

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1175

2005 HOUSE FINANCE AND TAXATION

HB 1175

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1175**

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date **January 10, 2005**

Tape Number

1

Side A

X

Side B

Meter #

**46.2 to Side B**

Committee Clerk Signature

*Janice Atain*

Minutes:

**REP. WES BELTER, CHAIRMAN** Called the committee hearing to order.

**MARCY DICKERSON, STATE SUPERVISOR OF ASSESSMENTS, STATE TAX**

**DEPARTMENT** Testified in support of the bill stating it contains several housekeeping provisions. See written testimony. She also submitted amendments to the bill. See attached copy.

**REP. KELSH** Referred to page 2 of the written testimony, in 57-02.2, is that referred to property outside of the renaissance zone?

**MARCY DICKERSON** Yes, it is an exemption for up to five years for improvements to residential and commercial property. It has nothing to do with the renaissance zone.

**REP. KELSH** That refers to an exemption that says it is the beginning with the commencement of making improvements, rather than the completion of making improvements.

**MARCY DICKERSON** That is correct, that is why there have been questions from the local people, as to which way to handle the renaissance exemption, because it didn't say in that section.

**REP. KELSH** Have there been any comments or complaints from the assessors that it is more difficult to make an assessment before the improvements have been made?

**MARCY DICKERSON** That is not necessary in that case, because what happens when a remodeling exemption is granted, it just means the value of the property stays where it was for five years prior to the remodeling. It doesn't really matter how much it is going to be worth. Five years from then, they will figure out how much it is worth.

**REP. BRANDENBURG** Had questions dealing with the section on the railroad, what exactly does this section do?

**MARCY DICKERSON** She gave the history of what happened back prior to 1981, when property taxes were largely changed. All property was supposed to be assessed at what it would be at one hundred percent true and full value. No property was assessed like that. Agricultural, commercial, residential was ten to twelve percent instead of one hundred percent. Utility or railroad property was considerably higher, twenty six or so percent, that was one of the reasons for the Soo Line lawsuit, which resulted in the change of our property tax system, to what it is today. When they did come up with a classification, they came up with nine percent taxable value for residential property, ten percent for commercial property, and they started at fifteen for the centrally assessed, to get them down to ten, the federal lawsuits had required that both railroad and airline property not be assessed in this discriminatory fashion. In the original drafting of this new language, they had the values at fourteen, thirteen, twelve, eleven, down to

ten for other centrally assessed property, and had both railroad and airline property at ten percent.

Then all the other utilities got the ten percent too, so everything was the same as commercial, and there was no reason to list railroad and airline property any differently. They are centrally assessed at the same level, and have been at ten percent ever since 1985. The other section, which we are asking to amend now, was never amended to say excluding railroad property. So, now that we have taxable value for centrally assessed property, but not for railroad property, we have no taxable value for railroad property, unless we amend this as we have requested. It will continue to be assessed at ten percent, whether you enact this or not, but if you enact this, it cleans it up.

**REP. WRANGHAM** Referred to page 9, line 9, if we were to simply amend that to an electric cooperative, would that be any problem?

**MARCY DICKERSON** No, I don't think it would be a problem. Do we have any electric cooperatives which are not rural cooperatives?

**REP. WRANGHAM** stated Cass County Electric,

**MARCY DICKERSON** They still come under the taxation statutes which refers to rural electric cooperatives.

**REP. DROVDAL** Referred to the beginning of the second page relating to an instrument the auditor will file concerning unsatisfied liens created under section 57-02, whenever there is an instrument filed, there is always a fee, will this fee be put on the delinquent property tax?

**MARCY DICKERSON** I am not sure there would be any new fee, at the present time, the county auditor is required to check the records for delinquent taxes and tax sales of delinquent special assessments. This is just saying, the county auditor will check one more thing. Since

there are only twenty three of these situations in the whole state, they will not have to do a whole lot of work. This is something that is already a recorded lien, and the statute does say that the property may not be transferred until this lien is satisfied unless it is a transfer between spouses because of the death of one of them.

With no further testimony, the hearing was closed.

**COMMITTEE ACTION** Tape 1, Side B

**REP. DROVDAL** Made a motion to adopt the amendments as presented by Marcy Dickerson.

**REP. GRANDE** Second the motion. Motion carried.

**REP. BRANDENBURG** Requested that the bill be held until he can get some questions answered regarding railroad property.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1175**

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date **January 17, 2005**

Tape Number	Side A	Side B	Meter #
2	x		36.4

Committee Clerk Signature

Minutes:

**COMMITTEE ACTION**

**REP. BRANDENBURG** Stated he got the information he was looking for.

**REP. BRANDENBURG** Made a motion for a **Do Pass as amended.**

**REP. IVERSON** Second the motion      **Motion carried.**

14 yes      0 no      0 absent

**REP. IVERSON** Was given the floor assignment.

## FISCAL NOTE

Requested by Legislative Council

01/03/2005

Bill/Resolution No.: HB 1175

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues					
Expenditures					
Appropriations					

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

HB 1175 contains only technical changes to property tax law. There is no fiscal impact.

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name: Kathryn L. Strombeck  
Phone Number: 328-3402

Agency: Office of Tax Commissioner  
Date Prepared: 01/06/2005



**Roll Call Vote #:**

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. **HB 1175**

House **FINANCE & TAXATION**

## Committee

☐ Check here for Conference Committee

**Legislative Council Amendment Number**

### Action Taken

**Motion Made By**

**Seconded By**

**Representatives**  
**BELTER, WES, CHAIRMAN**  
**DROVDAL, DAVID, V-CHAIR**  
**BRANDENBURG, MICHAEL**  
**CONRAD, KARI**  
**FROELICH, ROD**  
**GRANDE, BETTE**  
**HEADLAND, CRAIG**  
**IVERSON, RONALD**  
**KELSH, SCOT**  
**NICHOLAS, EUGENE**  
**OWENS, MARK**  
**SCHMIDT, ARLO**  
**WEILER, DAVE**  
**WRANGHAM, DWIGHT**

**Yes**

No

## Representatives

**Yes      No**

**Total (Yes)**

No

**Absent**

### Floor Assignment

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

**REPORT OF STANDING COMMITTEE**

**HB 1175, as amended, Finance and Taxation Committee (Rep. Belter, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1175, as amended, was placed on the Sixth order on the calendar.

Page 2, line 21, overstrike "or" and insert immediately thereafter an underscored comma and after "assessments" insert ", or unsatisfied lien created under section 57-02-08.3"

Page 2, line 23, after the first "assessments" insert ", and satisfaction of all liens created under section 57-02-08.3, if any"

Page 2, line 24, after "paid" insert ", all liens created under section 57-02-08.3 satisfied, if any,"

Renumber accordingly

2005 SENATE FINANCE AND TAXATION

HB 1175

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1175**

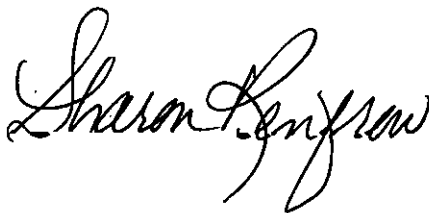
Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date **March 14, 2005**

Tape Number	Side A	Side B	Meter #
#1	X		13.3 - 24.4

Committee Clerk Signature



Minutes:

**CHAIRMAN URLACHER** CALLED THE COMMITTEE TO ORDER AND OPENED THE HEARING ON HB 1175.

**MARCY DICKERSON:** Tax Dept. Appeared in support with written testimony.

**SEN. URLACHER:** this is a bundling of adjustments.

**ANSWER:** yes they are, not terribly signification but they would clean up those problems.

**SEN. URLACHER:** so there is overlapping affects before us.

**ANSWER;** well yes, Mr. Chairman, the one that bothered me mostly is when you look at it for the past several years there has been no taxable value prescribed for railroads. They have been taxed and their taxable value been 10% like it was and like under this it will be, it was just an unintended omission.

**SEN. COOK:** what's the difference between the bill as introduced and the engrossed bill/

Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number HB 1175

Hearing Date March 14, 2005

**ANSWER;** the only difference was that we found a couple more places where we had to put in language about the county auditor checking on the lease special assessments and then our attorney and I found a couple of things so then the amendments were just a little more in line that made that longer.

No further testimony. Closed the hearing.

**SEN. COOK:** made a **MOTION FOR DO PASS**, seconded Sen. Bercier.

**ROLL CALL VOTE:** 5-0-1      Sen. Cook will carry the bill.

Date: 3-14-05  
Roll Call Vote #: 1

**2005 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. HB 1175**

Senate

**Finance and Taxation**

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

*Do Pass*

Motion Made By

*Cook*

Seconded By

*Bercier*

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher	✓		Sen. Bercier	✓	
Sen. Wardner	✓		Sen. Every	✓	
Sen. Cook	✓				
Sen. Tollefson					

Total (Yes)

*5*

No

*0*

Absent

*1*

Floor Assignment

*Cook*

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

**REPORT OF STANDING COMMITTEE (410)**  
March 14, 2005 12:12 p.m.

**Module No: SR-46-4855**  
**Carrier: Cook**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1175, as engrossed: Finance and Taxation Committee (Sen. Urlacher, Chairman)**  
recommends **DO PASS** (5 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).  
Engrossed HB 1175 was placed on the Fourteenth order on the calendar.

2005 TESTIMONY

HB 1175



## HOUSE FINANCE AND TAXATION COMMITTEE

January 10, 2004

### Testimony of Marcy Dickerson, State Supervisor of Assessments

#### HOUSE BILL 1175

Mr. Chairman, Members of the Committee, for the record my name is Marcy Dickerson and I am employed as State Supervisor of Assessments and Director of the Property Tax Division of the Office of State Tax Commissioner. House Bill 1175 contains several housekeeping provisions, two of which were requested by the North Dakota Association of Assessing Officers. None of the provisions will have any fiscal effect.

Section 1 amends N.D.C.C. § 11-13-12 to make the county auditor responsible for ascertaining whether there is an unsatisfied lien for homestead credit for special assessments against a property for which a deed, contract for deed, or patent is presented for transfer. The county auditor is already responsible for ascertaining whether there are delinquent taxes or special assessments against the property, or whether the land has been sold for taxes. Section 57-02-08.3(3)(b)(1) provides that a transfer of title may not be made without a lien created under that section being satisfied, except when a transfer occurs between spouses because of the death of one of them. We proposed this new language after we learned that a property on which there was an unsatisfied lien for homestead credit for special assessments sold twice, and both deeds were recorded in violation of § 57-02-08.3(3)(b)(1).

The amendments to House Bill 1175 that I have distributed to you add wording we believe is necessary to fully clarify this section. With the amendments, the language beginning on page 2, line 18, would read: "If there are current taxes, current special assessments, or an unsatisfied lien created under section 57-02-08.3 against the land described in the instrument, the

auditor shall place a statement on the instrument showing the amount of any current taxes, current special assessments, or unsatisfied lien created under section 57-02-08.3. When the receipt of the county treasurer is produced showing payment of delinquent and current taxes and special assessments, and satisfaction of all liens created under section 57-02-08.3, if any, the auditor shall enter 'Taxes and special assessments paid, all liens created under section 57-02-08.3 satisfied, if any, and transfer accepted.'"

Section 2 amends § 11-18-02 to provide that the recorder may not record any deed for property on which the county auditor has determined that there is an unsatisfied lien for homestead credit for special assessments.

Section 3 amends § 40-63-05 to clarify that a property tax exemption granted under the renaissance zone statute begins following the date of completion of rehabilitation. This corresponds with the existing language regarding income tax exemptions under the renaissance zone statute and with current administration of the property tax exemptions. Current law does not indicate whether property tax exemptions begin following completion or commencement of rehabilitation. This clarification is necessary because chapter 57-02.2 provides a remodeling exemption beginning with commencement of making the improvements, and local officials have been unsure of the correct way to administer the renaissance zone property tax exemption.

Section 4 amends § 57-02-01(4) to correspond with language in § 57-02-27 as amended in 2001. Section 57-02-27 now prescribes taxable value percentages for residential, agricultural, commercial, and centrally assessed property. The 2001 amendment deleted the separate classifications for air carrier transportation and railroad property. Air carrier transportation and railroad property are assessed by the State Board of Equalization as centrally assessed property, but their statutory taxable value percentages were different from other centrally assessed

property from 1981 until 1985. Existing language in § 57-02-01(4) still excludes railroad operating property, but not air carrier transportation property, from the definition of centrally assessed property. The combined effect of the two sections is that there is no prescribed percentage for taxable value for railroad operating property. The amendment in Section 4 of this Bill corrects this situation by including railroad operating property in centrally assessed property. It makes no change to the percentage at which railroad operating property, or any other property, has been assessed since 1985; rather, it corrects an unintended omission in the definitions of taxable value for different classes of property.

Section 5 adds a new paragraph to § 57-02-08.3(3)(b) to prohibit the recorder from recording any deed for property on which the county auditor has determined that there is an unsatisfied lien for homestead credit for special assessments. This section correlates with Sections 1 and 2 of this Bill.

Section 6 amends § 57-06-19 and was requested in part by the North Dakota Association of Assessing Officers (NDAAO) and in part by the Property Tax Division of the Office of State Tax Commissioner. NDAAO requested that certifications of centrally assessed property sent from the Office of State Tax Commissioner to county auditors include true and full value instead of assessed value. Computer programs used in county offices are set up to use true and full value as their starting point. When certifications refer to assessed value, additional work is created for county personnel. Changing the certifications to true and full value will not affect any valuations or taxes.

The Property Tax Division requested repeal of the language concerning allocation of property constituting a single and continuous line. In practice, that provision has not been used in over 25 years. The value of all property assessed under chapter 57-06 is allocated to each

county and taxing district based on the amount of property located in each taxing district within the county, according to the other language in § 57-06-19.

Section 7 also was requested by NDAAO. This amendment provides that when an assessor is required to send a notice of increase to a property owner, the notice of increase must include the true and full valuation of the property, instead of the assessed valuation. True and full value is more easily understood by a property owner. Also, computer programs used in the assessment process properly use true and full value as their starting point. Current law requires the assessor to send a notice if the assessed value is increased by 15 percent or more and \$1,500 or more. The amendment changes the dollar requirement to \$3,000 or more of true and full value. This has the same effect because assessed value is defined as 50 percent of true and full value.

Section 8 amends § 57-14-08 to require a special assessor to send a notice to a property owner when the true and full value of the property has increased by 15 percent or more and \$3,000 or more. This is the same requirement imposed on other assessors by § 57-12-09 and provides the same service and protection to property owners whose properties are included in a reassessment.

Section 9 amends the definition of "utility services" in § 57-55-01 as it relates to criteria for assessment of a structure as a mobile home. One criterion is attachment of the structure to utility services. Under existing language, "utility services" means services purchased from a utility company under the jurisdiction of the public service commission. Neither rural electric cooperatives nor municipal utilities are under the jurisdiction of the public service commission, so under existing language a structure attached to rural electric cooperative service or municipal

utility service would not meet that criterion. Addition of the underscored language closes that loophole.

Section 10 also was requested by the Property Tax Division of the Office of State Tax Commissioner. It repeals § 57-06-17 concerning allocation of assessment of operative property constituting a single and continuous property and corresponds with the amendment in Section 6 of this Bill. It also repeals § 57-45-03 which requires the Tax Commissioner to procure and forward a list of all land becoming taxable for the first time, or land upon which patents or final proofs had been canceled by the government, to the appropriate county auditors. This section referred to homestead land and was last amended in 1943. There are no longer any lands to which this section applies, and there is no need for this statute to exist.

Section 11 provides that the provisions of this Act are effective for taxable years beginning after December 31, 2004.

This concludes my prepared testimony. I will be happy to try to answer any questions you may have.

# SENATE FINANCE AND TAXATION COMMITTEE

March 14, 2005

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