

**SECOND ENGROSSMENT
with House Amendments**

Sixtieth
Legislative Assembly
of North Dakota

REENGROSSED SENATE BILL NO. 2032

Introduced by

Legislative Council

(Finance and Taxation Committee)

1 A BILL for an Act to create and enact section 57-01-20 of the North Dakota Century Code,
2 relating to allocation of school district property tax relief funds; to amend and reenact sections
3 57-15-14, 57-20-07.1, 57-20-09, 57-20-21.1, 57-32-03, and 57-51.1-07.2 of the North Dakota
4 Century Code, relating to school district levy limitations, contents of property tax statements,
5 payment of real estate taxes, and continuing appropriation of funds from the permanent oil tax
6 trust fund for school district property tax relief; to provide a statement of legislative intent; to
7 provide for a legislative council study; to provide a continuing appropriation; to provide an
8 effective date; and to provide an expiration date.

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

10 **SECTION 1.** Section 57-01-20 of the North Dakota Century Code is created and
11 enacted as follows:

12 **57-01-20. State-paid property tax relief allocation.** The state tax commissioner shall
13 allocate funds appropriated under section 57-51.1-07.2 for property tax relief as provided in this
14 section.

15 1. The superintendent of public instruction shall determine an adjusted combined
16 education mill rate for each school district by September first of each year. For
17 purposes of this section, "combined education mill rate" means the combined
18 number of mills levied by a school district, before deduction of any property tax
19 relief allocation under this section, for the general fund and for high school tuition
20 and high school transportation. The combined education mill rate for a school
21 district may not exceed two hundred mills. Any excess levy authority approved by
22 the qualified electors of a school district after December 31, 2006, must be
23 excluded from the combined education mill rate.

- 1 2. To determine the number of mills eligible for state-paid property tax relief, the
2 superintendent of public instruction shall subtract one hundred thirty mills from
3 each school district's combined education mill rate. The eligible mills may not be
4 reduced to less than zero mills.
- 5 3. The superintendent of public instruction shall forward to the state tax commissioner
6 by September fifteenth of each year the number of school district mills eligible for
7 state-paid property tax relief in each school district as determined under
8 subsections 1 and 2.
- 9 4. For residential, agricultural, commercial, railroad, and air carrier transportation
10 property and mobile homes, the state tax commissioner shall multiply the eligible
11 mills in subsection 2 by a factor of .50.
- 12 5. The state tax commissioner shall certify to each county auditor by October first of
13 each year the number of mills of state-paid property tax relief determined for each
14 school district in the county for residential, agricultural, commercial, railroad, and
15 air carrier transportation property and mobile homes according to this section.
- 16 6. On each property tax statement mailed to a taxpayer, the county treasurer or tax
17 commissioner shall show the number of mills of property tax relief to be paid by the
18 state. The number of mills of property tax relief, multiplied times the final equalized
19 taxable valuation of the property, constitutes the state-paid property tax relief. This
20 amount must be labeled and be on the tax statement in accordance with sections
21 57-20-07.1 and 57-32-03.
- 22 7. The state tax commissioner shall accept claims from county auditors for the state's
23 share of school district property taxes that are deducted from taxpayer statements
24 each year and shall certify to the state treasurer for payment to county treasurers
25 of amounts claimed to provide for payment of ninety percent of the amount claimed
26 on March first and the balance of the amount claimed on June fifteenth following
27 the taxable year for which the claims are made.
- 28 8. After payments to counties under subsection 7 have been made, the tax
29 commissioner shall settle any amounts payable to or received from counties due to
30 errors, abatements, compromises, or court-ordered tax adjustments.

1 9. The county treasurer shall allocate the amounts received among the school
2 districts entitled to the funds in the same manner as school district property taxes
3 are distributed.

4 **SECTION 2. AMENDMENT.** Section 57-15-14 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **57-15-14. Tax levy limitations in school districts.** The aggregate amount levied
7 each year for the purposes listed in section 57-15-14.2 by any school district, except the Fargo
8 school district, may not exceed the amount in dollars which the school district levied for the
9 prior school year plus ~~eighteen~~ three and one-half percent up to a general fund levy of one
10 hundred eighty-five mills on the dollar of the taxable valuation of the district, except that:

- 11 1. In any school district having a total population in excess of four thousand
12 according to the last federal decennial census:
- 13 a. There may be levied any specific number of mills ~~that, which~~ upon resolution
14 of the school board has been submitted to and approved by a majority of the
15 qualified electors voting upon the question at any regular or special school
16 district election.
- 17 b. There is no limitation upon the taxes which may be levied if upon resolution of
18 the school board of any such district the removal of the mill levy limitation has
19 been submitted to and approved by a majority of the qualified electors voting
20 at any regular or special election upon such question.
- 21 2. In any school district having a total population of less than four thousand, there
22 may be levied any specific number of mills ~~that, which~~ upon resolution of the
23 school board has been approved by fifty-five percent of the qualified electors
24 voting upon the question at any regular or special school election.
- 25 3. Unlimited levy authority approved by the electors of a school district before July 1,
26 2007, is not effective after the 2007 taxable year and any further unlimited or
27 increased levy authority after the 2007 taxable year must be approved by the
28 electors of the school district as provided in this section.
- 29 4. After June 30, 2007, in any school district election for approval by electors of
30 unlimited or increased levy authority under subsection 1 or 2, the ballot must
31 specify the number of mills, the percentage increase in dollars levied, or that

1 unlimited levy authority is proposed for approval, and the number of taxable years
2 for which that approval is to apply. After June 30, 2007, approval by electors of
3 unlimited or increased levy authority under subsection 1 or 2 may not be effective
4 for more than ten taxable years.

5 5. In any school district in which the total assessed valuation of property has
6 increased twenty percent or more over the prior year and in which as a result of
7 that increase the school district is entitled to less in state aid payments provided in
8 chapter 15.1-27 because of the deduction required in section 15.1-27-05, there
9 may be levied any specific number of mills more in dollars than was levied in the
10 prior year up to a general fund levy of one hundred eighty-five mills on the dollar of
11 the taxable valuation of the school district. The additional levy authorized by this
12 subsection may be levied for not more than two years because of any twenty
13 percent or greater annual increase in assessed valuation. The total amount of
14 revenue generated in excess of the ~~eighteen~~ three and one-half percent increase
15 which is otherwise permitted without voter approval by this section may not exceed
16 the amount of state aid payments lost as a result of applying the deduction
17 provided in section 15.1-27-05 to the increased assessed valuation of the school
18 district in a one-year period.

19 6. The question of authorizing or discontinuing such specific number of mills authority
20 or unlimited taxing authority in any school district must be submitted to the
21 qualified electors at the next regular election upon resolution of the school board or
22 upon the filing with the school board of a petition containing the signatures of
23 qualified electors of the district equal in number to twenty percent of the number of
24 persons enumerated in the school census for that district for the most recent year
25 such census was taken, unless such census is greater than four thousand in which
26 case only fifteen percent of the number of persons enumerated in the school
27 census is required. However, not fewer than twenty-five signatures are required
28 unless the district has fewer than twenty-five qualified electors, in which case the
29 petition must be signed by not less than twenty-five percent of the qualified
30 electors of the district. In those districts with fewer than twenty-five qualified
31 electors, the number of qualified electors in the district must be determined by the

1 county superintendent for such county in which such school is located. However,
2 the approval of discontinuing either such authority does not affect the tax levy in
3 the calendar year in which the election is held. The election must be held in the
4 same manner and subject to the same conditions as provided in this section for the
5 first election upon the question of authorizing the mill levy.

6 **SECTION 3. AMENDMENT.** Section 57-20-07.1 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **57-20-07.1. County treasurer to mail real estate tax statement.** On or before
9 December twenty-sixth of each year, the county treasurer shall mail a real estate tax statement
10 to the owner of each parcel of real property at the owner's last-known address. The statement
11 must be provided in a manner that allows the taxpayer to retain a printed record of the
12 obligation for payment of taxes and special assessments as provided in the statement. If a
13 parcel of real property is owned by more than one individual, the county treasurer shall send
14 only one statement to one of the owners of that property. Additional copies of the tax statement
15 will be sent to the other owners upon their request and the furnishing of their names and
16 addresses to the county treasurer. ~~Such tax statements~~ The tax statement must include a
17 dollar valuation of the true and full value as defined by law of the property and the total mill levy
18 applicable. The tax statement must include, immediately prior to the final line item showing net
19 tax due, the statement "State-paid school district property tax relief (_____ school mills x
20 _____)" with the appropriate mills and taxable valuation filled in and the dollar amount of
21 the property tax reduction for the parcel under section 57-01-20. Failure of an owner to receive
22 a statement will not relieve that owner of liability, nor extend the discount privilege past the
23 February fifteenth deadline.

24 **SECTION 4. AMENDMENT.** Section 57-20-09 of the North Dakota Century Code is
25 amended and reenacted as follows:

26 **57-20-09. Discount for early payment of tax.** Except as provided in section
27 57-20-21.1, the county treasurer shall allow a five percent discount to all taxpayers who shall
28 pay all of the real estate taxes levied on any tract or parcel of real property in any one year in
29 full on or before February fifteenth prior to the date of delinquency. Such discount applies, after
30 deduction of any credit allowed under section 57-01-20, to the net remaining amount of all
31 general real estate taxes levied for state, county, city, township, school district, fire district, park

1 district, and any other taxing districts but does not apply to personal property taxes or special
2 assessment installments. Whenever the board of county commissioners, by resolution,
3 determines that an emergency exists in the county by virtue of weather or other catastrophe, it
4 may extend the discount period for an additional thirty days.

5 **SECTION 5. AMENDMENT.** Section 57-20-21.1 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **57-20-21.1. Priority for delinquent taxes.** When payment is made for any real or
8 personal property taxes or special assessments, payments must be applied first to the oldest
9 unpaid delinquent taxes or special assessments due, if any, shown to exist upon the property
10 for which the tax payments are made, including any penalty and interest, except payments of
11 state-paid property tax relief credit made by the state must be applied to taxes for the year for
12 which the state-paid property tax relief credit is granted. The discounts applicable to payment
13 of taxes set out in section 57-20-09 do not apply to payment of taxes made on property upon
14 which tax payments are delinquent.

15 **SECTION 6. AMENDMENT.** Section 57-32-03 of the North Dakota Century Code is
16 amended and reenacted as follows:

17 **57-32-03. Tax statements prepared by state tax commissioner - When due and**
18 **delinquent.** On or before the thirty-first day of March in each year, the tax commissioner shall
19 provide each company assessed under the provisions of this chapter a statement of its taxes
20 due for the preceding year, with the valuations and taxes assessed in each case. The tax
21 statement must include, immediately prior to the final line item showing net tax due, the
22 statement "State-paid school district property tax relief (_____ school mills x
23 _____)" with the mills and taxable valuation filled in and the dollar amount of the property
24 tax reduction under section 57-01-20 which applies against the taxes due for the preceding
25 year. Such taxes are due upon the fifteenth day of April next following the date of the
26 statement of taxes due. The taxes become delinquent on the first day of May next following the
27 due date and, if not paid on or before said date, are subject to a penalty of two percent and, on
28 June first following delinquency, an additional penalty of two percent and, on July first following
29 delinquency, an additional penalty of two percent and, an additional penalty of two percent on
30 October fifteenth following delinquency. From and after January first of the year following the
31 year in which the taxes became due and payable, simple interest at the rate of twelve percent

1 per annum upon the principal of the unpaid taxes must be charged until such taxes and
2 penalties are paid, with such interest charges to be prorated to the nearest full month for a
3 fractional year of delinquency. All the provisions of the law respecting delinquency of personal
4 property assessments generally so far as may be consistent with the provisions of this chapter
5 are applicable equally to the assessments and taxes provided for in this chapter.

6 **SECTION 7. AMENDMENT.** Section 57-51.1-07.2 of the North Dakota Century Code
7 is amended and reenacted as follows:

8 **57-51.1-07.2. Permanent oil tax trust fund - Deposits - Interest - Adjustment of**
9 **distribution formula - Continuing appropriation for property tax relief.** All revenue
10 deposited in the general fund during a biennium derived from taxes imposed on oil and gas
11 under chapters 57-51 and 57-51.1 which exceeds seventy-one million dollars must be
12 transferred by the state treasurer to a special fund in the state treasury known as the
13 permanent oil tax trust fund. The state treasurer shall transfer interest earnings of the
14 permanent oil tax trust fund to the general fund at the end of each fiscal year. The principal of
15 the permanent oil tax trust fund may not be expended except upon a two-thirds vote of the
16 members elected to each house of the legislative assembly.

17 If the distribution formulas under chapter 57-51 or 57-51.1 are amended effective after
18 June 30, 1997, the director of the budget shall adjust the seventy-one million dollar amount in
19 this section by the same percentage increase or decrease in the amount of revenue allocable
20 to the general fund after the change in the allocation formula, and transfers to the permanent oil
21 tax trust fund shall thereafter be made using that adjusted figure so that the dollar amount of
22 the transfers to the permanent oil tax trust fund is not increased or decreased merely because
23 of changes in the distribution formulas.

24 To the extent moneys are available in the permanent oil tax trust fund, the amount
25 necessary to provide property tax relief payments to county treasurers under section 57-01-20
26 is appropriated each biennium to the state treasurer as a standing and continuing
27 appropriation.

28 **SECTION 8. LEGISLATIVE INTENT - LEGISLATIVE COUNCIL STUDY.** It is the
29 intent of the sixtieth legislative assembly that enactment of this Act will initiate an increase in
30 the state's share of elementary and secondary education funding to secure immediate and
31 future benefits to the citizens of the state. These benefits include relief from the expanded

1 property tax burden that has created disparity within the tax structure of the state, enhanced
2 equity of funding to support elementary and secondary education students, enduring property
3 tax reductions, and returning to taxpayers a substantial measure of revenue collections
4 augmented by a robust state economy. It is the further intent of the sixtieth legislative
5 assembly that enactment of this Act will produce a reduction in property tax burdens which, with
6 continued efforts of future legislative assemblies, will result in reduction of each annual property
7 tax bill to not more than one and one-half percent of the true and full value for any parcel of
8 property.

9 The legislative council shall assign a study in each legislative interim through 2012 by
10 the interim committee for taxation issues, for consideration by that committee of compliance
11 with, and future funding sources for, the shift in education funding and taxation policy initiated
12 by enactment of this Act.

13 **SECTION 9. EFFECTIVE DATE - EXPIRATION DATE.** This Act is effective for the
14 first two taxable years beginning after December 31, 2006, and is thereafter ineffective.