall calculate the reduced individual income tax rates and corporate income tax rates until the rates are reduced to zero.
3. If the income tax rate reduction results in a disproportionate amount of tax to be deducted and withheld under section 57-38-59, the tax commissioner may adjust the percentage that, when withheld, will as closely as possible pay the income tax liability imposed.
 4. This section does not limit or suspend any provision in chapter 57-38 which is not in conflict with this section, including provisions for assessment and refund under sections 57-38-34.4, 57-38-38, and 57-38-40.
 5. In April of each calendar year, the state treasurer shall transfer the amounts certified by the tax commissioner from the income tax rate reduction fund to the general fund. The amount transferred to the general fund each year may not be less than the rate reduction amount determined for the current biennium plus the rate reduction amount determined for each preceding biennium.
 6. For purposes of this section:
 - a. "Base funding amount" means the total amount transferred from the income tax rate reduction fund to the general fund in the preceding biennium.
 - b. "Estimated tax collections" means the income tax collection amounts included in the revenue forecast of the current biennial state budget as approved by the most recently adjourned special or regular session of the legislative assembly.
 - c. "Rate reduction amount" means one-half of the funds deposited in the income tax rate reduction fund exceeding the base funding amount.
 7. The tax commissioner shall certify to the state treasurer that the individual income tax and corporate income tax rates have been reduced to zero. Upon receiving the certification from the tax commissioner, the state treasurer immediately shall transfer any moneys remaining in the income tax reduction fund to the state general fund."

Renumber accordingly

2021 CONFERENCE COMMITTEE

SB 2139

2021 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2139
4/23/2021
Conference Committee

A BILL for an Act to create and enact a new section to chapter 54-27.2 and a new section to chapter 57-01 of the North Dakota Century Code, relating to an income tax rate reduction fund and an income tax rate adjustment; and to provide for a transfer.

Chair Burckhard calls the meeting to order. Senators Burckhard, Bell, Oban and Representatives Steiner, Headland, Dockter are present. [10:31]

Discussion Topics:

- Income tax reduction fund
- Rate reduction procedure
- Budget stabilization fund
- Income tax rate notification
- Property tax relief

Committee Discussion [10:32]

Representative Headland [10:48] submits an amendment #11625.

Chair Burckhard adjourns the meeting. [10:50]

Joel Crane, Committee Clerk

21.0209.06000

FIRST ENGROSSMENT
with House Amendments
ENGROSSED SENATE BILL NO. 2139

Sixty-seventh
Legislative Assembly
of North Dakota

Introduced by

Senators Lee, Bekkedahl, Burckhard,
KreunRepresentatives Dockter, Keiser

1 A BILL for an Act to create and enact a new section to chapter 54-27.2 and a new
2 section to chapter 57-01 of the North Dakota Century Code, relating to an income tax
3 rate reduction fundand an income tax rate adjustment; and to provide for a transfer.

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

5 SECTION 1. A new section to chapter 54-27.2 of the North Dakota Century Code is
6 createdand enacted as follows:

7 Certain general fund revenues to be deposited in the income tax rate reduction
8 fund.

9 After any required transfers from the general fund to the budget stabilization fund under
10 section 54-27.2-02, if the amount in the general fund exceeds sixty five million dollars at the
11 end the office of management and budget shall certify to the state treasurer the ending
12 fund balance of the state general fund and if the amount in the general fund exceeds sixty-
13 five million dollars at the end of the biennium, shall also certify the amount to be transferred
14 to the income tax rate reduction fund. The state treasurer shall transfer the excess over
15 sixty-five million dollars up to one hundred fifty million dollars from the general fund to the
16 income tax rate reduction fund under section 2 of this Act. of any biennium, the state
17 treasurer shall transfer up to one hundred fifty million dollars from the general fund to the
18 income tax rate reduction fund under section 2 of this Act.

19 SECTION 2. A new section to chapter 57-01 of the North Dakota Century Code is
20 createdand enacted as follows:

21 Income tax rate reduction fund - Income tax rate adjustment - Tax commissioner -
22 Transfer.

23 1. There is created in the state treasury the income tax rate reduction fund. The
24 fundconsists of all moneys deposited in the fund under section 1 of this Act.

- 1 2. If money is transferred into the income tax rate reduction fund under section 1
2 of this Act, and the balance in the fund is over fifty million dollars, the tax
3 commissioner shall publish reduced individual and corporate income tax rates
4 and notify taxpayers of the reduced rates by November first of the first fiscal
5 year of the biennium. The tax commissioner may determine the form and
6 manner for publishing the reduced rates and notifying taxpayers, including
7 any notification that taxpayers are not required to file returns or pay taxes. The
8 tax commissioner shall reduce the individual income tax rates and the
9 corporate income tax rates based on the following:
- 10 a. The percentage reduction to the individual and corporate income tax rates
11 is equal to the ~~rate reduction amount~~ balance in the rate reduction fund
12 divided by the total estimated tax collections, ~~including both the individual~~
13 ~~tax collections and corporate income tax collections, for the second year of~~
14 ~~the biennium.~~
- 15 b. Any reductions to the individual income tax rates and the corporate
16 income tax rates apply to taxable years beginning after a rate reduction is
17 calculated and published under this section.
- 18 c. The reductions to the individual income tax rates and the corporate income
19 tax rates must be proportional to the estimated tax collections for each tax
20 relative to the combined total estimated tax collections for both taxes.
- 21 d. The reductions to the individual income tax rates and corporate income tax
22 rates must be applied equally to all tax brackets for each tax.
- 23 e. The reduced individual income tax rates and corporate income tax rates
24 must be rounded to the nearest one-hundredth of a percent.
- 25 f. The tax commissioner shall calculate the reduced individual income tax
26 rates and corporate income tax rates until the rates are reduced to zero.
- 27 g. "Estimated tax collections" means the income tax collection amounts
28 included in the revenue forecast of the current biennial state budget as
29 approved by the most recently adjourned special or regular session of the
30 legislative assembly.

- 1 3. If the income tax rate reduction results in a disproportionate amount of tax to be
2 deducted and withheld under section 57-38-59, the tax commissioner may
3 adjust the percentage that, when withheld, will as closely as possible pay the
4 income tax liability imposed.
- 5 4. This section does not limit or suspend any provision in chapter 57-38 which is
6 not in conflict with this section, including provisions for assessment and refund
7 under sections 57-38-34.4, 57-38-38, and 57-38-40.
- 8 5. In April of ~~each calendar year~~ ~~the first fiscal year of the biennium, if a rate~~
9 reduction is made under subsection 2, the state treasurer shall transfer the
10 amounts certified by the tax commissioner from the income tax rate reduction
11 fund to the general fund.
12 ~~The amount transferred to the general fund each year may not be less than the~~
13 ~~rate reduction amount determined for the current biennium plus the rate~~
14 ~~reduction amount determined for each preceding biennium.~~
- 15 6. ~~For purposes of this section:~~
16 ~~a. "Base funding amount" means the total amount transferred from the~~
17 ~~income tax rate reduction fund to the general fund in the preceding~~
18 ~~biennium.~~
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20 ~~included in the revenue forecast of the current biennial state budget as~~
21 ~~approved by the most recently adjourned special or regular session of the~~
22 ~~legislative assembly.~~
23 ~~c. "Rate reduction amount" means one-half of the funds deposited in the~~
24 ~~income tax rate reduction fund exceeding the base funding amount.~~
- 25 7. The tax commissioner shall certify to the state treasurer that the individual
26 income tax and corporate income tax rates have been reduced to zero. Upon
27 receiving the certification from the tax commissioner, the state treasurer
28 immediately shall transfer any moneys remaining in the income tax reduction
29 fund to the state general fund.

2021 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2139
4/26/2021
Conference Committee
AM Meeting

A BILL for an Act to create and enact a new section to chapter 54-27.2 and a new section to chapter 57-01 of the North Dakota Century Code, relating to an income tax rate reduction fund and an income tax rate adjustment; and to provide for a transfer.

Chair Burckhard calls the meeting to order. Senators Burckhard, Bell, Oban and Representatives Steiner, Headland, Dockter are present. [9:00]

Discussion Topics:

- State ending fund balance
- Income tax rate reduction fund

[9:00] Rep Headland referenced amendment (#11625) and asked the tax commissioner to explain them.

Joe Becker [9:00] Office of the State Tax Commissioner provides information #11636

Rep Headland [9:08] moved House recede and further amend the bill with change in how the reduction of income tax would be orchestrated.

Representative Dockter seconds

Motion fails 3-3-0

Senator Bell [9:09] submits an amendment [LC 21.0209.03010] #11637

Ryan Rauschenberger [9:11] ND State Tax Commissioner, Office of the State Tax Commissioner, provides oral information

Chair Burckhard adjourns the meeting. [9:13]

Joel Crane, Committee Clerk

**2021 SENATE CONFERENCE COMMITTEE
 ROLL CALL VOTES**

BILL/RESOLUTION NO. SB 2139 as engrossed

Senate Finance and Taxation Committee

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

Motion Made by: Representative Headland Seconded by: Representative Dockter

Senators				Yes	No	Representatives				Yes	No
Chair Burckhard					N	Steiner				Y	
Bell					N	Headland				Y	
Oban					N	Dockter				Y	
Total Senate Vote						Total Rep. Vote					

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

Change regarding how the reduction of income tax would be orchestrated.

21.0209.06000

Sixty-seventh
Legislative Assembly
of North Dakota

**FIRST ENGROSSMENT
with House Amendments
ENGROSSED SENATE BILL NO. 2139**

Introduced by

Senators Lee, Bekkedahl, Burckhard,

KreunRepresentatives Dockter, Keiser

1 A BILL for an Act to create and enact a new section to chapter 54-27.2 and a new
2 section to chapter 57-01 of the North Dakota Century Code, relating to an income tax
3 rate reduction fundand an income tax rate adjustment; and to provide for a transfer.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1.** A new section to chapter 54-27.2 of the North Dakota Century Code is
6 createdand enacted as follows:

7 **Certain general fund revenues to be deposited in the income tax rate reduction**
8 **fund.**

9 After any required transfers from the general fund to the budget stabilization fund under
10 section 54-27.2-02, if the amount in the general fund exceeds sixty five million dollars at the
11 end the office of management and budget shall certify to the state treasurer the ending
12 fund balance of the state general fund and if the amount in the general fund exceeds sixty-
13 five million dollars at the end of the biennium, shall also certify the amount to be transferred
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16 income tax rate reduction fund under section 2 of this Act. of any biennium, the state
17 treasurer shall transfer up to one hundred fifty million dollars from the general fund to the
18 income tax rate reduction fund under section 2 of this Act.

19 **SECTION 2.** A new section to chapter 57-01 of the North Dakota Century Code is
20 createdand enacted as follows:

21 **Income tax rate reduction fund - Income tax rate adjustment - Tax commissioner -**
22 **Transfer.**

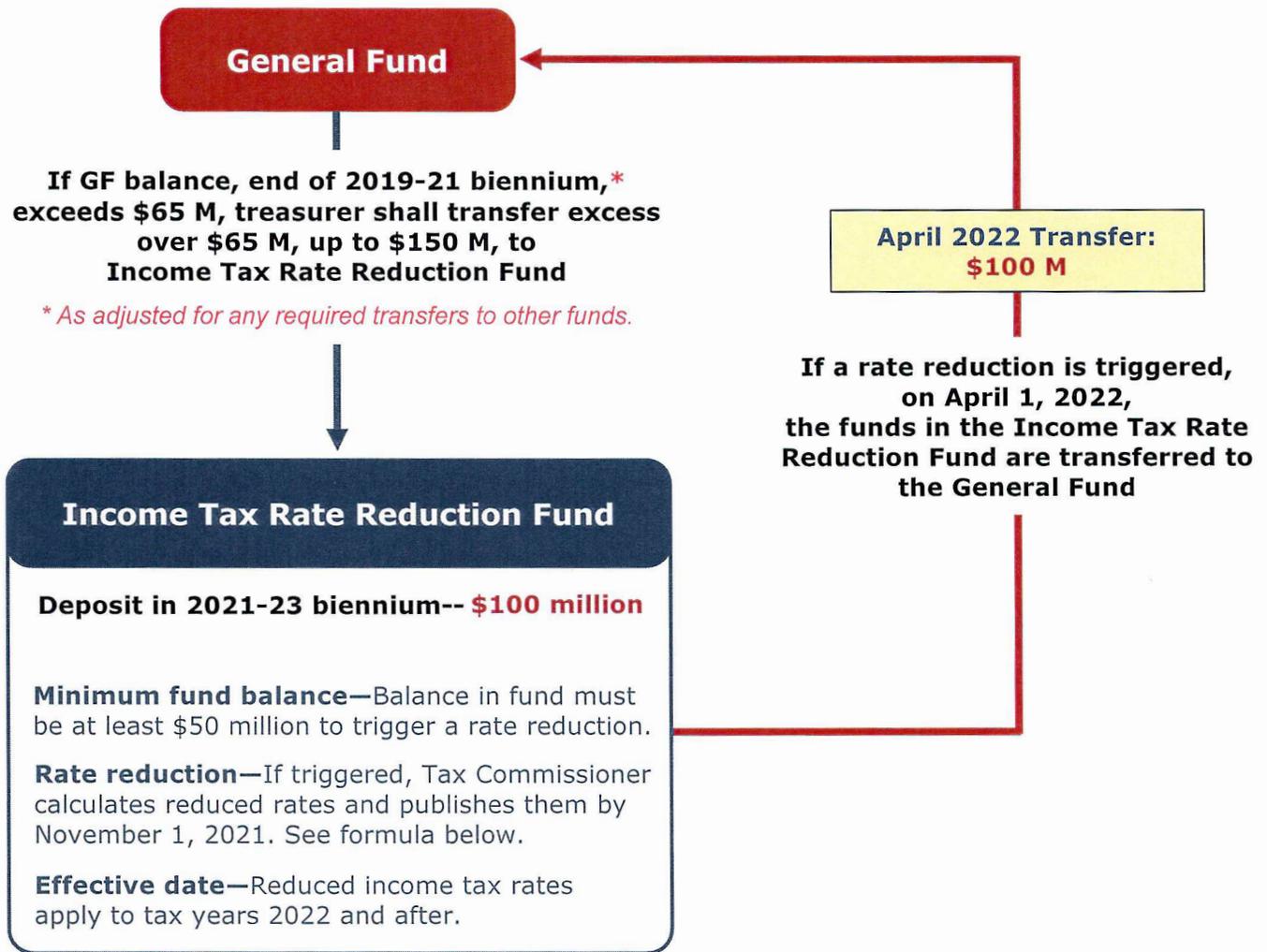
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2 of this Act, and the balance in the fund is over fifty million dollars, the tax
3 commissioner shall publish reduced individual and corporate income tax rates
4 and notify taxpayers of the reduced rates by November first of the first fiscal
5 year of the biennium. The tax commissioner may determine the form and
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12 divided by the total estimated tax collections, ~~including both the individual~~
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28 included in the revenue forecast of the current biennial state budget as
29 approved by the most recently adjourned special or regular session of the
30 legislative assembly.

- 1 3. If the income tax rate reduction results in a disproportionate amount of tax to be
2 deducted and withheld under section 57-38-59, the tax commissioner may
3 adjust the percentage that, when withheld, will as closely as possible pay the
4 income tax liability imposed.
- 5 4. This section does not limit or suspend any provision in chapter 57-38 which is
6 not in conflict with this section, including provisions for assessment and refund
7 under sections 57-38-34.4, 57-38-38, and 57-38-40.
- 8 5. In April of ~~each calendar year~~ ~~the first fiscal year of the biennium, if a rate~~
9 ~~reduction is made under subsection 2,~~ the state treasurer shall transfer the
10 amounts certified by the tax commissioner from the income tax rate reduction
11 fund to the general fund.
- 12 ~~The amount transferred to the general fund each year may not be less than the~~
13 ~~rate reduction amount determined for the current biennium plus the rate~~
14 ~~reduction amount determined for each preceding biennium.~~
- 15 6. ~~For purposes of this section:~~
- 16 ~~a. "Base funding amount" means the total amount transferred from the~~
17 ~~income tax rate reduction fund to the general fund in the preceding~~
18 ~~biennium.~~
- 19 ~~b. "Estimated tax collections" means the income tax collection amounts~~
20 ~~included in the revenue forecast of the current biennial state budget as~~
21 ~~approved by the most recently adjourned special or regular session of the~~
22 ~~legislative assembly.~~
- 23 ~~c. "Rate reduction amount" means one-half of the funds deposited in the~~
24 ~~income tax rate reduction fund exceeding the base funding amount.~~
- 25 7. The tax commissioner shall certify to the state treasurer that the individual
26 income tax and corporate income tax rates have been reduced to zero. Upon
27 receiving the certification from the tax commissioner, the state treasurer
28 immediately shall transfer any moneys remaining in the income tax reduction
29 fund to the state general fund.

Rate Reduction Process under Proposed Amendments in Conference

2021-23 Biennium



Rate Reduction Calculation

$$\text{Rate reduction \%} = \frac{\text{Funds in Rate Reduction Fund}}{\text{Forecasted income tax collections for 2021-23 biennium}} = \frac{\$100 \text{ Million}}{\$1 \text{ Billion}} = 10\%$$

Individual income tax rates

Current	New
1.10 %	0.99 %
2.04	1.84
2.27	2.04
2.64	2.38
2.90	2.61

Corporate income tax rates

Current	New
1.41 %	1.27 %
3.55	3.20
4.31	3.88

200K

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2139

That the House recede from its amendments as printed on pages 1557-1559 of the Senate Journal and pages 1803-1805 of the House Journal and that Engrossed Senate Bill No. 2139 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact subdivision c of subsection 1 of section 57-02-08.1 of the North Dakota Century Code, relating to the homestead tax credit; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subdivision c of subsection 1 of section 57-02-08.1 of the North Dakota Century Code is amended and reenacted as follows:

- c. The exemption must be determined according to the following schedule:
 - (1) If the person's income is not in excess of twenty-two thousand dollars, a reduction of one hundred percent of the taxable valuation of the person's homestead up to a maximum reduction of ~~five thousand six hundred twenty-five~~nine thousand dollars of taxable valuation.
 - (2) If the person's income is in excess of twenty-two thousand dollars and not in excess of twenty-six thousand dollars, a reduction of eighty percent of the taxable valuation of the person's homestead up to a maximum reduction of ~~four thousand five hundred~~seven thousand two hundred dollars of taxable valuation.
 - (3) If the person's income is in excess of twenty-six thousand dollars and not in excess of thirty thousand dollars, a reduction of sixty percent of the taxable valuation of the person's homestead up to a maximum reduction of ~~three thousand three hundred seventy-five~~five thousand four hundred dollars of taxable valuation.
 - (4) If the person's income is in excess of thirty thousand dollars and not in excess of thirty-four thousand dollars, a reduction of forty percent of the taxable valuation of the person's homestead up to a maximum reduction of ~~two thousand two hundred fifty~~three thousand six hundred dollars of taxable valuation.
 - (5) If the person's income is in excess of thirty-four thousand dollars and not in excess of thirty-eight thousand dollars, a reduction of twenty percent of the taxable valuation of the person's homestead up to a maximum reduction of ~~one thousand one hundred twenty-five~~one thousand eight hundred dollars of taxable valuation.

- (6) If the person's income is in excess of thirty-eight thousand dollars and not in excess of forty-two thousand dollars, a reduction of ten percent of the taxable valuation of the person's homestead up to a maximum reduction of ~~five hundred~~ sixty-three ~~hundred~~ hundred dollars of taxable valuation.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2020."

Renumber accordingly

2021 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2139
4/26/2021
Conference Committee
PM Meeting

A BILL for an Act to create and enact a new section to chapter 54-27.2 and a new section to chapter 57-01 of the North Dakota Century Code, relating to an income tax rate reduction fund and an income tax rate adjustment; and to provide for a transfer.

Chair Burckhard calls the meeting to order. Senators Burckhard, Bell, Oban and Representatives Steiner, Headland, Dockter are present. [2:02]

Discussion Topics:

- Homestead tax credit
- Renters refund program
- Tax Department budget

Committee Discussion [2:02]

Ryan Rauschenberger [2:03] State Tax Commissioner provides an amendment #11648.

Chair Burckhard adjourns the meeting. [2:09]

Joel Crane, Committee Clerk

#11648

Prepared for the Conference
Committee on SB 2139
21.0209.03010

“SECTION 2. APPROPRIATION. In addition to those funds appropriated for purposes of the homestead tax credit in House Bill No. 1006, as approved by the sixty-seventh legislative assembly, there is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$4,000,000, or so much of the sum as may be necessary to the tax commissioner for the purpose of defraying the expenses of the homestead tax credit for the biennium beginning July 1, 2021, and ending June 30, 2023.”

2021 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2139
4/27/2021
Conference Committee

A BILL for an Act to create and enact a new section to chapter 54-27.2 and a new section to chapter 57-01 of the North Dakota Century Code, relating to an income tax rate reduction fund and an income tax rate adjustment; and to provide for a transfer.

Chair Burckhard calls the meeting to order. Senators Burckhard, Bell, Oban and Representatives Steiner, Headland, Dockter are present. [2:00]

Discussion Topics:

- Income tax credits
- Oil and gas tax

Senator Bell [2:01] moves that the House recede from its amendments and further amend with Representative Headland's amendment (testimony #11625 from 4/23/2021).

Representative Headland [2:02] seconds.

Roll call vote [2:09] passes 5-1-0. (See vote sheet)

Chair Burckhard adjourns the meeting. [2:10]

Joel Crane, Committee Clerk

April 27, 2021

St. J. J. 2
4/27

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2139

That the House recede from its amendments as printed on pages 1557-1559 of the Senate Journal and pages 1545-1547 of the House Journal and that Engrossed Senate Bill No. 2139 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 54-27.2 and a new section to chapter 57-01 of the North Dakota Century Code, relating to an income tax rate reduction fund and an income tax rate adjustment; and to provide for a transfer.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 54-27.2 of the North Dakota Century Code is created and enacted as follows:

Certain general fund revenues to be deposited in the income tax rate reduction fund.

After any required transfers from the general fund to the budget stabilization fund under section 54-27.2-02, the office of management and budget shall certify to the state treasurer the ending fund balance of the state general fund and if the amount in the general fund exceeds sixty-five million dollars at the end of the biennium, also shall certify the amount to be transferred to the income tax rate reduction fund. The state treasurer shall transfer the excess over sixty-five million dollars up to one hundred fifty million dollars from the general fund to the income rate reduction fund under section 2 of this Act.

SECTION 2. A new section to chapter 57-01 of the North Dakota Century Code is created and enacted as follows:

Income tax rate reduction fund - Income tax rate adjustment - Tax commissioner - Transfer.

1. There is created in the state treasury the income tax rate reduction fund. The fund consists of all moneys deposited in the fund under section 1 of this Act.
2. If money is transferred into the income tax rate reduction fund under section 1 of this Act and the balance in the fund is over fifty million dollars, the tax commissioner shall publish reduced individual and corporate income tax rates and notify taxpayers of the reduced rates by November first of the first fiscal year of the biennium. The tax commissioner may determine the form and manner for publishing the reduced rates and notifying taxpayers, including any notification that taxpayers are not required to file returns or pay taxes. The tax commissioner shall reduce the individual income tax rates and the corporate income tax rates based on the following:

- a. The percentage reduction to the individual and corporate income tax rates is equal to the balance in the rate reduction fund divided by the total estimated tax collections.
 - b. Any reductions to the individual income tax rates and the corporate income tax rates apply to taxable years beginning after a rate reduction is calculated and published under this section.
 - c. The reductions to the individual income tax rates and the corporate income tax rates must be proportional to the estimated tax collections for each tax relative to the combined total estimated tax collections for both taxes.
 - d. The reductions to the individual income tax rates and corporate income tax rates must be applied equally to all tax brackets for each tax.
 - e. The reduced individual income tax rates and corporate income tax rates must be rounded to the nearest one-hundredth of a percent.
 - f. The tax commissioner shall calculate the reduced individual income tax rates and corporate income tax rates until the rates are reduced to zero.
 - g. "Estimated tax collections" means the income tax collection amounts included in the revenue forecast of the current biennial state budget as approved by the most recently adjourned special or regular session of the legislative assembly.
3. If the income tax rate reduction results in a disproportionate amount of tax to be deducted and withheld under section 57-38-59, the tax commissioner may adjust the percentage that, when withheld, will as closely as possible pay the income tax liability imposed.
 4. This section does not limit or suspend any provision in chapter 57-38 which is not in conflict with this section, including provisions for assessment and refund under sections 57-38-34.4, 57-38-38, and 57-38-40.
 5. In April of the first fiscal year of the biennium, if a rate reduction is made under subsection 2, the state treasurer shall transfer the amounts certified by the tax commissioner from the income tax rate reduction fund to the general fund.
 6. The tax commissioner shall certify to the state treasurer that the individual income tax and corporate income tax rates have been reduced to zero. Upon receiving the certification from the tax commissioner, the state treasurer immediately shall transfer any moneys remaining in the income tax reduction fund to the state general fund."

Renumber accordingly

REPORT OF CONFERENCE COMMITTEE

SB 2139, as engrossed: Your conference committee (Sens. Burckhard, Bell, Oban and Reps. Steiner, Headland, Dockter) recommends that the **HOUSE RECEDE** from the House amendments as printed on SJ pages 1557-1559, adopt amendments as follows, and place SB 2139 on the Seventh order:

That the House recede from its amendments as printed on pages 1557-1559 of the Senate Journal and pages 1545-1547 of the House Journal and that Engrossed Senate Bill No. 2139 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 54-27.2 and a new section to chapter 57-01 of the North Dakota Century Code, relating to an income tax rate reduction fund and an income tax rate adjustment; and to provide for a transfer.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 54-27.2 of the North Dakota Century Code is created and enacted as follows:

Certain general fund revenues to be deposited in the income tax rate reduction fund.

After any required transfers from the general fund to the budget stabilization fund under section 54-27.2-02, the office of management and budget shall certify to the state treasurer the ending fund balance of the state general fund and if the amount in the general fund exceeds sixty-five million dollars at the end of the biennium, also shall certify the amount to be transferred to the income tax rate reduction fund. The state treasurer shall transfer the excess over sixty-five million dollars up to one hundred fifty million dollars from the general fund to the income rate reduction fund under section 2 of this Act.

SECTION 2. A new section to chapter 57-01 of the North Dakota Century Code is created and enacted as follows:

Income tax rate reduction fund - Income tax rate adjustment - Tax commissioner - Transfer.

1. There is created in the state treasury the income tax rate reduction fund. The fund consists of all moneys deposited in the fund under section 1 of this Act.
2. If money is transferred into the income tax rate reduction fund under section 1 of this Act and the balance in the fund is over fifty million dollars, the tax commissioner shall publish reduced individual and corporate income tax rates and notify taxpayers of the reduced rates by November first of the first fiscal year of the biennium. The tax commissioner may determine the form and manner for publishing the reduced rates and notifying taxpayers, including any notification that taxpayers are not required to file returns or pay taxes. The tax commissioner shall reduce the individual income tax rates and the corporate income tax rates based on the following:
 - a. The percentage reduction to the individual and corporate income tax rates is equal to the balance in the rate reduction fund divided by the total estimated tax collections.

- b. Any reductions to the individual income tax rates and the corporate income tax rates apply to taxable years beginning after a rate reduction is calculated and published under this section.
 - c. The reductions to the individual income tax rates and the corporate income tax rates must be proportional to the estimated tax collections for each tax relative to the combined total estimated tax collections for both taxes.
 - d. The reductions to the individual income tax rates and corporate income tax rates must be applied equally to all tax brackets for each tax.
 - e. The reduced individual income tax rates and corporate income tax rates must be rounded to the nearest one-hundredth of a percent.
 - f. The tax commissioner shall calculate the reduced individual income tax rates and corporate income tax rates until the rates are reduced to zero.
 - g. "Estimated tax collections" means the income tax collection amounts included in the revenue forecast of the current biennial state budget as approved by the most recently adjourned special or regular session of the legislative assembly.
3. If the income tax rate reduction results in a disproportionate amount of tax to be deducted and withheld under section 57-38-59, the tax commissioner may adjust the percentage that, when withheld, will as closely as possible pay the income tax liability imposed.
 4. This section does not limit or suspend any provision in chapter 57-38 which is not in conflict with this section, including provisions for assessment and refund under sections 57-38-34.4, 57-38-38, and 57-38-40.
 5. In April of the first fiscal year of the biennium, if a rate reduction is made under subsection 2, the state treasurer shall transfer the amounts certified by the tax commissioner from the income tax rate reduction fund to the general fund.
 6. The tax commissioner shall certify to the state treasurer that the individual income tax and corporate income tax rates have been reduced to zero. Upon receiving the certification from the tax commissioner, the state treasurer immediately shall transfer any moneys remaining in the income tax reduction fund to the state general fund."

Renumber accordingly

Engrossed SB 2139 was placed on the Seventh order of business on the calendar.

21.0209.06000

Sixty-seventh
Legislative Assembly
of North Dakota

**FIRST ENGROSSMENT
with House Amendments
ENGROSSED SENATE BILL NO. 2139**

Introduced by

Senators Lee, Bekkedahl, Burckhard,
Kreun
Representatives Dockter, Keiser

1 A BILL for an Act to create and enact a new section to chapter 54-27.2 and a new
2 section to chapter 57-01 of the North Dakota Century Code, relating to an income tax
3 rate reduction fund and an income tax rate adjustment; and to provide for a transfer.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1.** A new section to chapter 54-27.2 of the North Dakota Century Code is
6 created and enacted as follows:

7 **Certain general fund revenues to be deposited in the income tax rate reduction**
8 **fund.**

9 After any required transfers from the general fund to the budget stabilization fund under
10 section 54-27.2-02, if the amount in the general fund exceeds sixty-five million dollars at the
11 end the office of management and budget shall certify to the state treasurer the ending
12 fund balance of the state general fund and if the amount in the general fund exceeds sixty-
13 five million dollars at the end of the biennium, shall also certify the amount to be transferred
14 to the income tax rate reduction fund. The state treasurer shall transfer the excess over
15 sixty-five million dollars up to one hundred fifty million dollars from the general fund to the
16 income tax rate reduction fund under section 2 of this Act. of any biennium, the state
17 treasurer shall transfer up to one hundred fifty million dollars from the general fund to the
18 income tax rate reduction fund under section 2 of this Act.

19 **SECTION 2.** A new section to chapter 57-01 of the North Dakota Century Code is
20 created and enacted as follows:

21 **Income tax rate reduction fund - Income tax rate adjustment - Tax commissioner -**
22 **Transfer.**

23 1. There is created in the state treasury the income tax rate reduction fund. The
24 fund consists of all moneys deposited in the fund under section 1 of this Act.

- 1 2. If money is transferred into the income tax rate reduction fund under section 1
2 of this Act, and the balance in the fund is over fifty million dollars, the tax
3 commissioner shall publish reduced individual and corporate income tax rates
4 and notify taxpayers of the reduced rates by November first of the first fiscal
5 year of the biennium. The tax commissioner may determine the form and
6 manner for publishing the reduced rates and notifying taxpayers, including
7 any notification that taxpayers are not required to file returns or pay taxes. The
8 tax commissioner shall reduce the individual income tax rates and the
9 corporate income tax rates based on the following:
- 10 a. The percentage reduction to the individual and corporate income tax rates
11 is equal to the ~~rate reduction amount~~ balance in the rate reduction fund
12 divided by the total estimated tax collections, ~~including both the individual~~
13 ~~tax collections and corporate income tax collections, for the second year of~~
14 ~~the biennium.~~
- 15 b. Any reductions to the individual income tax rates and the corporate
16 income tax rates apply to taxable years beginning after a rate reduction is
17 calculated and published under this section.
- 18 c. The reductions to the individual income tax rates and the corporate income
19 tax rates must be proportional to the estimated tax collections for each tax
20 relative to the combined total estimated tax collections for both taxes.
- 21 d. The reductions to the individual income tax rates and corporate income tax
22 rates must be applied equally to all tax brackets for each tax.
- 23 e. The reduced individual income tax rates and corporate income tax rates
24 must be rounded to the nearest one-hundredth of a percent.
- 25 f. The tax commissioner shall calculate the reduced individual income tax
26 rates and corporate income tax rates until the rates are reduced to zero.
- 27 g. "Estimated tax collections" means the income tax collection amounts
28 included in the revenue forecast of the current biennial state budget as
29 approved by the most recently adjourned special or regular session of the
30 legislative assembly.

- 1 3. If the income tax rate reduction results in a disproportionate amount of tax to be
2 deducted and withheld under section 57-38-59, the tax commissioner may
3 adjust the percentage that, when withheld, will as closely as possible pay the
4 income tax liability imposed.
- 5 4. This section does not limit or suspend any provision in chapter 57-38 which is
6 not in conflict with this section, including provisions for assessment and refund
7 under sections 57-38-34.4, 57-38-38, and 57-38-40.
- 8 5. In April of ~~each calendar year~~ ~~the first fiscal year of the biennium, if a rate~~
9 reduction is made under subsection 2, the state treasurer shall transfer the
10 amounts certified by the tax commissioner from the income tax rate reduction
11 fund to the general fund.
- 12 ~~The amount transferred to the general fund each year may not be less than the~~
13 ~~rate reduction amount determined for the current biennium plus the rate~~
14 ~~reduction amount determined for each preceding biennium.~~
- 15 6. ~~For purposes of this section:~~
16 ~~a. "Base funding amount" means the total amount transferred from the~~
17 ~~income tax rate reduction fund to the general fund in the preceding~~
18 ~~biennium.~~
- 19 ~~b. "Estimated tax collections" means the income tax collection amounts~~
20 ~~included in the revenue forecast of the current biennial state budget as~~
21 ~~approved by the most recently adjourned special or regular session of the~~
22 ~~legislative assembly.~~
- 23 ~~c. "Rate reduction amount" means one-half of the funds deposited in the~~
24 ~~income tax rate reduction fund exceeding the base funding amount.~~
- 25 ~~7.~~ The tax commissioner shall certify to the state treasurer that the individual
26 income tax and corporate income tax rates have been reduced to zero. Upon
27 receiving the certification from the tax commissioner, the state treasurer
28 immediately shall transfer any moneys remaining in the income tax reduction
29 fund to the state general fund.