

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2286

2001 SENATE FINANCE AND TAXATION

SB 2286

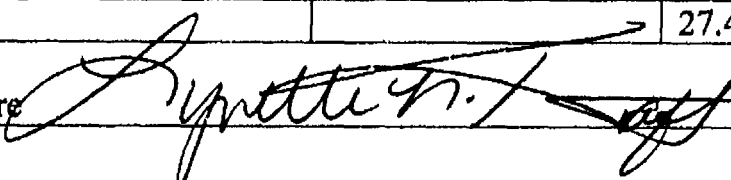
2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2286

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date 1/31/01

Tape Number	Side A	Side B	Meter #
2	x		11.9-23
2/5/01 - 2		x	43.6-end
3	x		0-2
2/14/01 - 1	x		27.4-50
Committee Clerk Signature 			

Minutes:

Senator Urlacher: Opened the hearing on SB 2286, relating to liens against other property for costs incurred by a county in tax foreclosures.

Senator Tom Fischer: Co-sponsored the bill, testified in support.

Michael Montplaisin: Cass County Auditor, testified in support. Written testimony attached.

Alon Wieland: Cass County Commissioner, testified in support. Written testimony attached.

Gives example that could happen with the first section of the bill.

Senator Christmann: What happens if the school districts don't have the money? Wouldn't the county get stuck with it anyway in the long run?

Alon Wieland: It's a possibility. Explains.

Senator Wardner: Had this bill been in place in your example, could you have assessed the person that had the property?

Alon Wieland: We would have had he had some assets.

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Senate Finance and Taxation Committee

Bill/Resolution Number 2286

Hearing Date 1/31/01

Wade Williams: ND Assoc. of Counties, testified in support.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion held 2/5/01. Meter number 43.6-end, Tape 2, Side B & 0-2, Tape 3, Side A.

Discussion held 2/14/01. Meter number 27.4-50.

Senator Kroeplin: In looking at the school situation, it would let the county as a whole off and put it back on the local city or school district?

Wade Williams: Pretty much so.

Senator Stenehjem: Who sells it for \$1.00?

Wade Williams: The government entity.

Senator Nichols: In most cases, would there be any way to recover these costs?

Wade Williams: There is no mechanism or statute, but it could happen.

Senator Stenehjem: If this was enacted, if a person buys the building and does nothing with it, what happens?

Wade Williams: If you didn't pay taxes, it would go back to the school. This bill is addressing if there is no other ownership.

AMENDMENT ACTION:

Motion made by Senator Christmann, Seconded by Senator Stenehjem, to move amendment removing lines 22-25 on page 2. Voice Vote taken. All in favor, amendment adopted.

COMMITTEE ACTION: 2/14/01

Motion made by Senator Christmann for a DO PASS AS AMENDED, Seconded by Senator Nichols. Vote was 4 yeas, 2 nays, 0 absent and not voting. Bill carrier was Senator Nichols.

FISCAL NOTE STATEMENT

Senate Bill or Resolution No. 2286

This bill or resolution appears to affect revenues, expenditures, or fiscal liability of counties, cities, or school districts. However, no state agency has primary responsibility for compiling and maintaining the information necessary for the proper preparation of a fiscal note regarding this bill or resolution. Pursuant to Joint Rule 502, this statement meets the fiscal note requirement.

**John Walstad
Code Revisor**

Date: 2/14/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2286

Senate Finance and Taxation Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Move to amend (Remove lines 22-25) (voice vote) ^{pg. 2}

Motion Made By Christmann Seconded By Stenehjem

Senators	Yes	No	Senators	Yes	No
Senator Urlacher-Chairman					
Senator Wardner-Vice Chairman					
Senator Christmann					
Senator Stenehjem					
Senator Kroeplin					
Senator Nichols					

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

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

Date: 2/14/01
Roll Call Vote #: 2

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2286

Senate Finance and Taxation Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass As Amended

Motion Made By Christmann Seconded By Nichols

Senators	Yes	No	Senators	Yes	No
Senator Urlacher-Chairman	✓				
Senator Wardner-Vice Chairman	✓				
Senator Christmann	✓				
Senator Stenehjem		✓			
Senator Kroeplin		✓			
Senator Nichols	✓				

Total (Yes) 4 No 2

Absent 0

Floor Assignment Nichols

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

REPORT OF STANDING COMMITTEE (410)
February 14, 2001 5:15 p.m.

Module No: SR-27-3422
Carrier: Nichols
Insert LC: 10641.0101 Title: .0200

REPORT OF STANDING COMMITTEE

SB 2286: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2286 was placed on the Sixth order on the calendar.

Page 2, remove lines 22 through 25

Renumber accordingly

2001 HOUSE FINANCE AND TAXATION

SB 2286

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2286

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date March 5, 2001

Tape Number	Side A	Side B	Meter #
2	x		194
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. AL CARLSON, CHAIRMAN Opened the hearing and read the fiscal note.

SEN. TOM FISCHER, DIST. 46, Introduced the bill as the prime sponsor. The bill has to do with tax deeds of political subdivisions on forfeited properties. He stated others would speak to the details of the bill.

BONNIE JOHNSON, CASS COUNTY CORDINATOR ON BEHALF OF CASS

COUNTY BOARD OF COMMISSIONERS, Testified in support of the bill. See attached written testimony.

REP. KELSH If this bill was passed would they offer Cass County any help in the Buffalo school situation?

BONNIE JOHNSON At this point, the Buffalo school building demolition would not be affected by this bill. The Buffalo school was torn down on Friday.

REP. CARLSON The senate amended out some language, that says if anybody bought property later on, they could attach liens against those properties as well, but that was removed.

BONNIE JOHNSON I read the amendment today, and it would be my interpretation that they were removed because they were redundant from language earlier.

REP. LLOYD If it is deeded to the original political subdivision, I am assuming that that subdivision is not going to do anything with that piece of property, they will just let it set, as long as they own it, they don't have to clean it up, they don't have to take up those gas tanks, they don't have to do anything, they will let it set and deteriorate. They won't have the money for the clean up. How are the original subdivisions going to obtain the money to do the clean up?

BONNIE JOHNSON Your question is a good one, the same could be said, I think, of county governments around North Dakota. Can county governments afford to clean up buildings like this, the answer is No. If they were to have given the Buffalo school district their school district back, which they sold for one dollar, would they have the money to take care of that, probably not, but neither do the taxpayers of Cass County. The answer to your question is, Yes, because those abandoned buildings create hazards and liabilities that no insurance company, of any political subdivision, will stand for. At a minimum, they would have to go in and tap the water wells, and go in and put plywood over the glass, and provide some minimal prevention to the liabilities created by an abandoned structure.

REP. LLOYD As you drive along the interstate, and I don't remember exactly where it is, but there is a nice big, brick school house right next to the interstate, and it has been there a long time, it would appear to me until an earthquake topples it. Where are we going to get the money

to satisfy the obligation of tearing it down, if the subdivision does not have the money, how is it going to get it?

BONNIE JOHNSON I think those are the questions that have to be answered before a school district sells the buildings for one dollar. They have to take care of their existing issues before they move on.

REP. LLOYD We will probably have eighty of those in the next five years.

BONNIE JOHNSON I understand your concern and perhaps, all of those are not situated in a downtown location like the school in Buffalo was. The one along the interstate probably does not present any immediate hazardous liabilities in its current location. I think what this bill does, it forces the hand of the political subdivision who owns the building and makes a conscientious, wise decision. We are hoping that school districts and other political subdivisions who turn around and sell buildings for one dollar or two, will think about that next time they do it.

REP. KELSH What kind of effort is taken by the county to go after a delinquent taxpayer?

BONNIE JOHNSON On a situation like this, there is no mechanism in place for us to do that. In this case, if we would have had this law on the books, the aging mother in which the first title was put into, happens to own her own home, and we would have had some basis to make a recovery on this clean up operation. Under the bill that I cited that it was similar to, we have used that, when people have not paid taxes and have had land, we have attached liens to their particular farmland.

REP. CARLSON It is a good thing the Buffalo thing is dissolved, because we would have looked pretty bad going after the little old lady's house. That wouldn't have been the intent, but that is what would have happened.

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House Finance and Taxation Committee

Bill/Resolution Number SB 2286

Hearing Date March 5, 2001

REP. CARLSON If I understand this correctly, obviously, if they transfer title to an individual, you are going after other property that the individual owns, but we are also going after the school district that will stay in the school district instead of being transferred over to the tax bases of the county.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 3-6-01, TAPE #2, SIDE A, METER #2740

MARK JOHNSON, NORTH DAKOTA ASSOCIATION OF COUNTIES, Appeared before the committee to explain further, what the bill did.

REP. BRANDENBURG Gave an example of a situation that took place in Edgeley regarding a school.

REP. CLARK Made a motion for a DO PASS.

REP. SCHMIDT Second the motion. **MOTION CARRIED**

13 YES 1 NO 1 ABSENT

REP. CLARK Was given the floor assignment.

Date: 3-6-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2286

House FINANCE & TAXATION Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Rep. Clark Seconded By Rep. Schmidt

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN	✓		NICHOLAS, EUGENE	✓	
DROVDAL, DAVID, V-CHAIR	✓		RENNER, DENNIS	✓	
BRANDENBURG, MICHAEL	✓		RENNERFELDT, EARL	✓	
CLARK, BYRON	✓		SCHMIDT, ARLO	✓	
GROSZ, MICHAEL	✓		WIKENHEISER, RAY	✓	
HERBEL, GIL	✓		WINRICH, LONNY	✓	
KELSH, SCOT	✓				
KROEBER, JOE	✓				
LLOYD, EDWARD		✓			

Total (Yes) 13 No 1

Absent 1

Floor Assignment Rep. Clark

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

REPORT OF STANDING COMMITTEE (410)
March 6, 2001 4:01 p.m.

Module No: HR-38-4956
Carrier: Clark
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2286, as engrossed: Finance and Taxation Committee (Rep. Carlson, Chairman)
recommends DO PASS (13 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING).
Engrossed SB 2286 was placed on the Fourteenth order on the calendar.

2001 TESTIMONY

SB 2286

January 30, 2001

TO: Senator Herb Urlacher & Members of the Senate Finance and Taxation Committee
FR: Michael Montplaisir, Cass County Auditor
RE: SB 2286 - Tax Deed Proceedings

Senate Bill 2286 adds some language to NDCC 57-28-09 to protect both county government and other political subdivisions. Under the current law the county is left with few options regarding tax forfeited property. The county auditor must issue a tax deed to the county after taxes on a property are delinquent for four years. The county generally offers these properties for public sale and, while we may not receive full payment of the charges against the property, we generally do not have to expend public funds to bring the property up to a saleable condition. Recent and potential tax deed proceeding in Cass County have raised the concern about the potential costs to county government for expensive cleanup operations on tax forfeited property.

The first section of SB 2286 provides a safe harbor for the county in regard to sales of property by other political subdivisions. Under provisions of this bill, if a political subdivision sells a property and the property is subject to a tax deed within ten years from the sale, the county auditor would issue the tax deed to the selling political subdivision instead of the county. After the ten year limit, the normal tax deed proceeding would apply. This provision would provide protection for the county for that first ten year period. It would encourage the selling political subdivision to practice due diligence in the disposal of property to private individuals and, hopefully, eliminate most problems with this type of sale. The ten year time limit would put a reasonable time limit on the selling political subdivision's liability regarding property sold to the public.

The second section of SB 2286 provides the authorization and mechanism to collect cleanup, repairs, demolition, and other costs from former owners of tax forfeited property. Under current law a property owner can basically use the property to the point where the property is a liability instead of an asset, then let the property be forfeited to the county for non payment of taxes. The county is left with the cleanup, repair, or demolition of the property with no recourse to recover costs from the former owner. SB 2286 would allow the county to attach those costs to any other real property that the property owner has in the county. This provision is similar to the procedures in NDCC 57-22-21 concerning personal property taxes. Cass County has used this procedure to collect possessory interest taxes on airport land and mobile home taxes in cases where the taxpayer also owns real estate in the county.

The provisions of SB 2286 do not place an undue burden on either the county, other political subdivisions, or private property owners. It does give both political subdivisions and private property owners some incentive to maintain their property while offering the county and its taxpayers some degree of protection from extensive and expensive clean up operations.

I urge your support for SB 2286

GOOD MORNING.

I AM ALON WIELAND AND I AM A COUNTY COMMISSIONER FROM CASS COUNTY. I AM HERE IN SUPPORT OF SENATE BILL 2286.

A SCHOOL DISTRICT IN OUR COUNTY SOLD A VERY RUN DOWN SCHOOL BUILDING TO A PRIVATE CITIZEN FOR LITTLE OR NO MONEY. IT WAS PLACED ON THE TAX ROLLS AND AFTER 1 YEAR, THE TAXES REMAINED UNPAID. THE SMALL CITY IN WHICH THIS BUILDING WAS CONSTRUCTED DOES NOT HAVE SUFFICIENT ORDINANCES OR FUNDS TO BE ABLE TO ENFORCE REPAIR OR REMOVAL OF THE STRUCTURE. THEIR TOTAL ANNUAL BUDGET IS \$8,000. THE STRUCTURE HAS BROKEN WINDOWS, ASBESTOS, WATER IN THE BASEMENT, 2 WELLS (1 CAPPED) AND IS AN OLD LARGER BRICK BUILDING WITH 2 ADDITIONS. IT NOW FALLS ON THE COUNTY TO TAKE CARE OF THIS PROBLEM. IT NEEDS TO BE TORN DOWN. IT IS A HEALTH AND SAFETY HAZARD AND THE ESTIMATED COST OF REMOVAL IS PLUS OR MINUS \$225,000. IF THE COUNTY IS FORCED TO PAY, AND IN THIS CASE, IT APPEARS THAT CASS COUNTY WILL BE PAYING, THIS AMOUNTS TO 1 MILL. THAT RELATES TO AN INCREASE IN REAL ESTATE TAXES FOR THE ENTIRE COUNTY, NOT JUST THOSE IN THE SCHOOL DISTRICT AFFECTED. IT IS CERTAINLY NOT RIGHT THAT THE ENTIRE COUNTY IS FORCED TO PAY FOR THE NEGLECT OF ANOTHER PUBLIC ENTITY. THERE ARE THOSE THAT FEEL THAT CASS COUNTY CAN AFFORD IT, AND MAYBE WE CAN. BUT OTHER COUNTIES IN THE STATE CERTAINLY CANNOT HANDLE A COST OF \$225,000 BECAUSE THERE ARE SOME COUNTIES THAT ONLY RAISE \$2,000 TO \$3,000 PER MILL. WITH THE RISING NUMBER OF EMPTY SCHOOL BUILDINGS, THERE ARE CERTAINLY OTHER COUNTIES FACING THIS PROBLEM. I UNDERSTAND THAT THE SCHOOL DISTRICTS DO NOT ALWAYS HAVE MONEY EITHER AND I'M NOT SUGGESTING THAT SCHOOL BUILDINGS ARE THE ONLY POTENTIAL PROBLEM. ALSO, I AM NOT SUGGESTING THAT ANY PUBLIC ENTITY LOOKS FOR WAYS TO THROW THESE PROBLEMS ONTO SOMEONE ELSE AS A RULE. IT IS A DIFFICULT PROBLEM FOR ANY DISTRICT I'M SURE, BUT I DO FEEL IT IS A FAIRNESS ISSUE. I HOPE THAT THE NORTH DAKOTA LEGISLATURE

RECOGNIZES THE ISSUE AND WILL PASS THIS BILL.

I THANK YOU FOR YOUR TIME AND I WILL TRY TO ANSWER ANY QUESTIONS
YOU MAY HAVE.

TESTIMONY ON SB 2286

My name is Bonnie Johnson and I serve as the Cass County Coordinator. In that capacity, I am here today to speak on behalf of the Cass County Board of Commissioners and the Cass County Auditor in favor of SB 2286.

Chairman Carlson, and members of the House Finance and Taxation Committee, I would like to tell you a story. It happens to be a true story and a story in progress.

As we meet here today, the taxpayers of Cass County are paying for demolition and clean-up of an abandoned multi-structure school building located in Buffalo, North Dakota. In addition to the demolition costs, asbestos abatement totaling nearly \$10,000 was required, two water wells had to be capped and two underground fuel tanks had to be removed under the strict review of the State Department of Public Health.

So how did Cass County acquire a public school building?

When the Buffalo School District opted to close the school, they made a decision to sell the building. The original purchaser of the building paid \$1.00 to obtain legal title, which he put in his aging mother's name. The purchaser then proceeded to strip the building of items of value to him, but, over the years, neglected to pay the property taxes which were due. Before the five-year delinquency period expired, the original purchaser offered the property to a local radio station to give away in a contest. Subsequently, a secondary owner entered the picture, but never recorded a title transfer and never paid any property taxes.

After five years of delinquent taxes, the property reverted back to the county as a tax-forfeited parcel. Because of the mounting liabilities, the board had no choice but to invest legal time to clear the title and engineering time to prepare bid specifications for removal of all hazards.

This story could have a better ending if this legislature were to enact SB 2286. Otherwise, it is possible that Cass County, and other counties, will face similar situations in the not too distant future.

Senate Bill 2286 adds language to NDCC 57-28-09 to protect both county government and other political subdivisions. Under the current law, a county is left with few options on a tax-forfeited property. Now, the county auditor must issue a tax deed to the county after taxes on a property are delinquent.

The first section of SB 2286 provides a safety net for the county on the sale of property by other political subdivisions. Under this bill, if a political subdivision sells a property that becomes delinquent within ten years of the sale, the county auditor would issue the tax deed to the original political subdivision who owned the property, rather than the county government. This would encourage all political subdivisions to practice due diligence in the disposal of property to private individuals.

The second section of SB 2286 provides the authorization and mechanism to collect clean-up, repairs, demolition and other costs from former owners of tax-forfeited property. Under current law, an owner who chooses to do so, can run his property into disrepair and then let the property be forfeited to the county for non-payment of taxes. The county is then left with the clean-up, repair or demolition, with no recourse to recover costs from the owner. This bill would allow the county to attach those costs to any other real property the owner has in the county. This provision is similar to the procedure in NDCC 57-22-21 concerning personal property taxes, which our county has used successfully.

The provisions of SB 2286 do not place undue burden on either the county, other political subdivisions, or private citizens. It does give both political subdivisions and property owners some incentive to maintain their property, while offering the county and its taxpayers some degree of protection from extensive and expensive clean-up operations.

I urge your support of SB 2286