MICROFILM DIVIDER

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

ROLL NUMBER

DESCRIPTION

2152

2005 SENATE FINANCE AND TAXATION

SB 2152

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2152

Senate Finance and Taxation Committee

❑ Conference Committee

Hearing Date January 18, 2005

Tape Number	Side A	Side B	Meter #
#1	X		0.4 - 27.2
Committee Clerk Signature Sharon Renfrow			

Minutes: All committee members present.

SEN. URLACHER: Called the meeting to order and opened the hearing on SB 2152.

SEN. MATHERN: appeared as prime sponsor with written testimony stating this bill was introduced to help persons with fixed incomes be able to stay in their homes by getting a reduction of their property tax. Payment of the reduction amount is paid to the political subdivision by the state general fund. This is the reason for the fiscal note.

MARCY DICKERSON: of the North Dakota Tax Dept. Appeared neutral on the bill with written testimony stating SB 2152 increases the maximum taxable value for which a qualifying applicant for homestead credit may receive a reduction to from $2000 to $4500, which represents a $100,000 house. This bill makes no other changes to the homeowners' program and makes no changes to the renters refund program.

SEN. URLACHER: questioned on whether this has any reflection on special assessments.

ANSWER: No, there is a program for special assessments that people who qualify for the homestead credit may get their current installment of their special assessment paid, but that creates a lien against the property which carries 9% interest at which must be paid off before the property is transferred.

REP. ZAISER: appeared as a sponsor of the bill with written testimony highlighting that for some people moving into an assisted living facility or a nursing home is an acceptable transition. But many who have lived in one house their entire life or at least one-half a century in the same home have great difficulty in making the adjustment. In many cases, they die shortly after being taxed out of their home and into some type of facility.

KATHY ONSUM: a resident of Fargo appeared in support of the bill with written testimony stating that currently, even with 100% reduction, the maximum exemption is applied to the first $44,400. This, at one time was enough to cover the taxes for my home. However, it has become outdated. Due to reassessments, low unearned income, and high cost of living, it is no longer effective.

MIKE WILLIAMS: Fargo City Commissioner appeared in support with handouts of pictures of Kathy's home stating it is imperative that we address this issue this year as Kathy won't qualify and a lot more won't. Raising the value up to $100,000 will offer immediate relief to people in cities where the valuation test isn't rising.

SEN. MATHERN offered to work with the committee in proposing amendments if necessary.

LEON SAMUEL: Director of Tax Equalization from Morton County appeared neutral stating this bill he believes is needed. To the extent that incomes have been changed over the years but the taxable value has not and that's where it needs to be changed just like they are proposing here. Also if there would be amendments that could apply it not only to the 2005 real estate, but to the 2006 mobile home. The reason for that is we are dealing with mobile homes right at the present time, we're giving them the homestead credit. We've worked those already, so if it would apply to them also, we would have to go back and rework them and I think this is needed.

REP. ZAISER: noted that if it was okay with the committee he would like to present a friendly amendment regarding effective date the mobile homes as well as residential property.

NO FURTHER TESTIMONY. Closed the hearing.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2152

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 25, 2005

Tape Number	Side A	Side B	Meter #
#2	X		38.7 - 46.7
Committee Clerk Signature Sharon Renfrow			

Minutes: AFTERNOON COMMITTEE WORK

SEN. WARDNER: gave explanation between SB 2157 and SB 2152. This bill is a little bit different, sets the cap a little bit higher on taxable value, but because this does a lot more and I didn't want to push moving that fiscal note up, I left it alone. Because most of it is in SB 2157, I'm going to move a **DO NOT PASS,** but has nothing to do with the bill, the issue, because it's covered in the other bill. Senator Cook seconded it.

SEN. EVERY: so what your saying is that if we were to move that up to $100,000 that would increase the fiscal note on SB 2157 by $410,000.

SEN. WARDNER: No, not by that much.

MARCY DICKERSON: I think it probably would increase it more because Sen. Mathern's bill only applies to raising the limit on the people who are currently eligible. Because he doesn't increase the income limit end.

SEN. EVERY: Marcy, your comfortable that the folks that Sen. Mathern intended to benefit from this are protected in SB 2157.

MARCY: they are protected up to the $80,000 level, everybody is getting an increase from $44,000 to $80,000 potential. SB 2157 does help a lot more people, not only increases the limit but helps a lot more people, that's why the bigger fiscal note.

SEN. WARDNER: this will help the lady from Fargo get her taxes reduced but not as much as she would under this bill and will cover more people.

ROLL CALL VOTE: 4-2-0 Sen. Wardner will carry the bill.

FISCAL NOTE

Requested by Legislative Council
01/07/2005

Bill/Resolution No.: SB 2152

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			$410,000			
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.*

SB 2152 increases the maximum amount by which the taxable value of the homestead may be reduced of a qualifying homeowner over 65 years of age or a disabled homeowner.

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.*

Based on the 2003 homestead credits reimbursed to the counties in 2004, the provisions of SB 2152 would likely increase the cost of the homestead credit program to the state general fund by $410,000 during the 2005-07 biennium.

   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	**Agency:**	Office of Tax Commissioner
Phone Number:	328-3402	**Date Prepared:**	01/17/2005

Date: 1-25-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. *SB* 2152

Senate **Finance and Taxation** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Not Pass

Motion Made By Wardner Seconded By Cook

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

Total (Yes) 4 No 2

Absent 0

Floor Assignment Wardner

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

REPORT OF STANDING COMMITTEE

SB 2152: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends **DO NOT PASS** (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2152 was placed on the Eleventh order on the calendar.

2005 TESTIMONY

SB 2152

Senate Bill 2152
Finance and Taxation Committee
January 18, 2005

Chairman Urlacher and Members of the Senate Finance and Taxation Committee,

My name is Tim Mathern. I am the Senator from District 11 in Fargo and sponsor of Senate Bill 2152. After my testimony someone from the Tax Department will testify. Then Rep. Zaiser will testify and introduce Cathy, a citizen from Fargo who advocated and educated me to introduce this bill. Each will offer more insight and information than my testimony

Essentially this bill is introduced to help persons with fixed incomes be able to stay in their homes by getting a reduction of their property tax. Payment of the reduction amount is paid to the political subdivision by the state general fund. This is the reason for the fiscal note.

The value of property exempted in Section 1 has not been changed since 1977. If you go to items "a" through "e" the changes are as follows.

a. If the person's income is not in excess if eight thousand dollars, the dollars of taxable exempted valuation goes from $44,444 to $100,000 market value.

b. If the person's income is in excess of eight thousand dollars and not in excess of nine thousand five hundred dollars, it goes from $35,555 to $80,000 market value.

c. If the person's income is in excess of nine thousand five hundred dollars and not in excess of eleven thousand dollars, it goes from $26,666 to $60,000 market value.

d. If the person's income is in excess of eleven thousand dollars and not in excess of twelve thousand five hundred dollars, it goes from $17,777 to $40,000 market value.

e. If the person's income is in excess of twelve thousand five hundred dollars and not in excess of fourteen thousand dollars, it goes from $8,888 to $20,000.

Mr. Chairman and members of the Committee. Some of our communities are fortunate to have rising property values. Passage of this bill helps people who do not have corresponding rising incomes continue living in their home with their long term neighbors and support systems. This benefits us all. I ask for a do pass recommendation for SB 21652. Thank you.

SENATE FINANCE AND TAXATION COMMITTEE
January 18, 2005

Testimony of Marcy Dickerson, State Supervisor of Assessments

SENATE BILL 2152

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 by the State Tax Commissioner. My testimony concerns Senate Bill 2152.

The homestead credit program currently provides for a reduction in taxable value of the homestead of a homeowner who is either 65 years of age or older or permanently and totally disabled and whose total income from all sources does not exceed $14,000. The income limitation is the same for a single applicant or for an applicant with one or more dependents. The income schedule is tiered and provides for 100 percent, 80 percent, 60 percent, 40 percent, and 20 percent taxable value reductions depending on an applicant's income level. The maximum taxable value reduction at 100 percent is $2,000, which represents a $44,444 house. For qualifying applicants who rent their homesteads, the program provides for a refund of a portion of rent paid which is deemed to represent property tax. The refund is the amount by which 20 percent of an applicant's net rent exceeds 4 percent of the applicant's net income after deduction of medical expenses, to a maximum of $240.

Senate Bill 2152 increases the maximum taxable value for which a qualifying applicant for homestead credit may receive a reduction to from $2,000 to $4,500, which represents a $100,000 house. Maximum taxable value amounts for persons who qualify for 80 percent, 60 percent, 40 percent, and 20 percent reduction have been adjusted correspondingly. This bill makes no other changes to the homeowners' program and makes no changes to the renters' refund program.

Many applicants who currently qualify for 100 percent reduction receive less than 100 percent, because the value of their homestead is greater than $44,444. This is especially true in the major cities where home values have increased greatly over time. Applicants have difficulty understanding why they cannot receive 100 percent reduction of their taxable value when their income level entitles them to 100 percent.

To estimate the fiscal effect of Senate Bill 2152, we recalculated the benefits received by qualifying homeowners for their 2003 taxes, payable in 2004, using the provisions of this bill. We found the projected cost for the 2005-2007 biennium for the program with these changes would be approximately $4,410,000, an increase of $410,000 over the current appropriation of $4 million. This cost would be experienced entirely by the State General Fund. Political subdivisions receive reimbursement from the State General fund for tax revenue lost due to the homestead credit program, and renters' refunds are paid directly to the renters from the State General Fund.

This concludes my prepared testimony. I will be glad to try to answer any questions.

SB 2152 Testimony

Rep. Steven Zaiser

Dear members of the Senate Finance and Taxation Committee,

It is my pleasure and honor to appear in front of this committee for the first time since I was elected in 2002.

I appear today in support of Senate Bill 2152.

Senator Mathern has done an excellent job in explaining how this bill would change the reduction in the assessment on a homestead property as defined in Section 47-18-01 of the North Dakota Century Code.

What I am going to attempt to highlight is how the severe increase in property taxes in North Dakota has made it difficult for folks with a fixed income to remain in their homes. I am quite sure there are many folks who live on fixed incomes who are being taxed out of their homes. This problem is exacerbated in Fargo and perhaps some of the other larger communities where the property taxes are rising so rapidly.

For some people moving into an assisted living facility or a nursing home is an acceptable transition. But many who have lived in one house their entire life or at least one-half a century in the same home have great difficulty in making the adjustment. In many cases they die shortly after being taxed out of their home and into some type of facility.

I have received many calls from constituents in my district about the rising property taxes and the owner's subsequent need to sell and move into some kind of retirement facility. Two different individuals have called me about this problem but have still managed to stay in their home. They were not comfortable with coming to Bismarck and testifying in front of a committee.

Ms. Kathy Onsam is struggling with the issue of fighting to prevent being taxed out of her home. I will say no more and let Kathy tell you her story.

Good morning. My name is Kathy Onsum. I am here today to support Senate Bill 2152.

Currently, even with 100% reduction, the maximum exemption is applied to the first $44,400-. This, at one time was enough to cover the taxes for my home. However, it has become out-dated. Due to re-assessments, low unearned income, and high cost-of-living, it is no longer effective.

My situation will show you the need for change. To fix a problem by updating an old law.

The last three (3) years, my home value has increased 20% each year. Meanwhile, my unearned Social Security Disability has increased only 2%. This means I live at -18%!

I bought my home in March of 1975 for $18,000-. In 2003, the assessment became $63,500-. In 2004, the assessment was $87,200-. Today, its value is $100,000-.

My Social Security Benefit in 2003 was $541 monthly/$6,492-yearly. For 2004, I received $553-monthly or $6,636- yearly. For 2005, I will receive $568- monthly or $6,816- for the year.

All of us deal with every day cost-of-living. However, due to the fact that the state of North Dakota has <u>not</u> changed the low exemption amount of $44,400-; I now must pay out-of-pocket for my taxes over $14,400- of property value. In 2003, taxes paid out-of-pocket was $407.49. In 2004, I must pay $896.11 out-of-pocket. This is after I receive 100% reduction! My 2004 unearned yearly income of $6,816- just dropped to $5,919.89 to survive for the year. I want to ask you, "Can you live on that?".

I asked "How much would the government pay if 100% meant changing it to a new maximum reduction of $100,000-?"The answer is an increase of about 10% above the current general fund!

I pay $262.35 per month for a mortgage. I've waited thirty years to say proudly that I own my own home. Can you find an apartment for that cost? Would I be proud of it? Remember, I only receive $568- a month. Can you pay for an institution keeping the budget only 10% more? No.

Every person has a gift and a contribution to give. Putting me out of my home will bring fear and anxiety. My home, my neighborhood, my community, brings me freedom and independence. I live in a small established part of town. The security and serenity I find here makes me feel whole, as a real person. Every Sunday I walk to the church two blocks away. I am very proud of my father. He taught me to have courage to change the things that I can, to fix things that are broken.

That is why I am here today. Please have the courage to fix the problem. The low exemption needs to be fixed. Increase the amount of the maximum exemption to $100,000-. I need your support. I want the American dream- to live in my own home.

Kathleen S. Onsum

1117 Tenth Avenue South
Fargo, ND 58103

I. YEAR	TRUE&FULL VALUE	II. TAX
1975	$18,000	Bought home
1991	$47,400	$1,219.05
1999	$47,400	$ 256.88
*2003	$63,500	$ 407.49
*2004	$87,200	$ 896.11
*2005	$100,000(approx.)	

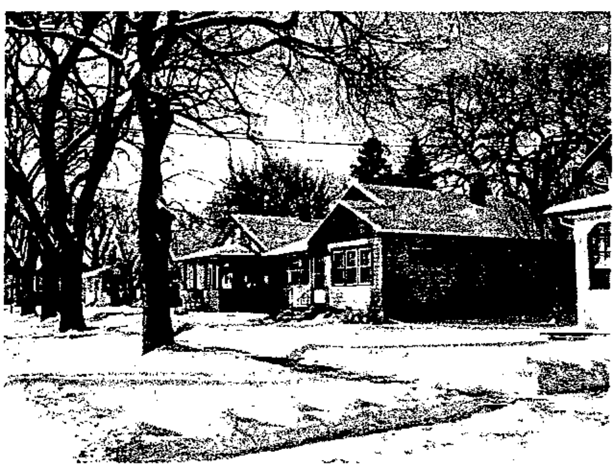
II. SOCIAL SECURITY BENEFIT:

YEAR	MONTH	YEARLY
2003	$541.00	$6,492.00
2004	$553.00	$6,636.00
2005	$568.00	$6,816.00

Kathy
pg 2

Kathy Onsum's house in Fargo. Qualifies for homestead credit for full disability

	House Value	Annual Fixed income	Property tax above $44k value limit
1975	$18,000		
1991	$47,400		$34
1995		$5,400	
2003	$63,500	$6,492	$407
2004	$87,200	$6,636	$896
2005 estimates	$106,000	$6,816	$1,364



The house next door (east) sold for $107,000 in 2004

Mike Williams
pg 1

	Fargo Median Sale Price	Change In SSI COLA	Increase in Fargo Median $
1990	59900	5.4%	
1991	64900	3.7%	8.3%
1992	65300	3.0%	0.6%
1993	67900	2.6%	4.0%
1994	68900	2.8%	1.5%
1995	75000	2.6%	8.9%
1996	80400	2.9%	7.2%
1997	82500	2.1%	2.6%
1998	88000	1.3%	6.7%
1999	90000	2.5%	2.3%
2000	91800	3.5%	2.0%
2001	96400	2.6%	5.0%
2002	101000	1.4%	4.8%
2003	113700	2.1%	12.6%
2004	119600	2.7%	5.2%
	Accumulative	**42.4%**	**99.9%**

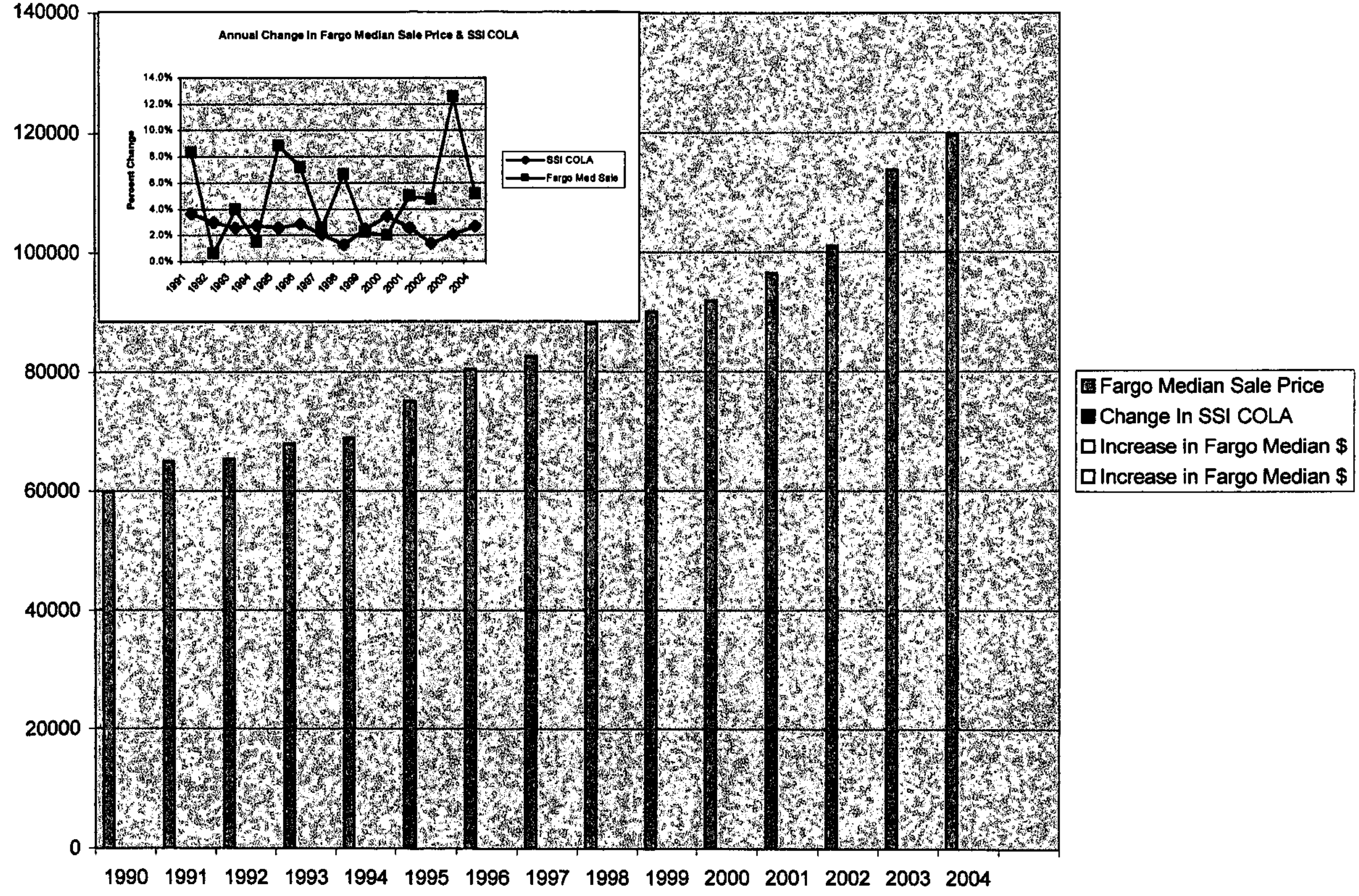
ISSUES WITH CURRENT HOMESTEAD CREDIT LAW

- **Current maximum reductions allowed do not reflect current home values. Maximum reduction allowed is $44,400, median home in Fargo currently is $119,600.**

- **Currently assets may not exceed $50,000, excluding the first $80,000 of homestead. As values have increased, more cases where the value of the home in excess of $80,000 has put the applicant over the $50,000 asset limit disqualifying them.**

- **Current structure of existing law is simple to administer and build into assessment systems. Assessors could easily adapt their systems to simple changes in the income & limitation breakdowns.**

- **Tying limits to a benchmark could result in confusion and misapplication due to the fact that some applicants apply aftercertification of assessment roll. Also, the timing of the publication of benchmark data and assessment roll certification could possibly not be in sync.**



Annual Change In Fargo Median Sale Price & SSI COLA
Percent Change
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
SSI COLA
Fargo Med Sale
140000
120000
100000
80000
60000
40000
20000
0
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
Fargo Median Sale Price
Change In SSI COLA
Increase in Fargo Median $
Increase in Fargo Median $

mike pg3