MICROFILM DIVIDER

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

ROLL NUMBER

DESCRIPTION

2157

2005 SENATE FINANCE AND TAXATION

SB 2157

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2157

Senate Finance and Taxation Committee

❑ Conference Committee

Hearing Date January 18, 2005

Tape Number	Side A	Side B	Meter #
#1	X		27.9 - 61.3
		X	0.0 - 3.3
Committee Clerk Signature Sharon Renfrow			

Minutes: All committee members present.

SEN. URLACHER: opened the meeting and called the hearing to order on SB 2157.

SEN. WARDNER: appeared as prime sponsor stating this bill deals with homestead property tax credit. There are 2 things that we deal with in the homestead tax credit; 1) is taxable valuation and 2) is income. When you talk about taxable income, you take the true and full value of the property and divide it by 2, then multiply it by .09% and that will give you the taxable income. That's before you apply mills to it. The difference between this bill and SB 2152 is that this bill deals with expanding the income level more and this bill does not expand the taxable income up as much as SB 2152 did.

REP. DROVDAL: appeared as sponsor stating this is in the Governor's budget and feels it is a qualify of life issue for our senior citizens and disabled citizens and deals with whether they own their home or are renting. As long as we can keep them in their home, the better the quality of life is for them. Its a good deal for us because it costs us a lot less to keep them in their homes than when they start that progression into the long term health care or basic care, nursing homes, etc. What this also does besides adjusting the income to the current days level, the poverty level that we use as an index, it also tags it to the federal poverty level, so we will not have to revisit every 2 years to stay current as inflation continues to erode.

JACK DALRYMPLE: the Lt. Governor appeared in support stating it is in the governor's budget and last session this was well received but died because of the fiscal note and it wasn't in the governor's budget. This bill is important from the point of view from all public policy measures because it does go directly to this question of keeping senior citizens in their homes, taking care of themselves, accessing home based care services to whatever extent they need but as a prevented measure again, where a situation where people finally have to sell a home simply to cover their monthly living expenses. Governor Hoeven is fully in support of this bill, we have provided the funding for it, we think it does the right things.

MARCY DICKERSON: of the Tax Dept. Appeared neutral on the bill with written testimony stating SB 2157 makes changes to the homestead credit program for both homeowners and renters. It provides that persons whose income is not greater than 140 percent of the federal poverty level may qualify for a reduction in the taxable value of the homestead, or for a refund of a portion of rent paid for the homestead that is deemed to represent property tax.

SEN. WARDNER: asked if the taxable evaluation is $3600 under this bill, do you subtract it out, zero times the number of mills and they pay no property tax?

ANSWER: That is correct.

MARK JOHNSON: from the Assoc. Of Counties appeared in support with written testimony stating we see the value in this bill as a opportunity to keep persons in their homes where they ultimately truly would like to stay. We recognize that this bill as it may be agreed upon in this committee will be transferred to the Senate Appropriations Committee and passed on from there. I'd like to recognize the Governor for including this in his budget, I've come across some statistics that shows that ND is one of the worst states in the nation in terms of the ratio in which we support nursing home care vs. in home care and I think this is a first step in the right direction of being able to at least have a home where someone can receive in home care going forward by increasing the provisions of this bill. I would urge you to consider something between Sen. Wardner and Sen. Drovdal's bill and possibly any positive aspects of the Mathern bill and pass it on to the Appropriations Committee.

SEN. COOK: asked if increasing the benefit that those who are already getting the homestead tax credit might receive (as SB 2152 did) or we could increase the number of people who could receive the homestead tax credit or we could a combination of both, which is what I see this bill doing, do you fell that we are close to where we should be in your mind? Doing the combination of the both the right thing to do and are we close to where we should be?

ANSWER: I think this is a good first step and you may need a blend of combination here to bring in the widest net that we possibly can so that we can reduce that higher cost care.

SEN. COOK: The widest net, you mean help as many people as we can? Yes I think we should try to do that.

LEON SAMUEL: Morton County Director of Tax Equalization stated that just looking at the bill and so forth, I think its just as before, the bill is needed and I think both the income and the taxable value should be increased. It helps a lot of people out and feel a combination is needed, if something could be worked out to help the 2005 real estate and put it to the 2006 mobile home would be helpful to the people that are working it. If we could maybe get that $80,000 up to maybe $100,000, that would also help.

SEN. COOK: Feels that when we think of a policy that helps lower income families stay in their homes, it helps with them to meet their rent obligations , my question is "do you see people applying for that are renting, who are applying for this homestead tax credit would help themselves even more if they were pursue housing assistance instead?"

ANSWER: Where we deal with the renters, a lot of the renter is the mobile homes because they are renting the lot and they also own their own home. So basically they can apply for a homestead credit, get that reduction and because they are paying lot rent, they also apply for renters refund. There's where I see the renters, the rest of the renters go directly to the State.

MARCY DICKERSON: noted that renters who receive housing assistance are eligible for this program. Many of the people that we have on the program, are receiving assistance, but the only amount that we look at in the calculation is the amount they have to pay out of their own pocket.

MIKE WILLIAMS: Fargo City Commissioner stated he talked it over on both these bills with our city assessor and tying some income guidelines with SB 2152 would probably make it as beneficial as it could, this bill only covers up to $80,000 in house value, so a higher evaluation of the first bill (SB 2152) would be beneficial. The assessors have to do their evaluations and coming up with a median for either the assessed value or the sale value is not difficult but essentially instead of locking it in at $80,000 for homestead evaluation, what you could do is add a specific to the market (which would be 80% of the median value) would go across the market and apply to every city. The key would be to have it set at a certain specific date and basically you would be going a year back. That's just one idea to tie it all together and be beneficial to everyone.

SEN. WARDNER: What is the current mill levy in Fargo?

ANSWER: It's 485 - the percent is 2.2% of the value of your house.

NO FURTHER TESTIMONY. Closed the hearing.

SEN. URLACHER: Stated that amendments might be coming.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2157

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 25, 2005

Tape Number	Side A	Side B	Meter #
# 2	X		19.5 - 38.6
Committee Clerk Signature	Sharon Renfrow		

Minutes: COMMITTEE WORK

SEN. WARDNER: handed out amendments to SB 2157 and a Homestead Credit Sheet. I want to go over the owning of a home. Under the current situation, keep in mind the income limitations are the same for a single applicant as there is for one or more dependents. It gives you the income brackets and percentages and then the true and full are kind of the cut, now keep in mind that 1600.00 is 80% of 2,000. So if the individual would happen to make 11,001 and 12,500 they could take 40%, 40% of 44, 444.00 is $800, its 17, 777. And then when you convert that true and full over to taxable its 800 or 800 is 40% of 2,000, no matter how you do it, its $800. Under the federal poverty level for the single person, single applicant, the bottom two income brackets, somebody is going to miss the cut there and may be better off under the old way.

MARCY DICKERSON: interceded saying, if your 65 yrs of age or if your permanently disabled at any age, in that case, you might file a family, because the people would be young enough even though they were disabled.

SEN. BERCIER: mentioned the tragedy that happened with Sen. Thane and his family and wondered if this would help him.

SEN. WARDNER: there's another asset test and that has to do with $50,000. In the amendments we did 3 things, 1) unencumbered homestead; 2) emergency clause 3) who dictates what the federal poverty levels are.

MARCY DICKERSON: came forward to explain the amendments stating the existing law refers to the persons homestead as defined in 47-18 whatever it is. In that section is where it refers to the homestead being up for a maximum 80,000 unencumbered value of the structure and contiguous land. We want to get rid of the $80,000 that's why we suggested getting rid of the records to the homestead as defined in that section because they are tied together there and it was suggested that we go to a maximum of $100,000 unencumbered value and that's what the amendment does, it puts the word unencumbered in this statute so that it is still the unencumbered value of the part you don't have a mortgage on, that part that you actually own. But once you got rid of using definition of homestead, you also lost the word unencumbered unless you put it in here, so that was the purpose of putting it here.

There does need to be some kind of a limit on that, because an individual who owns an apartment bldg., maybe 10-20 apartments, under the existing law, if he lives in one of them, he can have the homestead credit on whatever portion of that property is up to the $80,000 value. If you don't have some value on there, if its a million dollar apartment, you get a homestead credit on a million dollar apartment. All that does is say that that much of a persons homestead does not count against them in the asset test, where if he had more than $50,000 in assets over and above that unencumbered portion of his house, if he had more than $50,000 over that, he does not qualify for this.

SEN. TOLLEFSON: unencumbered always in reference to mortgage.

MARCY DICKERSON: anything that diminishes your ownership would be the encumbered portion of it.

SEN. WARDNER asked Ms. Dickerson to explain the emergency clause and why the Tax Dept. Needs to fix the Federal Poverty Level.

MARCY DICKERSON: The emergency clause again was recommended by I think Leon Samuel because right now they are working on the Homestead Credit Applications, they are supposed to be in by February 1st, that's not a firm deadline and if its too late, they will accept them as an abatement, so a person does not lose the opportunity. But the fact they are working on them now, if we waited until this bill became law without an emergency clause, everything would b all done, where they were approved by the township, city and county boards and everything would have to go back and be abated in order to change it because of the new provisions.

SEN. COOK: the other solution that Leon gave us was to just change the effective date to 2005, and didn't have something to do with trailer houses.

MARCY DICKERSON: that's already in here, that takes care of the issue where for your property tax right now, your paying your 2004 property tax for 2005, your already paying your

2005 trailer taxes. Trailers are taxed for the year ahead where real property is taxed a year behind.

SEN. WARDNER: also was Mr. Samuels that said, tax dept. or somebody has to do the Federal Poverty Level .

MARCY DICKERSON; thinks its a good idea, just so everybody is using the same schedule. This thing is published once a year in February and in order for people to start working on these homestead credits timely, we'd have to use the previous February.

SEN. COOK: aren't we eliminating one year in the biennium or are we.

MARCY: no, that would still be the 2005 assessment will be payable in 2006 so the reimbursement of counties will be in 2006. The only thing your changing here is on the mobile homes, your tying them in so they actually apply to the same year. Doesn't see any difference in the fiscal note, its still going to be for reimbursements to the counties and for payments to the renters that are made during calendar 2006 and the first half of 2007 up to the end of the biennium.

SEN. WARDNER: made a motion to adopt the amendments, seconded by Sen. Every.

VOICE VOTE: 6-0-0 MOTION CARRIED.

SEN. WARDNER: made a motion for DO PASS AS AMENDED AND REFER TO APPROPRIATIONS, seconded by Sen. Cook.

ROLL CALL VOTE: 6-0-0 Sen. Wardner will carry the bill.

FISCAL NOTE

Requested by Legislative Council
04/12/2005

Amendment to: Reengrossed SB 2157

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			$500,000			
Appropriations			$500,000			

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 2157 Second Engrossment with Conference Committee Amendments broadens the scope of the homestead credit program.

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 2004 program costs, and estimating the number of new persons who would qualify, it is estimated that the provisions of re-engrossed SB 2157 with Conference Committee Amendments would increase the cost of the homestead credit program by approx. $500,000 for 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.*

The appropriation for the Homestead Credit program is increased to fund the provisions of Reengrossed SB 2157 with Conference Committee Amendments.

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner
Phone Number:	328-3402	**Date Prepared:**	04/20/2005

FISCAL NOTE

Requested by Legislative Council
03/25/2005

Amendment to: Reengrossed SB 2157

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			$500,000			
Appropriations			$500,000			

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 2157 Second Engrossment with House Amendments broadens the scope of the homestead credit program.

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 2004 program costs, and estimating the number of new persons who would qualify, it is estimated that the provisions of re-engrossed SB 2157 with House Amendments would increase the cost of the homestead credit program by approx. $500,000 for 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.*

The appropriation for the Homestead Credit program is increased to fund the provisions of Reengrossed SB 2157 with House Amendments.

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner
Phone Number:	328-3402	**Date Prepared:**	03/28/2005

FISCAL NOTE

Requested by Legislative Council
03/11/2005

Amendment to: Reengrossed SB 2157

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			$2,900,000			
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 2157 Second Engrossment with House Amendments broadens the scope of the homestead credit program, using the federal poverty level and increasing the maximum deductions from taxable value. The definition of a qualified renter is also broadened.

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 2004 program costs, and estimating the number of new persons who would qualify, it is estimated that the provisions of re-engrossed SB 2157 with House Amendments would increase the cost of the homestead credit program by approx. $2.9 million for 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.*

The appropriation for the Homestead Credit program would need to be increased to fund the provisions of Reengrossed SB 2157 with House Amendments.

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner
Phone Number:	328-3402	**Date Prepared:**	03/14/2005

FISCAL NOTE

Requested by Legislative Council
02/14/2005

Amendment to: Engrossed SB 2157

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					$3,000,000	
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.*

Re-engrossed SB 2157 broadens the scope of the homestead credit program, using the federal poverty level and increasing the maximum deductions from taxable value. The definition of a qualified renter is also broadened. The provisions of re-engrossed SB 2157 first become effective in the 2007-09 biennium. There is no fiscal impact during the 2005-07 biennium.

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 2004 program costs, and estimating the number of new persons who would qualify, it is estimated that the provisions of re-engrossed SB 2157 would increase the cost of the homestead credit program by approx. $3 million for the 2007-09 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:**	02/15/2005

FISCAL NOTE

Requested by Legislative Council
01/27/2005

Amendment to: SB 2157

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			$2,900,000			
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.*

Engrossed SB 2157 broadens the scope of the homestead credit program, using the federal poverty level and increasing the maximum deductions from taxable value. The definition of a qualified renter is also broadened.

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 2003 (paid in 2004) payments to counties for homeowner credits and payments to renters, and estimating the number of new persons who would qualify, it is estimated that the provisions of Engrossed SB 2157 would increase the cost of the homestead credit program to the state general fund by $2.9 million for 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:**	02/03/2005

FISCAL NOTE

Requested by Legislative Council
01/07/2005

Bill/Resolution No.: SB 2157

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			$2,900,000			
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 2157 broadens the scope of the homestead credit program, using the federal poverty level and increasing the maximum deductions from taxable value. The definition of a qualified renter is also broadened.

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 2003 (paid in 2004) payments to counties for homeowner credits and payments to renters, and estimating the number of new persons who would qualify, it is estimated that the provisions of SB 2157 would increase the cost of the homestead credit program to the state general fund by $2.9 million for 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

50473.0101
Title.

Prepared by the Legislative Council staff for
Senator Wardner
January 25, 2005

PROPOSED AMENDMENTS TO SENATE BILL NO. 2157

Page 1, line 2, remove the second "and"

Page 1, line 3, after "date" insert "; and to declare an emergency"

Page 3, line 18, after the first "the" insert "unencumbered", after "person's" insert "residence that the person claims as a", overstrike the quotation marks around "homestead", and overstrike "as defined in section"

Page 3, line 19, overstrike "47-18-01"

Page 3, line 21, after the overstruck period insert "For purposes of this subdivision, the unencumbered valuation of the homestead is limited to one hundred thousand dollars."

Page 3, after line 26, insert:

"i. The tax commissioner shall provide each county director of tax equalization an annual certification of the federal poverty level to be applied under this subsection for the taxable year."

Page 7, line 6, replace "after" with "with taxable year 2005 for real property and taxable year 2006 for mobile homes."

Page 7, replace line 7 with:

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

Renumber accordingly

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

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2157

Senate **Finance and Taxation** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 50473.0101

Action Taken Adopt amendments.

Motion Made By Wardner Seconded By Every

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

Total (Yes) ______ No ______

Absent ______

Floor Assignment ______

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

Date: 1-25.05
Roll Call Vote #: 2

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. ***SB*** 2157

Senate **Finance and Taxation** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass as amended & refer to Approp.

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) 6 No 0

Absent 0

Floor Assignment Wardner

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

REPORT OF STANDING COMMITTEE

SB 2157: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2157 was placed on the Sixth order on the calendar.

Page 1, line 2, remove the second "and"

Page 1, line 3, after "date" insert "; and to declare an emergency"

Page 3, line 18, after the first "the" insert "unencumbered", after "person's" insert "residence that the person claims as a", overstrike the quotation marks around "homestead", and overstrike "as defined in section"

Page 3, line 19, overstrike "47-18-01"

Page 3, line 21, after the overstruck period insert "For purposes of this subdivision, the unencumbered valuation of the homestead is limited to one hundred thousand dollars."

Page 3, after line 26, insert:

"i. The tax commissioner shall provide each county director of tax equalization an annual certification of the federal poverty level to be applied under this subsection for the taxable year."

Page 7, line 6, replace "after" with "with taxable year 2005 for real property and taxable year 2006 for mobile homes."

Page 7, replace line 7 with:

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

Renumber accordingly

2005 SENATE APPROPRIATIONS

SB 2157

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2157

Senate Appropriations Committee

☐ Conference Committee

Hearing Date February 4, 2005

Tape Number	Side A	Side B	Meter #
1	a		
Committee Clerk Signature			

Minutes:

Chairman Holmberg called the hearing on SB 2157 to order.

Mike Williams, Fargo City Commissioner, distributed documentation and testified in **support of SB 2157**. He discussed the bill and reasons for its introduction and gave case histories of people this will help. Its main purpose is to give low income people some tax relief.

Questions were raised about the high property evaluations, whether the political subdivision should share in the relief.

Marcy Dickerson, State Supervisor of Assessments and Director of the Property Tax Division of the State Tax Commissioners office discussed the Homestead Credit Program as it exists now and the proposed changes.

No further questions were raised.

Chairman Holmberg closed the hearing on SB 2157.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2157

Senate Appropriations Committee

☐ Conference Committee

Hearing Date February 10, 2005

Tape Number	Side A	Side B	Meter #
2	a		
Committee Clerk Signature			

Minutes:

Chairman Holmberg opened the discussion on SB 2157.

Chairman Holmberg indicated that there may be a change in the formula for the homestead tax credit, taking into account inflation with the goal being to keep people in their own homes. An amendment would keep the bill in the system and put an effective date in the amendment.

Senator Andrist motion for a do pass with the amendment. **Senator Grindberg seconded.**

Discussion followed.

Senator Mathern indicated this is in the Governor's amendments.

The questions was raised as to whether this would be appropriated for this biennium.

A roll call vote was taken with 14 yes and 1 no. The motion carried. Senator Fischer will carry the bill.

Chairman Holmberg closed the discussion.

Date 2/10/05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2157

Senate SENATE APPROPRIATIONS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass with Amendment

Motion Made By Sen Andrist Seconded By Sen Grindberg

Senators	Yes	No	Senators	Yes	No
CHAIRMAN HOLMBERG	✓		SENATOR KRAUTER	✓	
VICE CHAIRMAN BOWMAN	✓		SENATOR LINDAAS		
VICE CHAIRMAN GRINDBERG	✓		SENATOR MATHERN		
SENATOR ANDRIST	✓		SENATOR ROBINSON		
SENATOR CHRISTMANN		✓	SEN. TALLACKSON		
SENATOR FISCHER	✓				
SENATOR KILZER	✓				
SENATOR KRINGSTAD	✓				
SENATOR SCHOBINGER	✓				
SENATOR THANE	✓				

Total (Yes) 14 No 1

Absent 0

Floor Assignment Senator Fischer

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

REPORT OF STANDING COMMITTEE

SB 2157, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). Engrossed SB 2157 was placed on the Sixth order on the calendar.

Page 1, line 2, after the semicolon insert "and"

Page 1, line 3, remove "; and to declare an emergency"

Page 7, line 13, replace "with" with "after December 31, 2006."

Page 7, remove lines 14 and 15

Renumber accordingly

2005 HOUSE FINANCE AND TAXATION

SB 2157

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2157**

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date **February 28, 2005**

Tape Number	Side A	Side B	Meter #
1	**X**		**0.5**
Committee Clerk Signature	Janice Stein		

Minutes:

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

SEN. RICH WARDNER, DIST. 37, DICKINSON Introduced the bill. Presented a handout to committee members which gives income brackets for homestead credit for owners and renters. What we are doing in the bill, is increasing the benefits. If people are disabled or elderly, or low income, it is a reimbursement back to them for property taxes. Sen. Wardner explained what the figures stood for on the handout, see attached copy.

LT. GOVERNOR, JACK DALRYMPLE Testified in support of the bill. In the governor's office, we think this is a very good bill. SB 2157 is not new. It has been around before. This bill addresses a group of people who are definitely having a hard time, they don't fit in the categories of all of the other various programs, most of which are driven by federal cost sharing through the medicaid program. These are people who are not sick or disabled, but are having income problems. There are cases in every part of the state, where people are having to liquidate their homes, which they have worked hard for their whole lives, just to keep on living. The main reason we should pass this bill is that every public official in the legislature and in the executive branch has paid lip service in the importance of keeping senior citizens in their homes and here is the chance to finally do something about it. The bill will expand the number of eligible home owners by approximately 1,500, and it will expand the number of eligible renters by about 430, to say nothing of the added funds which will become available to all of the existing participants in the program. If you add up the grand total, you are talking about 7,500 participants. That is a lot of people, and they are spread all over North Dakota. We felt strongly enough about this and did include it in the governor's budget for an additional three million dollars over and above the cost of this program today. We were very disappointed to see the appropriations committee put a delayed effective date on the bill. If this is good policy, and if it is going to mean something to people's lives, then we definitely should do it right now.

REP. DAVID DROVDAL, DIST. 39 Testified in support of the bill. One of the goals behind this bill, and we are talking about families or individuals making $9,300 or less, in order to qualify for this program. That is not very much money, when you are paying insurance, lights, heat and food, and medical bills. We are talking about citizens of North Dakota, probably forever, and life hasn't been real good to them, they haven't been able to build up a lot of assets. If we can keep them in their home, it will improve their quality of life. You take a senior citizen out of their home, and they have to move to a long-term health care, or assisted living, it takes their life away from them. These people will end up on our system. When they get into long-term health care, it will cost us from three to five thousand dollars per month. If we can keep them in their home for two extra years, it will save a lot more than three million dollars.

REP. IVERSON This is just for individuals whose income is below this federal poverty level?

REP. DROVDAL The way it is set up, it is based on federal poverty, but as they go up, the percentage they get off of their taxes, goes down.

MARCY DICKERSON, STATE TAX DEPARTMENT Testified in a neutral position. See attached written testimony.

REP. BELTER This effective date, dealing with mobile homes, has that been brought to the attention of the Senate committee?

MARCY DICKERSON Yes, when it was in the Senate Finance & Tax, that was amended into it, but it was for years after December 31, 2004 and December 31, 2005, because that was before they had taken out the funding for this biennium. When the funding was removed, I see it went back to just one blanket year.

REP. CONRAD When was the last time this was adopted?

MARCY DICKERSON Three to four bienniums ago.

REP. CONRAD When was it established?

MARCY DICKERSON I think back in the 60's, it was prior to my employment here, and I came in 1976.

REP. KELSH The asset calculation remains at fifty thousand?

MARCY DICKERSON The law remains that they cannot have assets of more than fifty thousand dollars over and above the unincumbered value of their homestead. The only change is the unincumbered value used to be eighty thousand dollars, now it is one hundred thousand. If a person had a hundred thousand dollar house, under the existing provisions, twenty thousand of that would be counted toward that asset limitation. This way, if it is a hundred thousand dollar house, none of it will be counted toward the assets.

REP. OWENS The renters only get a small portion back which is equivalent to their rent, it would be equivalent to the property tax portion, is that between the hundred thousand and twenty percent?

MARCY DICKERSON At the present time, there is no sliding scale or no tiering on record. This bill puts the tiering in, similar to what is available to the home owners, and just a little editorial comment, that is a good provision. At the present time, the calculation is the difference between twenty percent of the rent and four percent of the income. The home owners who are closer to the maximum of fourteen thousand dollars income, also generally, would be able to rent the nicer apartments or homes, without this schedule, the better off ones, will get the maximum refund, and the people with the lesser incomes, who are renting the lesser quality homes, are getting a very small refund. It is helping the better off and not helping the poorer off. This schedule is a big improvement.

REP. OWENS I was focusing on the asset test, which doesn't apply to renters at all, leaving it at the same level, it seems like, we are almost penalizing people if they have actually saved a little for their future, but your income is still low enough to qualify, because they have some assets.

MARCY DICKERSON I don't know why, when the renters were added to this program, there was no asset test for renters. I can only guess, they were thinking, that perhaps, the person who is now a renter, sold his home and maybe has money in CD's now, and they just feel the person with the home, has that money tied up in an asset. I am just guessing that.

MARK JOHNSON, NORTH DAKOTA ASSOCIATION OF COUNTIES Testified in support of the bill. See attached written testimony.

LEON SAMUEL, DIRECTOR OF TAX EQUILIZATION, MORTON COUNTY,

Testified in support of the bill. As a point of clarification, when talking about value you get off your home, it is only taxable value. You are not getting reimbursed two thousand dollars of actual dollars. If your home is worth eighty thousand dollars, you go to the taxation process, half of that is the assessed value, nine percent of that is the taxable value, that is thirty six hundred dollars, you would have thirty six hundred dollars of taxable value on your property. If you received one hundred percent homestead credit, which gave you that two thousand, you take two thousand dollars of taxable value away from that sixteen hundred, that is the difference you would pay on. That two thousand dollars means, if you have a five hundred mills rate in your community, you take five hundred mills times two thousand taxable value, it means one thousand dollars of taxes actually being deducted.

With no further testimony, the hearing was closed.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2157**

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date **March 1, 2005**

Tape Number	Side A	Side B	Meter #
2		**X**	**41.7**
Committee Clerk Signature			

Minutes:

COMMITTEE ACTION

REP. WRANGHAM Presented amendments to committee members which changed the effective date back to what it was in the original bill and also took care of Marcy Dickerson's concerns, plus it added an emergency clause.

REP. WRANGHAM Made a motion to adopt the amendments as presented.

REP. DROVDAL Second the motion. Motion carried by voice vote.

REP. WRANGHAM Made a motion for a **do pass as amended.**

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

13 YES 0 NO 1 ABSENT

REP. HEADLAND Was given the floor assignment.

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

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2157

House FINANCE & TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 50473.0302

Action Taken Do Pass as amended & Referred to approps

Motion Made By Rep. Wrangham Seconded By Rep. Iverson

Representatives	Yes	No	Representatives	Yes	No
BELTER, WES, CHAIRMAN	✓				
DROVDAL, DAVID, V-CHAIR	✓				
BRANDENBURG, MICHAEL	✓				
CONRAD, KARI	✓				
FROELICH, ROD	✓				
GRANDE, BETTE	A				
HEADLAND, CRAIG	✓				
IVERSON, RONALD	✓				
KELSH, SCOT	✓				
NICHOLAS, EUGENE	✓				
OWENS, MARK	✓				
SCHMIDT, ARLO	✓				
WEILER, DAVE	✓				
WRANGHAM, DWIGHT	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Rep. Headland

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

REPORT OF STANDING COMMITTEE

SB 2157, as reengrossed: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Reengrossed SB 2157 was placed on the Sixth order on the calendar.

Page 1, line 2, remove the second "and"

Page 1, line 3, after "date" insert "; and to declare an emergency"

Page 7, line 14, replace "2006" with "2004, for ad valorem property taxes and for taxable years beginning after December 31, 2005, for mobile home taxes"

Page 7, after line 14, insert:

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

Renumber accordingly

2005 HOUSE APPROPRIATIONS

SB 2157

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2157
Homestead Property Tax Credit

House Appropriations Full Committee

☐ Conference Committee

Hearing Date March 15, 2005

Tape Number	Side A	Side B	Meter #
2	X		#19.5 - #32.0
Committee Clerk Signature Chris Alexander			

Minutes:

Rep. Ken Svedjan, Chairman opened the discussion on SB2157.

Rep Belter explained that this bill deals with the homestead property tax credit. The House Appropriations committee removed $3 million recommended by the Governor's budget and the Senate amended that bill so it would not become effective until the next biennium. The Tax committee amended the bill back so it would become effective in this biennium so there is a $3 million expenditure for the upcoming biennium.

Rep. Al Carlson asked what appropriation was already going into this program and asked if this was an additional $3 million.

Ms Roxanne Woeste of legislative council answered that currently $4 million was going to this program. The Governor's recommendation was $7 million.

Rep. Ken Svedjan, Chairman commented that this broadens the base as to who is eligible for this program.

Rep Belter answered that there is new language as to who is covered in this program. In the past the bill had fixed dollar amounts for qualifications and this bill changes it over to federal poverty levels for the determining factor of who is eligible.

Rep. Ken Svedjan, Chairman asked if the tax committee believed that moving to the federal poverty level as a determinant was a wise move

Rep Belter answered that the chair of the committee would not recommend this but the committee itself never voted on this. There are times when the appropriations committee should deal with policy.

Rep. Bob Skarphol commented that the latest fiscal note is from March 11, 2005 with a fiscal impact of $2.9 million for 2005-07.

Rep. Francis J. Wald asked if this was the executive recommendation

Rep. Ken Svedjan, Chairman answered that this was in the Governor's Budget

Rep. Jeff Delzer asked if the tax committee asked the tax department how much of the $3 million cost is due to the poverty level and how much of it is due to the raising the reduction on taxable evaluation.

Rep Belter answered that he did not recall that discussion.

Rep. Jeff Delzer asked if this is just that much off of taxable evaluation or is it just that much off of direct taxes.

Rep Belter answered that page 4, line 30 states five categories of federal poverty levels and the amount of refund that you would receive based on your income.

Rep. Jeff Delzer asked if this meant that they have to file their property taxes and then apply for this refund and then this is the amount that they will receive back.

Rep Belter answered that this is correct.

Rep. Ron Carlisle asked if we could just change the date back to 2007 then the money would not be a problem in this biennium. (meter Tape #2, side A, #25.2)

Rep. Francis J. Wald moved a Do Not Pass motion on SB2157

Rep. Al Carlson seconded

Rep. Ron Carlisle asked if an amendment was in order to change the date.

Rep. Jeff Delzer commented that the committee should deal with these money problems now if this is worth doing instead of putting this off for two years. Rep Delzer further commented that he had questions on whether this is worth while doing this at these recommended levels, but if it is going to be done, it should be done now.

Rep. Al Carlson asked legislative council if this is first-come-first served money and when its gone, its gone, so if you raise this by $1 million it just means more people can participate, but it will deplete itself eventually.

Ms Roxanne Woeste answered that she was unfamiliar with this program

Rep. Al Carlson commented that he believed that this program would deplete itself once everyone who is eligible applied for their refunds. We don't need to add the $3 million if we do not want to. There is a bigger concern with changing the levels to the federal poverty levels when before we used a system more in tune with North Dakota.

Rep. Francis J. Wald asked what the turn back in funds were in past biennium

Ms Roxanne Woeste answered $700,000 was the projected turnback.

Rep. Ole Aarsvold asked if this was not done now when the legislature has such an abundance of revenues, when would it ever get done? It seems only appropriate to turn back some of this windfall to the people who are paying the taxes.

Rep. Ron Carlisle asked if the $700,000 went unspent.

Rep. Ken Svedjan, Chairman answered yes.

Rep. Ken Svedjan, Chairman called for a roll call vote on the Do Not Pass motion for SB2157. Motion carried with a vote of 14 yeas, 8 neas and 1 absence. Rep Wald will carry the bill to the house floor.

Rep. Ken Svedjan, Chairman closed the discussion on SB2157.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2157
Homestead Tax Credit

House Appropriations Full Committee

☐ Conference Committee

Hearing Date March 22, 2005

Tape Number	Side A	Side B	Meter #
1	X		#48.1 - # end
1		X	#0 - #1.0
Committee Clerk Signature	Chris Alexander		

Minutes:

Rep. Ken Svedjan, Chairman opened the discussion on SB2157.

Rep. Jeff Delzer moved to reconsider the committee's actions on SB2157 (Do Not Pass on March 15, 2005).

Rep. Al Carlson seconded

Rep. Ken Svedjan, Chairman called for a voice vote to reconsider the committee's action on SB2157. Motion carried

Rep. Jeff Delzer moved to adopt amendment #0304 to SB2157

Rep. Al Carlson seconded

Rep. Jeff Delzer explained there was concern about the ramifications of our Do Not Pass recommendation on this bill and the $700,000 roll up dollars that are currently being allocated but not used. These amendments would remove all the references to federal poverty level and take us back to the same style we currently use. It would also change the appropriation from $4 million to $4.5 million. This would raise the $400,000 to $500,000 and allow the $700,000 roll up dollars to be used. This amendment would raise the minimum amount of income you can have to $8500, and raises the top note to $14,500. This also raises the amounts in subsection 1 of page 2 of the bill to $25,000 which is the highest amount of reduction you can have. Rep Delzer reviewed the other raises named in this section.

Rep. Ken Svedjan, Chairman clarified that the total impact of these amendments is that it changes the threshold for exemptions, removes the references to the federal poverty level, and it adds $500,000 to the $700,000 roll up for a total financial impact of $1.2 million. (meter Tape #1, side A, #52.3)

Rep. Jeff Delzer answered that this is correct and if the tax department is right roughly $4.5 million will be used in the next biennium.

Rep. Ron Carlisle asked what was being dropped from the original proposal

Rep. Jeff Delzer answered the budget had $4 million in it for this biennium with only $3.3 of that being used. This would set it up so the entire $4 million will be used in the next biennium plus $500,000 more.

Rep. Ron Carlisle commented that this was a positive effect on the general fund from the original proposal.

Rep. Jeff Delzer answered that this was correct..

Rep. Ken Svedjan, Chairman called for a voice vote on the motion to adopt amendment #0304 to SB2157. Motion carried.

Rep. Jeff Delzer moved a Do Pass As Amended motion for SB2157.

Rep. Al Carlson seconded

Rep. Ken Svedjan, Chairman called for a roll call vote on the Do Pass As Amended motion for SB2157. Motion carried with a vote of 21 yeas, 0 neas and 2 absences. Rep Delzer will carry the bill to the house floor.

Rep. Ken Svedjan, Chairman closed the discussion on SB2157.

Date: **March 22, 2005**
Roll Call Vote #: **1**

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2157

House Appropriations - Full Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 50473.0304

Action Taken **DO PASS AS AMENDED**

Motion Made By **Rep Delzer** Seconded By **Rep Carlson**

Representatives	Yes	No	Representatives	Yes	No
Rep. Ken Svedjan, Chairman	X		Rep. Bob Skarphol	X	
Rep. Mike Timm, Vice Chairman	X		Rep. David Monson	X	
Rep. Bob Martinson	X		Rep. Eliot Glassheim	X	
Rep. Tom Brusegaard	AB		Rep. Jeff Delzer	X	
Rep. Earl Rennerfeldt	X		Rep. Chet Pollert	X	
Rep. Francis J. Wald	X		Rep. Larry Bellew	X	
Rep. Ole Aarsvold	X		Rep. Alon C. Wieland	X	
Rep. Pam Gulleson	X		Rep. James Kerzman	X	
Rep. Ron Carlisle	X		Rep. Ralph Metcalf	X	
Rep. Keith Kempenich	X				
Rep. Blair Thoreson	AB				
Rep. Joe Kroeber	X				
Rep. Clark Williams	X				
Rep. Al Carlson	X				

Total Yes **21** No **0**

Absent **2**

Floor Assignment **Rep Delzer**

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

This was a Reconsidered Motion of SB2157
The original vote was on 3/15 and it was a DNP Vote of 14-8-1

REPORT OF STANDING COMMITTEE

SB 2157, as reengrossed: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (21 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). Reengrossed SB 2157 was placed on the Sixth order on the calendar.

In lieu of the amendments adopted by the House as printed on page 975 of the House Journal, Reengrossed Senate Bill No. 2157 is amended as follows:

Page 1, line 2, after "credit" insert "; to provide an appropriation"

Page 2, line 5, remove the overstrike over "~~eight thousand~~" and insert immediately thereafter "five hundred", remove the overstrike over "~~dollars~~", and remove "the"

Page 2, line 6, remove "federal poverty level"

Page 2, line 7, remove the overstrike over "~~two~~"

Page 2, line 8, remove "three" and replace "six" with "five"

Page 2, line 9, remove the overstrike over "~~eight thousand~~" and insert immediately thereafter "five hundred", remove the overstrike over "~~dollars~~", and remove "the federal"

Page 2, line 10, remove "poverty level", after "~~nine~~" insert "ten", remove the overstrike over "~~thousand~~", and remove the overstrike over "~~dollars~~"

Page 2, line 11, remove "one hundred ten percent of the federal poverty level"

Page 2, line 13, remove "eight", overstrike "hundred", and remove "eighty"

Page 2, line 15, after "~~nine~~" insert "ten" and remove the overstrike over "~~thousand~~"

Page 2, line 16, remove the overstrike over "~~dollars~~" and remove "one hundred ten percent of the federal poverty level"

Page 2, line 17, remove the overstrike over "~~eleven thousand~~" and insert immediately thereafter "five hundred", remove the overstrike over "~~dollars~~", and remove "one hundred twenty percent of the"

Page 2, line 18, remove "federal poverty level"

Page 2, line 19, remove the overstrike over "~~one~~"

Page 2, line 20, remove "two", replace "one" with "five", and remove "sixty"

Page 2, line 21, remove the overstrike over "~~eleven thousand~~" and insert immediately thereafter "five hundred", remove the overstrike over "~~dollars~~", and remove "one"

Page 2, line 22, remove "hundred twenty percent of the federal poverty level"

Page 2, line 23, after "~~twelve~~" insert "thirteen", remove the overstrike over "~~thousand~~", remove the overstrike over "~~dollars~~", and remove "one hundred thirty percent of the"

Page 2, line 24, remove "federal poverty level"

Page 2, line 26, remove "one thousand four", overstrike "hundred", and replace "forty" with "one thousand"

Page 2, line 27, after "~~twelve~~" insert "thirteen" and remove the overstrike over "~~thousand~~"

Page 2, line 28, remove the overstrike over "~~dollars~~" and remove "one hundred thirty percent of the federal poverty level"

Page 2, line 29, remove the overstrike over "~~fourteen thousand~~" and insert immediately thereafter "five hundred", remove the overstrike over "~~dollars~~", and remove "one hundred forty percent of the"

Page 2, line 30, remove "federal poverty level"

Page 3, line 2, replace "seven" with "five" and remove "twenty"

Page 4, remove lines 1 through 3

Page 4, line 24, remove the overstrike over "~~be in excess of~~"

Page 4, line 25, remove the overstrike over "~~two hundred forty dollars~~" and remove "exceed the amount provided in this subdivision"

Page 4, line 28, remove "Maximum refunds for applicants must be determined according to"

Page 4, remove lines 29 through 31

Page 5, remove lines 1 through 14

Page 6, remove lines 18 through 26

Page 6, line 27, replace "c." with "b."

Page 6, line 28, replace "d." with "c."

Page 7, line 4, replace "e." with "d."

Page 7, line 8, replace "f." with "e."

Page 7, after line 12, insert:

"**SECTION 2. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $500,000, or so much of the sum as may be necessary, to the tax commissioner for the purpose of homestead tax credit reimbursement in addition to other funds available for that purpose, for the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 7, line 14, replace "2006" with "2004, for ad valorem property taxes and for taxable years beginning after December 31, 2005, for mobile home taxes"

Renumber accordingly

2005 SENATE FINANCE AND TAXATION

CONFERENCE COMMITTEE

SB 2157

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2157**

Senate Finance and Taxation Committee

☒ Conference Committee

Hearing Date **April 6, 2005**

Tape Number	Side A	Side B	Meter #
#1	X		44.2 - 61.4
		X	0.0 - 15.0
Committee Clerk Signature	Sharon Renfrow		

Minutes:

SEN. WARDNER: passed out 2 charts and explained them. As you move down to where it says SB 2157, that's what the bill did, it put on the federal poverty level and it floated with that and it was also not only done for one person but for two persons. And then there was also a part put in there for rent. When the bill left this committee the way it was to appropriations, they took and delayed it, made it into the future 2 years so there was no fiscal note, so the 2.9 million dollars gone, no fiscal note kicks in the next biennium.

REP. DELZER: the history on the House from my understanding is that when it came over, there was no fiscal effect, takes affect in 2 years. I think the House Finance & Tax took the effective date and put it back to immediately, so that it would have a 3 million dollar fiscal effect. When it came to appropriations we took the bill up, we listened to it, there was some discussion about a lot of people did not like tying it to poverty level, there was discussion in fact that we didn't think we could afford the 3 million dollars in this biennium. We put a do not pass on it and was very overwhelming in House Appropriations for a do not pass. We brought it back to try to save parts of it, so what we did is we went ahead and amended it so that it took out all the references to the federal poverty level and went back to the said amount of $8500 is minimum of 14.5. We basically raised the taxable value the break by $500 on the top for $8500 and $100 in $14,000. We did this for a couple of reasons, one is we thought the essence of increase in part of the homestead tax credit was a valuable thing to be looked at and we thought we should maybe keep the bill alive. We also when we had discussion in appropriations, it was said that of the 4 million that is in the current budget __ 03-05 budget. At that time the statement was that there only use 3.3 million of it instead of the full 4 million. Now later discussion with the tax dept. I think they said they might use up to 3.7. What we wanted to do was go ahead an allow them an increase, so what we did was set the bill up so that in the next biennium with the increase so we did we expect we should use 4.5 million. So from the 3 if that would have been the final numbers we're going up 1.2 , 3.7 it would be $800,000 and we kept the levels basically the same as they are because everybody's been pretty much working with that.

SEN. WARDNER: visiting with Marcy and she said that the people that deal with this have a concern about the effective date.

MARCY DICKERSON: Tax Dept. The concern of the assessment officials at this point is the timing. They have already completed their work for this year on the homestead credit. Township and City Boards meet next week, they're supposed to have all that work done prior to those board meetings, so whatever you decide to do with the bill, they would appreciate it if would postpone action for one year. Not that they don't want to help more seniors or help seniors to a greater degree but its just they will have recalculate everything that they have done, also they will have to readvertise if the requirements or the eligibility changes, they'll have to readvertise so that newly eligible people can be aware and can apply and its just going to be a real administrative burden, so that's the point of the assessment officials.

REP. CARLSON: what's the effective date?

MARCY: I believe the most recent version runs for after 2004 for homeowners and after 2005 for mobile homes. The reason for that is mobile home taxes for the later year are collected at the same time as real estate taxes for the earlier year. Like right now in this spring of 2005, 2004 real estate taxes are paid but 2005 mobile home were paid. So that's why the difference in the set up. Actually it would be for people at the same time but just another way the taxation policy is set up, we needed the different years in there.

REP. CARLSON: what would be the correct date to put on here then?

MARCY: I would recommend for taxable years after December 31, 2005 for the long property taxes and beginning after December 31, 2006 for mobile home taxes. So they'll all be calculated next Spring instead of this Spring.

REP. DELZER: then if we were going to do that then we should get rid of section 3 which is the emergency clause because there wouldn't be any reason to do that.

MARCY: that's is correct.

REP. CARLSON: I just need a little further explanation on, I understand on how we collect our taxes, so Dec. 31, 2005, so next tax year in 2006 the homeowners would get their credit increased by this bill and the year after that the mobile home owners would get there's.

MARCY: the mobile home owners would also get theirs at the same time.

REP. CARLSON: but its just theirs is payable different than the taxes.

MARCY: that is correct. The real estate tax for 2005 which is currently being assessed for which these credits have been calculated will be payable January 2006. The mobile home tax will also be payable, the 2006 mobile home tax will be payable in January 2006.

SEN. TOLLEFSON: one is prepaid and one is not, the mobile homes are prepaid.

MARCY: that is correct. I would also like to explain a change, would be a change in the fiscal note if there is a need for another one. The original fiscal note of 2.9 million dollars was actually an error on my part and nobody else caught it either. When we were trying to estimate the number of newly eligible applicants, we looked at couples with an income up to $17,486 which is the maximum under the poverty level thing neglecting to remember that we count social security in the income which is subject to calculations on this but that's what the law says. So obviously a person with social security is not going to be able to have another $17,000 on top of it, if they are getting a $1,000 a month social security there's $12,000 didn't count anyway which would count for this maximum. So in realizing that we hadn't counted for that we recalculated and at this point I think the best estimate of the fiscal note for the whole biennium on the original bill with the poverty level and everything would be about 2.1 million dollars and if you delay it one year as I have requested, the 2nd year would be a little higher than the first year because the poverty level will doubtedly increase a little bit. So I would say that the fiscal note on doing the original version with the poverty level for just the 2nd year of the biennium as I requested would be about 1.1 million dollars. Because our estimate included too many potential new applicants because we neglected to think about the social security.

REP. CARLSON; how about he fiscal note for the House version where the federal poverty level is not in there?

MARCY; that would still be about $500,000 which I believe is the fiscal note you have.

SEN. WARDNER: you had considered the social security when you did that one, right?

MARCY: that is correct.

REP. DELZER: but you did not figure the 2nd year, would it be $500,000 even if they delayed it a year?

MARCY: that's per biennium on the second version of the bill. So again if you were going with the 2nd year of the biennium, I would recommend a little more than half of it. Instead of $250,000, say maybe $280,000 for the 2nd year, but that would just be in case some more applicants show the what we are anticipating but because the poverty level isn't involved in it we don't have that inflationary aspect, so $250,000 for one year might be sufficient.

REP. DELZER: the other one than the fiscal effect of the original bill of 07-09 would be 2.1 plus whatever inflation factors?

MARCY: yes. A persons income can increase but if it stays within the brackets that you have pre established its not going to make any difference because those brackets are limited.

SEN. TOLLEFSON: the true and full value of any property varies from year to year, inflation and so forth included, there's no allowances or course for any inflationary increase in the value of these properties.

MARCY: that is correct. There isn't that much difference probably from year to year on a lot of the homes in the smaller towns. In the bigger cities the increases are going up pretty good. But your still going to have the limit of $55,000 true and full value under the most recent version of this bill. Because that's as high as it goes no matter cuz that's as high as it goes no matter what the persons value is.

REP. CARLSON: can you tell me with the House version of the bill, what's the overall cost?

MARCY: I guess that would be the 4 million dollar appropriation plus the $500,000. 4.5 million dollars.

REP. DELZER: that was the question that I asked, if we delayed it a year which you've asked for, we should adjust the appropriation down to 4 million 280 thousand because its only for the biennium, on the next biennium it would half to be 4.5 to cover the same thing.

MARCY: yes, that's correct, you'd be looking at a full 2 years in the next biennium.

REP. DELZER: but if we did the 4.5 we'd would have extra money appropriated which if we did that and appropriated that it would just be returned to the general fund when it was not used.

MARCY: that is correct.

REP. CARLSON: is that the language we have now that any unused money, so we're gonna turn back $300,000 this biennium?

MARCY; I believe that's correct. I don't know where that $700,000 turn back figure ever came from, it never came from our office. Because last year we turned back last biennium we turned back less than $300,000 and the way its going now it may be a little less than $300,000. Renters are up a little bit from last year we haven't completed the homeowners certifications yet so I don't' know if their up, they are major part of the program, but we may turn back less than $300,000.

SEN. WARDNER: on the renters, we talked before the meeting, do I have it correct on my sheet here? 20% of the rent exceeds 4% of their income than the difference si what is up to whatever the difference is.

MARCY: the refund is whatever the difference is up to a maximum of $240, if it calculates to more, they can still only get $240, if it calculates to 5 cents, they get a minimum payment of $5.

REP. CARLSON: you send out checks for $5?

MARCY: yes we do, at one time we used to send them out for 75 cents and people got mad.

REP. DELZER: House appropriations had some real concerns about the poverty level and putting it on a sliding scale, adjusting off the poverty level as compared to a dollar figure and I think we had some real concerns about what this could become in the future. We seem to have a fair amount of money this year but I think there should be some real concerns about what we might be facing 2 years from now or 4 years from now. I certainly have no problem with date change if that's what everybody wants to switch the date, I don't think I could ever support the poverty levels, adjusting off the poverty levels.

SEN. WARDNER: I think I'm a realist and I would have to probably agree with the poverty levels are probably not going to make it through the your side, it did make it through our side when it was delayed for 2 years. But I would like to take a look at the true and full value of increasing that and in some of the larger communities and we did have somebody from Fargo that came in, they lived in the inner part of town, they have the original house, not a fancy home and its being assessed at the true and full value of between $90,000 and $100,000, if it was out in Richardton, ND it would be assessed at $15 or $20,000 and those people are really getting hard hit and I would like to committee members take a look at that, see what the fiscal note would be. on that and present that at another meeting if I could.

REP. CARLSON: I'd support that Mr. Chairman and especially in the fast growing cities like ours, I think its to our benefit to keep our citizens in their homes as long as we can, so I think its a very worth while thing to look at.

REP. AARSVOLD: if we stay with the 2005 implementation date, how would impact the assessors back in the subdivisions?

MARCY: if we stay where its implemented for tax year 2005, all of those calculations have already been made, they'll have to start over again, first for the change if there's not a change in the income, there's still a change in the maximum taxable value that is available they'd have to notify people of this. After recalculate everyone of these things and do them over again then that will affect the total value for the townships and the cities. And like I say, those meetings are next week, they obviously would not have this done prior to those meetings, so then the county boards will have to adjust everything that would have been changed between the city and township board and the county boards in June.

REP. AARSVOLD: __ would fall on the county boards then when they review the assessments, is that correct?

MARCY: it would be their responsibility to approve the assessments, but the actual work load would fall on the assessors and their in-house status. The applicants for the home owner credit are supposed to apply before Feb. 1, but they do apply after that, or you can abate it for 2 years but the point is that all the work and all the calculations and everything have already been done, they've established what the credit is going to be for each of these homeowners. It can be done again, its not impossible but it just adds a great deal of work to of just redoing everything that's already been done.

REP. CARLSON: just a follow up on Rep. Aarsvold's question because that is the key question to this, is it our decision to allow those people to wait one more year to get some relief or is it our intention to make them the assessors redo some work so that the dollars that we're setting aside get to the people quicker? So I guess that should be one of our discussions when we meet again, are we getting the money that we've set aside back to our tax payers that we intended them to have.

SEN. TOLLEFSON: just to pick up on something that I wasn't aware of, and you briefly mentioned turn back, is there a dollars turn back?

ANSWER; last biennium I think we turned back 280 some thousand dollars from the homestead credit and this biennium I think we're going to do close to $300,000, but there're no way in the world that it was going to be that $700,000 number.

SEN. WARDNER; if we were to tweak the true and full value we might be able to use up some of that turn back whatever it may estimate.

ANSWER; certainly.

REP. DELZER: when this went to the Tax Dept. This was at what we've done here the 85 and the 14.5 and going from 2,025, this is estimated to use the 4.5 million in the next biennium. So if we wanted to adjust the true and full value that will have to be on top of the 4.5 million.

SEN. WARDNER: I understand that it has to be put in the appropriation, my thought was that if there's always a turn back we have to set the appropriation to what we think its going to be.

REP. DELZER: that was considered it was supposed to make it go from whatever it was currently using up to 4.5, so it would use that 280.

REP. CARLSON: how many applications are received by your department?

MARCY; in 2004 we paid 3,734 homeowners and 1338 renters.

REP. CARLSON: so we're talking about a little over 5,000 applications state wide.

MARCY: I'm understanding what Rep. Delzer saying, its different from the way I interpreted it. We have a 4 million dollar appropriation for the present biennium but we're going to use 3.7 plus and the balance would be the turn back, then we estimated about 500,000 additional for the most recent version of this bill, well if there's an appropriation of 500,000 on top of the 4 million, the turn back is not scheduled to be used up in that the way I understand it.

REP. DELZER: that was what we had requested, if that's not the way you did it, then it was a misinterpretation.

MARCY: if we turn back that 300,000 and then we have a new appropriation which is in our tax dept. for 4 million, another 500,000 on top that 300,000 is back in the general fund.

REP. DELZER: its back in the general fund for this time, but for next time you would use the full 4.5 million off of what we did here. There'd be no turn back next biennium, there'd be turn back this biennium because we can't go back and use that up. Your adjustment here is 500,000 its not 800,000, then we might have room to work on the thing within the 4.5 million dollars.

SEN. WARDNER; Marcy would you do this for us, would you take the highest true value, would you one at 60 one at 70 and one at 80 and run the numbers on it and we want to know the fiscal note and Rep. Delzer do we want to have them crunch the numbers so that we think there isn't going to be any turn back to cut it that short or?

REP. DELZER: the only problem with getting too close is if Sen. Tollefson said, you don't want to be in a position to where there's 200,000 short either.

MARCY: we can't estimate that exactly because even on the current applicant, everything I run is based on current applicants and what the scenario would result in for current applicants now we have to try to estimate who will be newly eligible but even current applicants under existing parameters, some of them die, some move into nursing homes, new people become eligible under the existing law.

SEN. WARDNER: if we were to leave the effective date so that it went in and we decided we want that to go through to the people right away and not wait a year, we would need the emergency clause on there wouldn't we?

MARCY: I guess you really would need it.

SEN. WARDNER: now this is your opinion, do you think that if they knew within a week from now, this bill passed, had the emergency clause on it, how much work would it be for them to do it immediately?

MARCY: if your only looking at a change of true and full value and not in a change of income eligibility, they could probably run it more quickly than with the income eligibility. Your not going to have any new people become eligible because of income eligibility if you don't change that. So it wouldn't be a big of burden, but would still be a challenge.

SEN. WARDNER: in the House version it is changed from current.

SEN. TOLLEFSON: I'm surprised of the number of renters that have applied. The number of renters today especially in the larger communities is going straight up, that eligibility thing, we may see a big difference in the few years once we catch on, I think.

Adjourned the meeting.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2157**

Senate Finance and Taxation Committee

☒ Conference Committee

Hearing Date **April 7, 2005**

Tape Number	Side A	Side B	Meter #
#1	X		30.7 - 48.7
Committee Clerk Signature	Sharon Benjamin		

Minutes: **CONFERENCE COMMITTEE**

SEN. WARDNER: handed out memo from Marcy Dickerson on the true and full value. As you can see if we would go a maximum true and value of $60,000, now keep in mind she's moved everything to the max which when we figure fiscal notes if we have to do, not every case is going to come in at the max. The maximum true and full value of $60,000 on a home and she's got the income qualifier would be $14, 500 and it would be an appropriation of $656,000. When you look at the $70,000 true and full value of the home take everything into max comes out to $828,500 and then you got the $80,000 true and full value and $940,000.

REP. DELZER: when we were talking yesterday, we were coming up with the idea that the $500,000 was being used with the $300,000 but the excess authority wasn't. Now this 656 is that adding to 4 million or is that adding to 3.7 million?

SEN. WARDNER: I cannot answer that, we'll call Marcy Dickerson down.

REP. DELZER: when I read that, it almost reads like the 656 you would have to add to the 3.7 that their actually using. A usage of 435, if that's true in the case, I can't speak for the other House members but I personally don't have a problem raising the true and full value if we can do it within the 4.5

SEN. WARDNER: I kind of agree with you.

REP. CARLSON: why would we make the assumption that's everything's a 100%?

SEN. WARDNER; that's the question I would have, I think that's its gonna be average less than that, couldn't be any more.

REP. CARLSON: I think the reality is its probably closer to 70 or 80% if you actually figured them out.

SEN. WARDNER: when I made my opening comment when we do the fiscal note do we have to take it at the max or can we consider that there not all going to be at the max.

SEN. TOLLEFSON; Mr. Chairman of course we're guessing but if this year would be symbolic of what would happen in the next biennium, we would be then about $300,000 less in need. Even if we took the maximum and true value at $70,000 we'd be about 4.5 million.

SEN. WARDNER: Rep. Delzer, do you read it that way?

REP. DELZER; I guess I probably do, the question I have is I think we need to discuss a little bit as I understand raising it in the communities like Fargo and what not, but are we if we raise it are we causing any problems out in the small communities where you might have quite a house that's valued at less than $70,000 or would the income levels cover that?

SEN. WARDNER: I think the income is going to cover that, yes I do.

REP. AARSVOLD: there will exceptions to that Mr. Chairman certainly but I would judge based on demographic information that we have if that would be the case.

SEN. WARDNER: well I would hope that we can do as much as we can to keep these people in their homes and if it looks like we can afford raising it to true and full value of 70, I think we should try and sell it.

REP. DELZER: the way you read that is if that was actually what we think is probably the case you would leave the appropriation at 4.5 and raise it to 70 and expect it to cover it.

REP. CARLSON: is this like all of our tax credits that when the money is gone, its gone and if you applied and it was all used up you don't get it? Or does it go deficient?

SHEILA PETERSON: OMB its been a number of years since the appropriation was not large enough to cover the actual but my recollection of way back when, when there was a bit of a shortage, the Tax Dept. Ended up prorating it, is that how you remember it Terry? They didn't over spend.

TERRY TRAYNOR: I think that your right in the fact that when the money wasn't there a reimbursement was prorated but it was prorated to the political subdivision cuz the political subdivisions had already granted the exemption to the individual. They grant them all tally them up send them to the State and the State reimburses the County and the County makes sure then that all the political subdivisions get their share. If there isn't enough money all political subdivisions come up short and then there has been a deficiency of appropriation in ______ if it comes up short.

REP. CARLSON: that's go along with I think Rep. Delzer's comment is that its the best guess when we do these when we change the formula, but unless we put some sort of a number in it we have no idea from our prospective how much money is going out the door. The down side of that is, is that if they have in fact granted it and they have to make up the difference, that's the down side. On the other hand maybe it makes us look a little closer to make sure that we pick a percentage that's going to stay within that realm through our adjustments as best we can. So have Marcy give us the best known facts that she can saying this is it because I don't think we're here to say that we want the County to be short and if its granted but we also want to say that we need to know how much its going to cost. At least that's what I think your saying. I don't mind changing these, I have trouble with putting it on the federal poverty level but I don't have trouble with adjusting the numbers up and spending more money.

SEN. WARDNER; committee members keep in mind that we don't have to be at 60 or 70 we could pick a number in between there that fits. Marcy could you go to the podium? The question, we'll go to the $70,000 one on that sheet you gave me, does that mean that we're looking at, there's an appropriation that was of 4 million, you add the $828,500 to that and then you would subtract $300,000 off?

MARCY DICKERSON: Tax Dept. That's what I was insinuating here, again its an assumption. If we're going to have a $300,000 turn back for this biennium nothing else changed if you didn't touch this law maybe we'd have about $300,000 turn back out of the 4 million out of the next biennium. I don't know this but maybe we would if nothing else changed. In other words I guess I'm saying that maybe next biennium our basic appropriation we get by with 3.7 million like we seem to be doing this biennium, if so, you wouldn't need the whole $828,500 here you could go with $528,500. But again its iffy and I'd like some assurance that we could go to the emergency commission if you did that and we ran short.

REP. DELZER: Marcy is it proper to figure half way in between there for 65 and half way in between that again for 6750?

MARCY: it's not quite that because I figured that up but the part of the different brackets that you fall into you start changing this, its not quite the same difference between the 656 to the 828 as it is to the 828 to the 940, it gets a little smaller as you go up higher.

REP. DELZER: the question, would you feel comfortable if we raised it to $67,500 for top that 4.5 million would cover it?

MARCY: off the top of my head, yes. I would say that if you probably you went to 67,500 for the maximum house value, probably 4.5 million probably would cover it.

SEN. TOLLEFSON: you mentioned the emergency commission, have you used that in the past or have you prorated?

MARCY: I think a number of years ago we did. One time there was also some other fund that we some funding from that that was used for homestead credit along with a regular appropriation, about 6, 7 8 years ago.

SEN. WARDNER: I understand that the House's position is on the federal poverty level being on the flex, we've moved the income brackets up and we've moved this true and full value up to 67,500 if that's what we agree on and then we can come back next session and look at it again and probably add a little bit. I do think that that true and full value, the number we're looking at right now, I do think we need to increase that again next session however, if the parameters are set at least from a fair point of view, we can live with that.

REP. DELZER: made a **MOTION THAT THE HOUSE RECEDE FROM THE HOUSE AMENDMENTS AND FURTHER AMEND WITH AMENDMENTS ADJUSTING FOR**

THE $67,500 CURRENT FULL VALUE LIMIT IN THE $500,000 APPROPRIATION SO THAT WE'RE AT 4.5 MILLION, seconded by Sen. Tollefson.

SEN. WARDNER; Marcy did you hear the motion, we're going to go with $67,500 for the top on full and true and could you get us a little chart on how it prints out from there.

MARCY: yes

ROLL CALL VOTE: 6-0-0 Sen. Wardner will carry on the Senate, Rep. Delzer will carry on the House.

Meeting adjourned.

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REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE) - 420
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07398

1 Number) SB 2157 (, as (re)engrossed):

Your Conference Committee

For the Senate:

	4-6-05	4-7-05	vote
Sen Wardner	✓	✓	✓
Sen Tollefson	✓	✓	✓
Sen. Bercier	✓	✓	✓

For the House:

	4-6-05	4-7-05	vote
Rep Delzer	✓	✓	✓
Rep Carlson	✓	✓	✓
Rep Aarsvold	✓	✓	✓

☒ recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)
723/724 725/726 S724/H726 S723/H725
the (Senate/House) amendments on (SJ/HJ) page(s) 1180 - 1181

☐ and place ______ on the Seventh order.
727

☒ , adopt (further) amendments as follows, and place
______ on the Seventh order:

☐ having been unable to agree, recommends that the committee be discharged and a new committee be appointed. 690/515

((Re)Engrossed) ______ was placed on the Seventh order of business on the calendar.

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DATE: 4 / 7 / 05

CARRIER: Wardner, Delzer

LC NO. ______ . ______ of amendment

LC NO. 50473 . 0306 of engrossment

Emergency clause added or deleted ______

Statement of purpose of amendment ______

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) LC (2) LC (3) DESK (4) COMM.

REPORT OF CONFERENCE COMMITTEE

SB 2157, as reengrossed: Your conference committee (Sens. Wardner, Tollefson, Bercier and Reps. Delzer, Carlson, Aarsvold) recommends that the **HOUSE RECEDE** from the House amendments on SJ pages 1180-1181, adopt amendments as follows, and place SB 2157 on the Seventh order:

That the House recede from its amendments as printed on pages 1180 and 1181 of the Senate Journal and pages 1305 and 1306 of the House Journal and that Reengrossed Senate Bill No. 2157 be amended as follows:

Page 1, line 2, after "credit" insert "; to provide an appropriation"

Page 2, line 5, remove the overstrike over "~~eight thousand~~" and insert immediately thereafter "five hundred", remove the overstrike over "~~dollars~~", and remove "the"

Page 2, line 6, remove "federal poverty level"

Page 2, line 8, replace "six hundred" with "thirty-eight"

Page 2, line 9, remove the overstrike over "~~eight thousand~~" and insert immediately thereafter "five hundred", remove the overstrike over "~~dollars~~", and remove "the federal"

Page 2, line 10, remove "poverty level", after "~~nine~~" insert "ten", remove the overstrike over "~~thousand~~", and remove the overstrike over "~~dollars~~"

Page 2, line 11, remove "one hundred ten percent of the federal poverty level"

Page 2, line 13, replace "eight" with "four" and replace "eighty" with "thirty"

Page 2, line 15, after "~~nine~~" insert "ten" and remove the overstrike over "~~thousand~~"

Page 2, line 16, remove the overstrike over "~~dollars~~" and remove "one hundred ten percent of the federal poverty level"

Page 2, line 17, remove the overstrike over "~~eleven thousand~~" and insert immediately thereafter "five hundred", remove the overstrike over "~~dollars~~", and remove "one hundred twenty percent of the"

Page 2, line 18, remove "federal poverty level"

Page 2, line 19, remove the overstrike over "~~one~~"

Page 2, line 20, remove "two", replace "one" with "eight", and replace "sixty" with "twenty-three"

Page 2, line 21, remove the overstrike over "~~eleven thousand~~" and insert immediately thereafter "five hundred", remove the overstrike over "~~dollars~~", and remove "one"

Page 2, line 22, remove "hundred twenty percent of the federal poverty level"

Page 2, line 23, after "~~twelve~~" insert "thirteen", remove the overstrike over "~~thousand~~", remove the overstrike over "~~dollars~~", and remove "one hundred thirty percent of the"

Page 2, line 24, remove "federal poverty level"

Page 2, line 26, replace "four" with "two" and replace "forty" with "fifteen"

Page 2, line 27, after "~~twelve~~" insert "thirteen" and remove the overstrike over "~~thousand~~"

Page 2, line 28, remove the overstrike over "~~dollars~~" and remove "one hundred thirty percent of the federal poverty level"

Page 2, line 29, remove the overstrike over "~~fourteen thousand~~" and insert immediately thereafter "five hundred", remove the overstrike over "~~dollars~~", and remove "one hundred forty percent of the"

Page 2, line 30, remove "federal poverty level"

Page 3, line 2, replace "seven" with "six" and replace "twenty" with "eight"

Page 4, remove lines 1 through 3

Page 4, line 24, remove the overstrike over "~~be in excess of~~"

Page 4, line 25, remove the overstrike over "~~two hundred forty dollars~~" and remove "exceed the amount provided in this subdivision"

Page 4, line 28, remove "Maximum refunds for applicants must be determined according to"

Page 4, remove lines 29 through 31

Page 5, remove lines 1 through 14

Page 6, remove lines 18 through 26

Page 6, line 27, replace "c." with "b."

Page 6, line 28, replace "d." with "c."

Page 7, line 4, replace "e." with "d."

Page 7, line 8, replace "f." with "e."

Page 7, after line 12, insert:

"**SECTION 2. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $500,000, or so much of the sum as may be necessary, to the tax commissioner for the purpose of homestead tax credit reimbursement in addition to other funds available for that purpose, for the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 7, line 14, replace "2006" with "2004, for ad valorem property taxes and for taxable years beginning after December 31, 2005, for mobile home taxes"

Renumber accordingly

Reengrossed SB 2157 was placed on the Seventh order of business on the calendar.

2005 TESTIMONY

SB 2157

SENATE FINANCE AND TAXATION COMMITTEE
January 18, 2005

Testimony of Marcy Dickerson, State Supervisor of Assessments

<u>SENATE BILL 2157</u>

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 2157.

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 2157 makes changes to the homestead credit program for both homeowners and renters. It provides that persons whose income is not greater than 140 percent of the federal poverty level may qualify for a reduction in the taxable value of the homestead, or for a refund of a portion of rent paid for the homestead that is deemed to represent property tax. The federal poverty level for one person applies to single applicants, and the federal poverty level for two persons applies to applicants with one or more dependents. One hundred forty percent of the 2004 federal poverty level is $13,034 for one person and $17,486 for two persons.

Under Senate Bill 2157, a homeowner whose income is not more than 100 percent of the poverty level is eligible for a 100 percent reduction in taxable value; between 100 and 110 percent of the poverty level, an 80 percent reduction; between 110 and 120 percent of the poverty level, a 60 percent reduction; between 120 and 130 percent of the poverty level, a 40 percent reduction; between 130 percent and 140 percent of the poverty level, a 20 percent reduction in taxable value. The maximum refund available to a renter whose income is not more than 100 percent of the federal poverty level is $240; between 100 and 110 percent of the poverty level, $192 maximum refund; between 110 and 120 percent of the poverty level, $144 maximum refund; between 120 and 130 percent of the poverty level, $96 maximum refund; and between 130 and 140 percent of the poverty level, $48 maximum refund.

For homeowners, Senate Bill 2157 increases the maximum taxable value for which a qualifying applicant for homestead credit may receive a reduction to $3,600, which represents an $80,000 house. Maximum amounts for persons who qualify for 80 percent, 60 percent, 40 percent, and 20 percent reduction have been adjusted correspondingly.

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 2157, we recalculated the benefits received by homeowners for their 2003 taxes, payable in 2004, and for renters based on their 2003 rent, using the provisions of this bill. We also estimated the additional number of homeowners and renters who would become eligible for the program because of the increased income limits. We found the projected cost for the 2005-2007 biennium for the program with these changes would be slightly less than $7 million, an increase of approximately $3 million 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.

Use of the federal poverty level to determine eligibility for the homestead credit program would mean that maximum qualifying income would change (increase?) every year. From 2003 to 2004, the poverty level for a single person increased by 3.67 percent and the poverty level for two persons increased by 3.05 percent. The number of applicants and the size of some persons' benefits may increase annually because of increases in the poverty level.

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

B2157levels.xls | **Senate Bill 2157** | 01/17/05

2004 Federal poverty level:

One person	$9,310
Two persons	$12,490

Table of homeowner benefits

	Single person		Person with one or more dependents	
Categories: If income is	If your income is	Taxable value is reduced by	If your income is	Taxable value is reduced by
Less than Federal Poverty Level (FPL)	$ 0 - 9,310	100%	$ 0 - 12,490	100%
Between 100% and 110% of FPL	9,311 - 10,241	80%	12,491 - 13,739	80%
Between 110% and 120% of FPL	10,242 - 11,172	60%	13,740 - 14.988	60%
Between 120% and 130% of FPL	11,173 - 12,103	40%	14,989 - 16,237	40%
Between 130% and 140% of FPL	12,104 - 13,034	20%	16,238 - 17,486	20%

Table of renter benefits

	Single person		Person with one or more dependents	
	If your income is	Maximum Refund	If your income is	Maximum Refund
Less than Federal Poverty Level (FPL)	$ 0 - 9,310	$240	$ 0 - 12,490	$240
Between 100% and 110% of FPL	9,311 - 10,241	192	12,491 - 13,739	192
Between 110% and 120% of FPL	10,242 - 11,172	144	13,740 - 14.988	144
Between 120% and 130% of FPL	11,173 - 12,103	96	14,989 - 16,237	96
Between 130% and 140% of FPL	12,104 - 13,034	48	16,238 - 17,486	48

Testimony To The
SENATE FINANCE & TAXATION COMMITTEE
Prepared January 18, 2005, by the
North Dakota Association of Counties
Mark A. Johnson, CAE – NDACo Executive Director

CONCERNING SENATE BILLS 2152 & 2157

Chairman Urlacher and members of the committee, on behalf of the county officials of North Dakota, I am before you today to express their support for this legislation to update the income thresholds of the Homestead Tax Credit Program.

The property tax credits contained in this program are a critical element in North Dakota's efforts to allow the elderly and disabled to remain in their own homes. State and County government cooperate on numerous levels to serve this important part of our population, meeting their needs in a manner that is as economical as possible.

By making it feasible for this group of people to remain in their own homes, we reduce the number that move more rapidly into higher cost, group care facilities. The Homestead Tax Credit Program is a key element to this effort and, more importantly, it is essential to maintaining the quality of life for these North Dakota citizens.

Since the program was established, an adequate State appropriation has been provided to fund this State created tax credit, or deficiency appropriations were forthcoming when initial appropriations were insufficient. It is our sincere hope that this Legislature will continue this record of support for this important program.

Thank you Mr. Chairman and committee members for the opportunity to express the support of our Association.

HOMESTEAD CREDIT

CURRENT SITUATION

Income limitations are the same for single applicant or an applicant with one or more dependents.

Income	Percent	True & Full	Taxable Value
0 - $ 8,000	100%	$44,444 or more	$2,000
$ 8,001 - $ 9,500	80%	$35,555	$1,600
$ 9,501 - $11,000	60%	$26,666	$1,200
$11,001 - $12,500	40%	$17,777	$ 800
$12,501 - $14,000	20%	$ 8,888	$ 400

SB 2152

Income limitations are the same for single applicant or an applicant with one or more dependents.

Income	Percent	True & Full	Taxable Value
0 - $ 8,000	100%	$100,000 or more	$4,500
$ 8,001 - $ 9,500	80%	$ 80,000	$3,600
$ 9,501 - $11,000	60%	$ 60,000	$2,700
$11,001 - $12,500	40%	$ 40,000	$1,800
$12,501 - $14,000	20%	$ 20,000	$ 900

Fiscal Note: ($410,000)

SB 2157

2004 Federal Poverty Level

One Person: $9,310

Two Persons: $12,490 (Applicant with one or more dependents)

One Person:

Income	Income in Dollars	Percent	True & Full	Taxable Value
Less than FPL	$ 0 -$ 9,310	100%	$80,000	$3,600
100 - 110% FPL	$ 9,311 - $10,241	80%	$64,000	$2,880
110 – 120% FPL	$10,242 - $11,172	60%	$48,000	$2,160
120 – 130% FPL	$11,173 - $12,103	40%	$32,000	$1,440
130 – 140% FPL	$12,104 - $13,034	20%	$16,000	$ 720
Two Persons:				
Less than FPL	$ 0 - $12,490	100%		
100 – 110% FPL	$12,491 - $13,739	80%		
110 – 120% FPL	$13,740 - $14,988	60%		
120 – 130% FPL	$14,989 - $16,237	40%		
130 – 140% FPL	$16,238 - $17,486	20%		

Fiscal Note: ($2,900,000)

	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

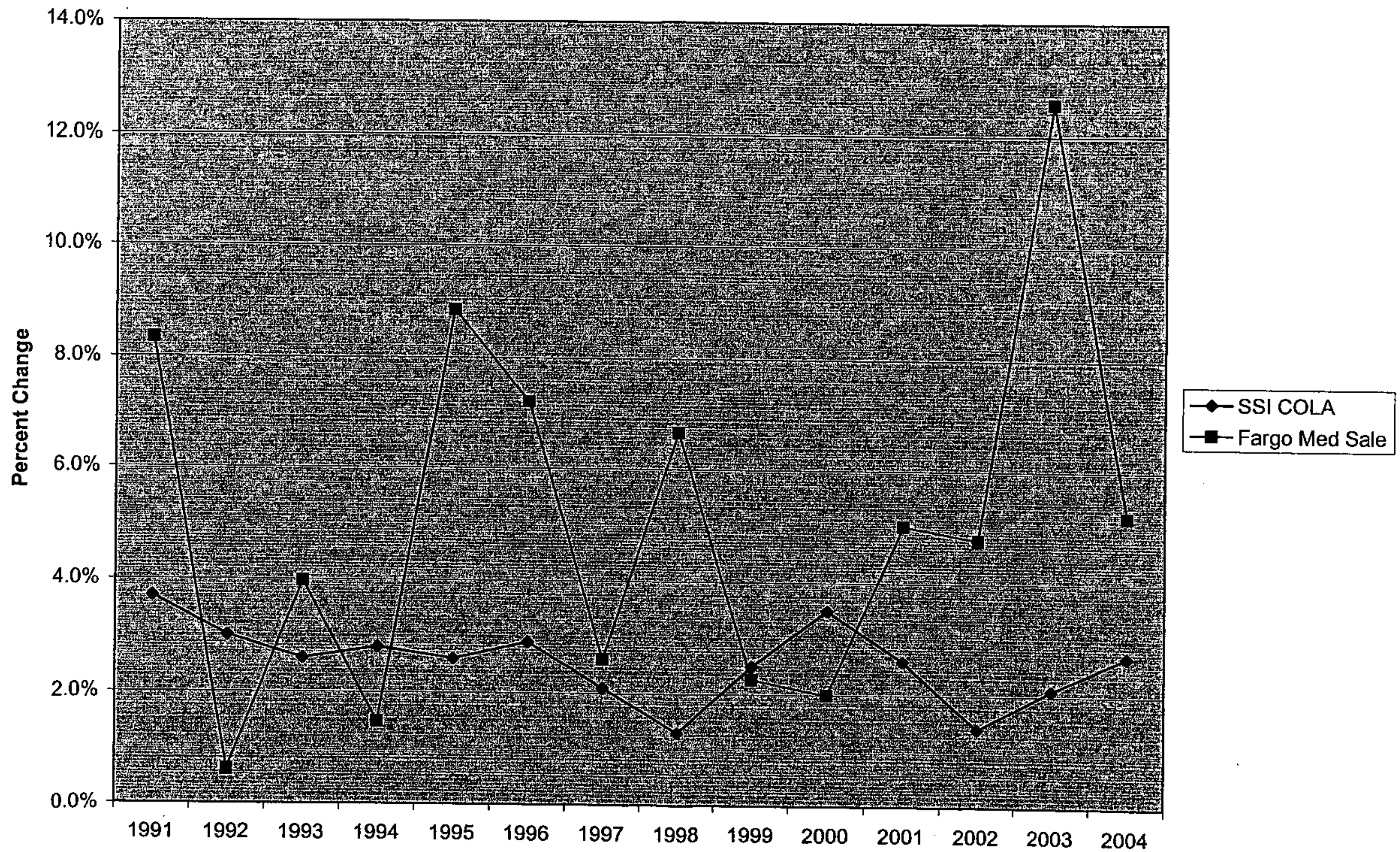
- **Current maximum reductions allowed do not reflect current home values. Maximum reduction allowed is $44,400, median home in Fargo currently is $119,600.**

- **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.**

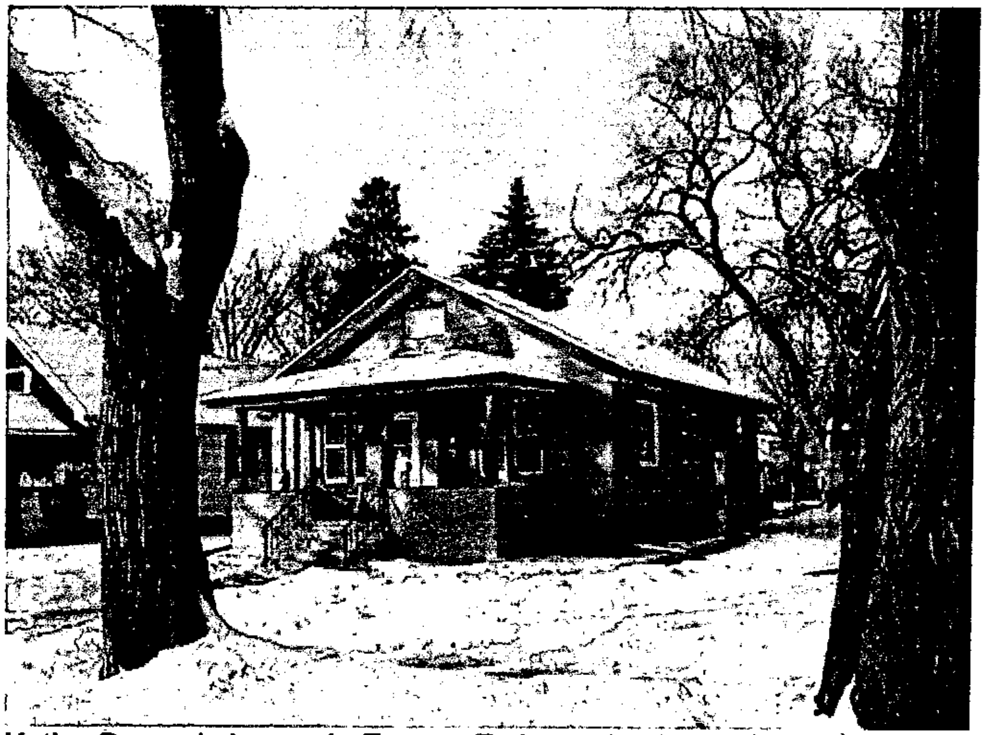
- **Current structure of existing law is simple to administer and build into assessment systems. Assessors could easily adapt their systems to simple changes in the income & limitation breakdowns.**

- **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



Kathy Onsum bought her home in 1975 for $18,000. She is eligible for homestead credit for full disability. She made her final house payment January 2005. Her total income for 2004 was $6,636 and can stay in her home with updates to the ND homestead credit for the income qualifying aged or disabled statute.



Kathy Onsum's house in Fargo. Estimated value in 2005: $106,000.

	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

Prior HHS Poverty Guidelines and *Federal Register* References

Poverty guidelines since 1982 for the 48 contiguous states and the District of Columbia can be calculated by addition using the figures shown below. (This simple calculation procedure gives correct guideline figures for each year, but it is not identical to the procedure by which the poverty guidelines are calculated from the poverty thresholds each year; see an example calculation.) Before 1982, the poverty guidelines were issued by the Office of Economic Opportunity/Community Services Administration.

HHS Poverty Guidelines

Year	First Person	Each Additional Person	(Four-Person Family)	Page with Complete Details
2004	$9,310	$3,180	($18,850)	2004 Guidelines
2003	8,980	3,140	(18,400)	2003 Guidelines
2002	8,860	3,080	(18,100)	2002 Guidelines
2001	8,590	3,020	(17,650)	2001 Guidelines
2000[1]	8,350	2,900	(17,050)	2000 Guidelines
1999[1]	8,240	2,820	(16,700)	1999 Guidelines
1998	8,050	2,800	(16,450)	1998 Guidelines
1997	7,890	2,720	(16,050)	1997 Guidelines
1996	7,740	2,620	(15,600)	1996 Guidelines
1995	7,470	2,560	(15,150)	
1994	7,360	2,480	(14,800)	
1993	6,970	2,460	(14,350)	
1992	6,810	2,380	(13,950)	
1991	6,620	2,260	(13,400)	
1990[2]	6,280	2,140	(12,700)	
1989[2]	5,980	2,040	(12,100)	
1988	5,770	1,960	(11,650)	
1987	5,500	1,900	(11,200)	
1986	5,360	1,880	(11,000)	
1985	5,250	1,800	(10,650)	
1984	4,980	1,740	(10,200)	
1983	4,860	1,680	(9,900)	
1982[3]	4,680	1,540	(9,300)	

1. Note that 1999 and 2000 poverty guidelines figures should **NOT** be used in connection with determining poverty population figures from 2000 Decennial Census data. Poverty population figures are calculated using the Census Bureau poverty thresholds, not the poverty guidelines.

2. Note that 1989 and 1990 poverty guidelines figures should **NOT** be used in connection with determining poverty population figures from 1990 Decennial Census data. Poverty population figures are calculated using the Census Bureau poverty thresholds, not the poverty guidelines.

3. Figures for nonfarm families only.

U.S. Census Bureau

Poverty Thresholds 2003

(Use landscape & legal printer options to print this table)

Poverty Thresholds for 2003 by Size of Family and Number of Related Children Under 18 Years
(Dollars)

Size of family unit	Weighted average thresholds	Related children under 18 years								
		None	One	Two	Three	Four	Five	Six	Seven	Eight or more
One person (unrelated individual).......	9,393									
Under 65 years..............................	9,573	9,573								
65 years and over..........................	8,825	8,825								
Two persons..................................	12,015									
Householder under 65 years...........	12,384	12,321	12,682							
Householder 65 years and over......	11,133	11,122	12,634							
Three persons................................	14,680	14,393	14,810	14,824						
Four persons..................................	18,810	18,979	19,289	18,660	18,725					
Five persons...................................	22,245	22,887	23,220	22,509	21,959	21,623				
Six persons.....................................	25,122	26,324	26,429	25,884	25,362	24,586	24,126			
Seven persons................................	28,544	30,289	30,479	29,827	29,372	28,526	27,538	26,454		
Eight persons.................................	31,589	33,876	34,175	33,560	33,021	32,256	31,286	30,275	30,019	
Nine persons or more......................	37,656	40,751	40,948	40,404	39,947	39,196	38,163	37,229	36,998	35,572

Source: U.S. Census Bureau, Current Population Survey 2004 Annual Social and Economic Supplement.

Go to Poverty 2003
Go to Poverty Statistics

SENATE APPROPRIATIONS COMMITTEE
February 3, 2005

Testimony of Marcy Dickerson, State Supervisor of Assessments

SENATE BILL 2157

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 2157.

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, who does not have assets in excess of $50,000 over and above the first $80,000 unencumbered value of the homestead, 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. There is no asset test for renters. 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 2157 makes changes to the homestead credit program for both homeowners and renters. It provides that persons whose income is not greater than 140 percent of the federal poverty level may qualify for a reduction in the taxable value of the homestead, or for a refund of a portion of rent paid for the homestead that is deemed to represent property tax. The federal poverty level for one person applies to single applicants, and the federal poverty level for two persons applies to applicants with one or more dependents. One hundred forty percent of the 2004 federal poverty level is $13,034 for one person and $17,486 for two persons.

Under Senate Bill 2157, a homeowner whose income is not more than 100 percent of the poverty level is eligible for a 100 percent reduction in taxable value; between 100 and 110 percent of the poverty level, an 80 percent reduction; between 110 and 120 percent of the poverty level, a 60 percent reduction; between 120 and 130 percent of the poverty level, a 40 percent reduction; between 130 percent and 140 percent of the poverty level, a 20 percent reduction in taxable value. The maximum refund available to a renter whose income is not more than 100 percent of the federal poverty level is $240; between 100 and 110 percent of the poverty level, $192 maximum refund; between 110 and 120 percent of the poverty level, $144 maximum refund; between 120 and 130 percent of the poverty level, $96 maximum refund; and between 130 and 140 percent of the poverty level, $48 maximum refund.

For homeowners, Senate Bill 2157 increases the maximum taxable value for which a qualifying applicant for homestead credit may receive a reduction to $3,600, which represents an $80,000 house. Maximum amounts for persons who qualify for 80 percent, 60 percent, 40 percent, and 20 percent reduction have been adjusted correspondingly.

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 2157, we recalculated the benefits received by homeowners for their 2003 taxes, payable in 2004, and for renters based on their 2003 rent, using the provisions of this bill. We also estimated the additional number of homeowners and renters who would become eligible for the program because of the increased income limits. We found the projected cost for the 2005-2007 biennium for the program with these changes would be slightly less than $7 million, an increase of approximately $3 million 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.

Use of the federal poverty level to determine eligibility for the homestead credit program would mean that maximum qualifying income would change (increase?) every year. From 2003 to 2004, the poverty level for a single person increased by 3.67 percent and the poverty level for two persons increased by 3.05 percent. The number of applicants and the size of some persons' benefits may increase annually because of increases in the poverty level.

The amendment that was adopted by the Senate Finance and Taxation Committee accomplishes the following:

1. Increases the unencumbered value of the applicant's homestead that may be excluded from calculation of that person's assets from $80,000 to $100,000.

2. Provides that the tax commissioner shall certify to county directors of tax equalization the federal poverty level to be applied for each taxable year.

3. Provides that this Act is effective beginning with taxable year 2005 for real property and taxable year 2006 for mobile homes, taxes for which are collected at the same time. Real

property taxes are payable for the previous year (2005 taxes are payable in 2006) and mobile home taxes are payable for the upcoming year (2006 taxes are payable in 2006).

4. Declares this Act to be an emergency measure. This is to allow assessment personnel who are working on homestead credit applications at this time to use the new provisions as soon as they are enacted. If this Act did not become effective until July 1, almost all qualifying homestead credit applicants would have to file applications for abatement and assessment personnel would have to recalculate all benefits.

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

Testimony To The
HOUSE FINANCE AND TAXATION COMMITTEE
Prepared February 28, 2005, by the
North Dakota Association of Counties
Mark A. Johnson, CAE – NDACo Executive Director

CONCERNING REENGROSSED SENATE BILL 2157

Chairman Belter and members of the House Finance and Taxation Committee, on behalf of the county officials of North Dakota, I am before you today to express their support for this legislation to update the income thresholds of the Homestead Tax Credit Program.

The property tax credits contained in this program are a critical element in North Dakota's efforts to allow the elderly and disabled to remain in their own homes. State and County government cooperate on numerous levels to serve this important part of our population, meeting their needs in a manner that is as economical as possible.

By making it feasible for this group of people to remain in their own homes, we reduce the number that move more rapidly into higher cost, group care facilities. The Homestead Tax Credit Program is a key element to this effort and, more importantly, it is essential to maintaining the quality of life for these North Dakota citizens.

Since the program was established, an adequate State appropriation has been provided to fund this State created tax credit, or deficiency appropriations were forthcoming when initial appropriations were insufficient. It is our sincere hope that this Legislature will continue this record of support for this important program.

Thank you Mr. Chairman and committee members for the opportunity to express the support of our Association.

HOUSE FINANCE AND TAXATION COMMITTEE
February 28, 2005

Testimony of Marcy Dickerson, State Supervisor of Assessments

SENATE BILL 2157

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.

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, who does not have assets in excess of $50,000 over and above the first $80,000 unencumbered value of the homestead, 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. There is no asset test for renters. 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 2157 makes changes to the homestead credit program for both homeowners and renters. It provides that persons whose income is not greater than 140 percent of the federal poverty level may qualify for a reduction in the taxable value of the homestead, or for a refund of a portion of rent paid for the homestead that is deemed to represent property tax. The federal poverty level for one person applies to single applicants, and the federal poverty level for two persons applies to applicants with one or more dependents. One hundred forty percent of the 2004 federal poverty level is $13,034 for one person and $17,486 for two persons. The bill provides that the Tax Commissioner shall annually certify the federal poverty level to be applied for the taxable year to county directors of tax equalization.

Under Senate Bill 2157, a homeowner whose income is not more than 100 percent of the poverty level is eligible for a 100 percent reduction in taxable value; between 100 and 110 percent of the poverty level, an 80 percent reduction; between 110 and 120 percent of the poverty level, a 60 percent reduction; between 120 and 130 percent of the poverty level, a 40 percent reduction; between 130 percent and 140 percent of the poverty level, a 20 percent reduction in taxable value. The maximum refund available to a renter whose income is not more than 100 percent of the federal poverty level is $240; between 100 and 110 percent of the poverty level, $192 maximum refund; between 110 and 120 percent of the poverty level, $144 maximum refund; between 120 and 130 percent of the poverty level, $96 maximum refund; and between 130 and 140 percent of the poverty level, $48 maximum refund.

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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.

Senate Bill 2157 also raises the unencumbered valuation of the homestead that is excluded from the asset calculation from $80,000 to $100,000.

To estimate the fiscal effect of Senate Bill 2157, we recalculated the benefits received by homeowners for their 2003 taxes, payable in 2004, and for renters based on their 2003 rent, using the provisions of this bill. We also estimated the additional number of homeowners and renters who would become eligible for the program because of the increased income limits. We found the projected cost for the 2005-2007 biennium for the program with these changes would be slightly less than $7 million, an increase of approximately $3 million 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.

Use of the federal poverty level to determine eligibility for the homestead credit program would mean that maximum qualifying income would change every year. From 2003 to 2004, the poverty level for a single person increased by 3.67 percent and the poverty level for two persons increased by 3.05 percent. The number of applicants and the size of some persons' benefits may increase annually because of increases in the poverty level.

This Act is effective for taxable years beginning after December 31, 2006. In order to make this effective for real property assessments and mobile home assessments that are made at the same time, the wording should be changed to make this Act effective for real property for taxable years beginning after December 31, 2006, and for mobile homes for years beginning after December 31, 2007. The reason for this recommendation is that real property taxes are payable for the previous year (2007 real property taxes will be payable in 2008) and mobile home taxes are payable for the upcoming year (2008 mobile home taxes will also be payable in 2008). If this recommended change is not made, mobile home owners will actually be subject to the provisions of this Act one year before real property owners will. That will complicate administration for local officials. That will also mean that in the first year of implementation of this Act, a mobile home owner's qualifications for the renter's refund on lot rent will be different from the qualifications for the homeowner's property tax credit on the mobile home. That will be confusing for mobile home owners.

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

HOMESTEAD CREDIT

CURRENT SITUATION

Income limitations are the same for single applicant or an applicant with one or more dependents.

Income	Percent	True & Full	Taxable Value
0 - $ 8,000	100%	$44,444 or more	$2,000
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SB 2157

2004 Federal Poverty Level

One Person: $9,310

Two Persons: $12,490 (Applicant with one or more dependents)

One Person:				
Income	Income in Dollars	Percent	True & Full	Taxable Value
Less than FPL	$ 0 -$ 9,310	100%	$80,000	$3,600
100 - 110% FPL	$ 9,311 - $10,241	80%	$64,000	$2,880
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130 – 140% FPL	$12,104 - $13,034	20%	$16,000	$ 720
Two Persons:				
Less than FPL	$ 0 - $12,490	100%		
100 – 110% FPL	$12,491 - $13,739	80%		
110 – 120% FPL	$13,740 - $14,988	60%		
120 – 130% FPL	$14,989 - $16,237	40%		
130 – 140% FPL	$16,238 - $17,486	20%		

Fiscal Note: ($2,900,000)

Table of renter benefits

	Single person		Person with one or more dependents	
	If your income is	Maximum Refund	If your income is	Maximum Refund
Less than Federal Poverty Level (FPL)	$ 0 - 9,310	$240	$ 0 - 12,490	$240
Between 100% and 110% of FPL	9,311 - 10,241	192	12,491 - 13,739	192
Between 110% and 120% of FPL	10,242 - 11,172	144	13,740 - 14.988	144
Between 120% and 130% of FPL	11,173 - 12,103	96	14,989 - 16,237	96
Between 130% and 140% of FPL	12,104 - 13,034	48	16,238 - 17,486	48

By: Sen. Wardner

SB 2157

$\frac{\text{True + Full}}{2} \times 9\% = \text{Taxable Value}$

House Version

Income	Percent	True + Full	Taxable Value
0 — $8,500	100%	$55,555	2,500
$8,501 — $10,000	80%	44,444	2,000
10,001 — 11,500	60%	33,333	1,500
11,501 — 13,000	40%	22,222	1,000
13,001 — 14,500	20%	11,111	500

20% of Rent exceeds 4% of their income.
The difference is what it is up to a max of $240

By: Sen. Wardner

STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER
STATE CAPITOL, 600 E. BOULEVARD AVE., DEPT. 127, BISMARCK, NORTH DAKOTA 58505-0599
701-328-2770 FAX 701-328-3700 Hearing/Speech Impaired 800-366-6888 (TTY Relay North Dakota)
http://www.ndtaxdepartment.com

RICK CLAYBURGH
COMMISSIONER

MEMORANDUM

TO: Whom It May Concern

FROM: Marcy Dickerson, State Supervisor of Assessments MD

DATE: April 8, 2005

SUBJECT: Taxable Value schedule for SB 2157 as approved by Conference Committee

One April 7, 2005, the Conference Committee approved SB 2157, amended to allow 100 percent exemption of a house with a true and full value of $67,500 for an applicant who qualifies for 100 percent exemption. Following is the schedule of income levels and maximum taxable value reductions for SB 2157 as approved.

HCsched
$14500.xls

Income Range		$67,500	T&F Percent	Max. TV Reduction
0	-	8,500	100%	3,038
8,501	-	10,000	80%	2,430
10,001	-	11,500	60%	1,823
11,501	-	13,000	40%	1,215
13,001	-	14,500	20%	608

Taxable value must be stated in whole dollars with no cents. Therefore, the taxable value of a $67,500 house, which calculates to $3,037.50, is rounded up to $3,038. The result is that the actual maximum true and full value that may be exempted is $67,511.

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RICK CLAYBURGH
COMMISSIONER

MEMORANDUM

TO: Senator Rich Wardner

FROM: Marcy Dickerson, State Supervisor of Assessments

DATE: April 7, 2005

SUBJECT: Senate Bill 2157

At your request, I have estimated the cost of increasing the maximum taxable value reduction allowed for qualifying applicants for homestead credit. I have made calculations allowing for 100 percent exemption of a $60,000 house, a $70,000 house, and an $80,000 house. In all examples, the maximum qualifying income is $14,500, as in the bill numbered 50473.0500.

<u>Maximum true and full value: $60,000</u>
Taxable value: $2,700
Maximum qualifying income: $14,500
Required increase in biennial appropriation: **$656,000**

<u>Maximum true and full value: $70,000</u>
Taxable value: $3,150
Maximum qualifying income: $14,500
Required increase in biennial appropriation: **$828,500**

<u>Maximum true and full value: $80,000</u>
Taxable value: $3,600
Maximum qualifying income: $14,500
Required increase in biennial appropriation: **$940,700**

The above dollar amounts are in addition to the appropriation required to support the program with income and taxable value provisions in existing law. The present appropriation is $4,000,000 for the 2003-2005 biennium, and we estimate turning back approximately $300,000. The homestead credit appropriation contained in the Tax Commissioner's 2005-2007 budget is also $4,000,000.

The attached sheet shows the schedule of maximum taxable value per income range for each scenario.

$500000approp2.xls

HCsched $14500.xls

Income Range		**$55,555 T&F**	Percent	Max. TV Reduction
0	-	8,500	100%	2,500
8,501	-	10,000	80%	2,000
10,001	-	11,500	60%	1,500
11,501	-	13,000	40%	1,000
13,001	-	14,500	20%	500

Income Range		**$60,000 T&F**	Percent	Max. TV Reduction
0	-	8,500	100%	2,700
8,501	-	10,000	80%	2,160
10,001	-	11,500	60%	1,620
11,501	-	13,000	40%	1,080
13,001	-	14,500	20%	540

Income Range		**$70,000 T&F**	Percent	Max. TV Reduction
0	-	8,500	100%	3,150
8,501	-	10,000	80%	2,520
10,001	-	11,500	60%	1,890
11,501	-	13,000	40%	1,260
13,001	-	14,500	20%	630

Income Range		**$80,000 T&F**	Percent	Max. TV Reduction
0	-	8,500	100%	3,600
8,501	-	10,000	80%	2,880
10,001	-	11,500	60%	2,160
11,501	-	13,000	40%	1,440
13,001	-	14,500	20%	720

And the $500,000 per biennium proposal:

Income Range	Max. TV	Percent	Reduction
0 -	8,500	100%	2,500
8,501 -	10,000	80%	2,000
10,001 -	11,500	60%	1,500
11,501 -	13,000	40%	1,000
13,001 -	14,500	20%	500

In each of these cases Marcy calculated a similar increase in the renters' refund program. Together they come close to your requested fiscal impacts. The renter component is very small, and would not change the overall estimate if it was excluded.

Kathy