2009 SENATE FINANCE AND TAXATION

SB 2199

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2199

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 01/21/2009

Recorder Job Number: 7404

Committee Clerk Signature	

Minutes:

Chairman Cook: Opened hearing on SB 2199.

Senator Rich Wardner, District 37: Introduced the bill as a sponsor.

Senator David O'Connell, District 6: Appeared in support of bill as sponsor.

Representative David Monson, District 10: Appeared in support of bill as sponsor.

Representative Lee Kaldor, District 20: Appeared in support of bill as sponsor.

Jack Dalrymple, Lieutenant Governor: See Attachments #1, #2, and #3 for Bill Summary testimony and charts presented. Commented that they feel there is a large measure of control on taxation built into the bill, because as mill levies are adjusted down to a floor of 100 and a ceiling of 110, we have compressed all of the school districts in the state into a much narrower range than they have ever been before. Going forward, if a school district board decides they want to raise their mill levy, the distance they can go in raising their levy is much smaller than it has been in the past. We consider that to be a significant control on future taxation and we do not think that this bill needs any additional measures or restrictions on taxing authority.

Paul Stremick, Superintendent of Dickinson Public Schools: See Attachment # 4 for testimony in support of the bill.

Chairman Cook: You made the statement that this does not create any more equity in the school funding, doesn't it though?

Paul Stremick: This is dollar for dollar tax relief. The equity district does not receive any more dollars than the property rich district. If one's general fund is $4 million dollars and the other's is $3 million, after all this happens, it is still 4 and 3 million dollars.

Chairman Cook: Disparity between the rich and the poor is going to stay the same?

Paul Stremick: That is correct. Keep in mind this is tax payer equity, where now the tax payer in the rich district is levying 100 mills and a taxpayer in a poor district 110 mills so the disparity is 10 mills, where before it was 30.

Senator Hogue: If a school district wants to go above the 110, to fit within one of the exceptions, they have to get the approval within ten years; I was wondering where the 10 years came from?

Paul Stremick: I believe that is just a number that was chosen to have it renewed so that it would not be grandfathered in forever.

Chairman Cook: Isn't that 10 years going to affect the school districts in the state right now who already have an unlimited mill levy that was given to them by the voters?

Paul Stremick: You are correct. That would put another restriction on them, and you may want to deal with that, because some of them have had those for years.

Chairman Cook: So, today if a school district receives the ability to have an unlimited mill levy given to them by the voters, it is there until somehow the voters initiate something to remove it, with the passage of this, the voters will automatically be given the chance to remove it every 10 years?

Paul Stremick: That is correct.

Senator Dotzenrod: Those school districts that are over the 185, they are going to have to go back to the voters if they got to that level by either the 1st or 2nd choice, in either one of those two cases they would have to go back to the voters, but the 3rd on there is no requirement to go back to the voters. Is that correct?

Paul Stremick: The way I understand that, those over 185 mills have statutory authority to do that, whether through a permissive levy or when property values go down and the current law says that you can take the highest dollar amount.

Jack Dalrymple: Yes the way the bill stands, that group is grandfathered in. They remain relatively where they are now. That is something you may want to look at. You could question the continued need for that provision. As a commission, our goal was to put a workable plan together, and not wander unnecessarily into existing tax policy.

Senator Dotzenrod: That is the right way to approach that. We don't want to punish them.

Bev Nielson, North Dakota School Board Association: Testified in support of the bill. We think that this bill is an excellent vehicle to be the bill to put forward this session for property tax relief because it did have consideration by the school finance people before it got to you, and sometimes the world of tax and school finance don't mesh very well, and I think this time we all have a better understanding of what we are doing. In regards to Senator Dotzenrod's question on the 3rd option, that one doesn't need a 10 year because it is every year. The only time that you can go higher than the cap, is if your property value does not raise the same amount of money. So it allows you to raise the same amount of money you raised the year before and if your property values go down that might take more mills. We are put in the position that you can have the same amount of money the year before. We do have a concern on page 3, line 30, number 2. Where a vote of the people which allows you an excess levy is only good for 10 years. I could see that if the money being raised is for one kind of expenditure or a bond pay off or for a building, which then goes away, but if you are spending at a level of 190 mills for operating budget, 10 years later if it has to go to a vote of the people, and it is declined, are you back to 110 mills, and if you are you would close the doors of your school. We need to clarify that. It would work with unlimited districts, but not others.

Chairman Cook: How about every 5 years?

Bev Nielson: I am not saying going back at all, as long as we don't have to go back to the mill levy before the 10 years or 5 years that is all I am concerned about.

Senator Triplett: We do not want to get into education policy, and my thinking about this bill, since it is intended to be a property tax deduction, is maybe we should avoid entirely education policy discussions, do you think of the 10 year limitation as being necessary for the property tax to work, or do you think it should be discussed in the education committee?

Bev Nielson: I think that the limitation on the school's ability to tax is a Finance and Tax issue. If it went to the education committee, I am not sure what they would do with it.

Eric Aasmundstad, President of North Dakota Farm Bureau: See Attachment #5 in support of the bill.

Doug Johnson, Executive Director of North Dakota Council of Educational Leaders: Testified in support of this bill. We think that this will get us close to 70% funding by the state. We just want to make sure it does not detract from the dollars that are allocated from the Governor appropriation for K-12 education. We have worked hard over the last two sessions and this on property tax relief. In our research we found that in 2005 that the state cost share for education was 42%, and in 2007 it was 55%. SB 2199 does get us to the level we would like to see.

Greg Burns, Executive Director of North Dakota Education Association: Testified in support of this bill. It is good policy and sound economically. We want to discuss with you one thing to keep in mind as we go forward, as this is related to the Governor's commission report/bill, this is about tax policy, but as we consider how much to constrain local school boards ability to generate revenues for the programs they see as important, as great as everything is in that bill, we still weren't able to do all that was needed. For example we weren't able to supply as many tutors as recommended, or provide day care. But it may be that individual school boards/districts will want to do more; I would ask you to keep an open mind about their ability to have a dialogue with the community to make sure they can go above and beyond what is being offered by the state.

Jim Mellon, Mandan Business Owner: Testified in support of bill. It is a wonderful vehicle to support two causes; tax relief and education.

Mark Johnson, Executive Director of Association of Counties: See Attachment #6 in support of bill.

Cory Fong, Tax Commissioner: Refers to chart in Tax Binder (Attachment #7).

We need property tax relief and I believe this is the way to do it. This bill is easy, direct, people will understand it, and this is the kind of property tax relief I think we need to work toward. There may be hiccups, but I believe they are manageable.

Harold Neff, Mandan Resident: Testified in support of the bill. This bill would be good property tax relief for those with fixed/limited incomes and help them stay in their homes.

Jill Beck, North Dakota Association of Realtors: On the record in support of the bill.

Chairman Cook: Further testimony in support? (No) Opposed? (No) Neutral? (No)

Closed hearing on SB 2199.

(Additional testimony dropped off in support of SB 2199 – see attachment #8).

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2199

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 01/21/2009

Recorder Job Number: 7459

Committee Clerk Signature	

Minutes:

Chairman Cook: Called committee back to order and reopened hearing on SB 2199.

John Walstad, Legislative Council: Testified as neutral drafter of the bill.

The bill was walked through section by section and questions were intermittently asked by the committee to get clarification on certain aspects of the bill.

Highlights:

1. Discussed that Section 3, 57-64-02, subsection 2, Subdivision b would apply to School Districts below 185 mills, and subdivision c. would apply to those over 185 mills.
2. There was some discussion on potential problems with the language in the bottom of page 3 – page 4 regarding "for taxable year 2008" as well as the 10 years, and why it was drafted that way. It could mean going back to the year 2008 after the 10 years for the mill levy rates. Also the potential of taking "or b" out of line 30 on page 3.
3. Senator Triplett voiced her concern over this being an educational policy piece and that maybe they should stay away from it. Maybe if we are trying to pass through property tax reform, we should leave the 10 year thing alone.
4. Chairman Cook voiced that he felt it was all about tax policy more so than education. It is not how they spend their money; it is how they are funded.

5. Looked at 51-15-14, Subsection 3,relating to "after 2007" language and how it affects this bill, and with this bill what school districts it would apply to with unlimited mill levies: Williston, Bismarck, and Grand Forks, because they were in place before 2007. In turn that no school districts right now are affected by that law.
6. Concerns over how to limit other subdivisions from taking the remainder when the school levy goes down.
7. This is a relief issue and not a reform issue that we are dealing with here, and we don't want to "muddy" the water with discussion of other bills or other things into this bill.

Jerry Coleman, Department of Public Instruction: Answered committee questions on bill. Discussion on how this bill would apply to Fargo. Their voters gave them about a 280 mill levy and therefore they would be in that category, and whether the 10 year condition would apply to that. As well, whether it will apply to others. They agreed to get more information on that.

Senator Hogue: Asked if the bill was drafted tightly enough to keep school districts to gain the system.

Jerry Coleman: I believe so. Things have already been determined for the payment next year, so there is no chance really that they can work the figures.

Chairman Cook: they cannot change their budget?

Jerry Coleman: No, they are already established.

Senator Triplett: Asked about deleting the "or b" from page 3 lines 30 and 31. Do you agree?

Jerry Coleman: I think that if it is thought voter approval should be sought every 10 years, then I don't know why the reorganization should be treated any different.

Chairman Cook: In that situation in 10 years and the voters voted no, then where would their mill levy go?

Jerry Coleman: As I understand it, they would be allowed to set their levies based on their ratio, basically what they were levying the previous year.

Senator Triplett: That is inconsistent to what Mr.Walstad said.

Jerry Coleman: With the 2008 language in there, maybe that is an issue.

John Walstad: I think that is easy enough to fix with some language.

Jack Dalrymple, Lieutenant Governor: I will get a printout to you on the breakdown of the school district. (See Attachment #1)

Senator Triplett: What about the funding source?

Chairman Cook: My thought is that that is the task of the Appropriations Committee.

Senator Dotzenrod: The mills used in this bill, are any of those numbers dependant on an appropriation that is in that $300 million.

Jack Dalrymple: Something you need to take seriously is that it is not just a matter of just saving some money, because as you go back and unwind it now, this range of mills from 100-110, that you worked so hard to get, is going to start expanding again. And now the latitude to raise levies is going to increase and the total formula is going to work much less well. I caution you, it is much more complicated than just saving $50 million.

Chairman Cook: Last session we had issues with the bill that tried to have tax relief through education, but I believe this bill is a well thought out bill, and a great improvement.

Senator Triplett: I have to agree with that, and this one is so simplistic compared to the other one and is very comprehensible.

Chairman Cook: Adjourned for the day.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2199

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 01/27/2009

Recorder Job Number: 7904

Committee Clerk Signature Carie Winings

Minutes:

Chairman Cook: Reopens discussion on SB 2199. I think that there is a good chance that this bill will go out of here with a do pass.

Senator Hogue: I was going to propose an amendment that would add a ? to the superintendent of public instruction to shine a little light on this issue. What I would like to do is require him to provide a link on his website to provide a list of the mill reduction of each of the school districts that the public could have access to it, as well as the history. I want some transparency in it.

Chairman Cook: We put that on the back of the counties in your property tax statement I believe in the last session. It is already there for each one of us. You get three years of history for all of the different Political Subdivisions that levy your property tax.

Senator Hogue: I will look at that.

Senator Triplett: School Districts don't coincide with counties and so the only real place that you can answer the question for each person is on their property tax form.

Senator Anderson: I have two things. 1. This one is going to show that there is a reduction in property taxes because of that three year history deal. 2. Government absolutely is local, because I noticed on my tax statement I noticed that some mills had changed.

Senator Hogue: Did we get the printout of the school district mill levy distribution.

Chairman Cook: There is a situation on this bill regarding the school districts that have unlimited mill levy. I think the requirement is that after every 10 years they go back for a vote of the people, I will probably be offering amendments that completely eliminate it. It will sunset every one of them but they will still have the ability to go back to the people and get them again.

The idea would make some people a little bit happier with this piece of legislation. I would also like to throw on the table for discussion on the idea that school districts should offer grades 1-12 not just 1-8. Those that offer K-8 do it as a tax shelter. I am tempted to offer an amendment on this bill that would offer this mill levy reduction only to 1-12 schools.

Senator Triplett: Doesn't that qualify as education policy? Do we have to open that can of worms in here?

Senator Anderson: I don't think it is a bad idea to rattle your sabers on that, but I want to keep this one clean as we can coming out of the Senate.

Chairman Cook: I also know the Lt. Governor has some amendments he needs to put on here. Anyone else?

Senator Dotzenrod: I think that potentially we could create doubt by adding stuff to it. I am satisfied with the work done on this bill.

Closed hearing on the bill.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2199

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 02/03/2009

Recorder Job Number: 8519

Committee Clerk Signature	Carie Winings

Minutes:

Chairman Cook: Reopened discussion on SB 2199. Passes out Attachment #1 which is an amendment to the bill that is clean up on language, and walks through each part.

Discussion: There was some discussion on what the amendments would specifically do.

Vice Chairman Miller: Presented an amendment to look at. (Attachment #2)

Chairman Cook: Suspended discussion on the bill until next day to look over amendments and review bill.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2199

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 02/10/2009

Recorder Job Number: 9107

Committee Clerk Signature	Carrie Wenning

Minutes:

Chairman Cook: Reopened discussion on SB 2199.

Vice Chairman Miller: Mentioned that working on amendments on this one.

Chairman Cook: Suggests that need examples of how it will affect specific school districts.

Senator Oehlke: Everyone in the room upstairs is going to want to know that.

Chairman Cook: Maybe we can get that. I have been working with the REA's on some amendments that they agreed to for the REA bill. One of the concerns was anybody's wealth in a school district that does not show up as wealth in their district. This is not a tax issue that changes any tax policy; this is an issue of school district wealth. It is a reporting thing. Mobile homes don't show up in a school district's wealth.

Senator Hogue: I have a concern about the fact that the electric cooperatives have not yet decided on the option to opt in or not. Not in favor of allowing an entity to opt into a new tax structure without having them come before a committee and tell us how it will affect them. Maybe they are not going to opt in because it will hurt them, but I don't want to pass a bill and then six months down the road have them opt in and us having no testimony/data on how it will affect them.

Chairman Cook: I will be offering amendments to give them two more years to opt in, and my rational is that I would welcome them to opt in. One of my goals has always been to get to a point where rather you are an REA or an IOU the tax policy that we place on them for the production, for transmission, and the distribution of electricity is as close to possible as it can be. I think it is a fairness issue. The REA's have made a giant step in moving toward that direction, and fully supportive of that offer and this is their way of helping get there. That is why I support it. The only reluctance that we have in the IOU's right here is that they haven't figured out exactly if it is going to really have any effect on them.

Senator Hogue: I find that incredible that they haven't figured it out. The bill has been around a long time, and they have people that can do this. I think that they should be on record before this committee and say how it will affect them. Otherwise, it seems that we are letting the coops to opt in. If they don't want to provide it to us, it just seems to me that we should say that they can't opt in until you demonstrate how it will affect them.

Chairman Cook: Do you think they would opt in if it raised their taxes?

Senator Hogue: Don't know.

Chairman Cook: If it lowered their taxes, would you let them opt in?

Senator Hogue: If it was a reasonable sum, yes. We can argue about what is reasonable.

Chairman Cook: When we get the amendments we will discuss it further.

Senator Triplett: To Senator Hogue, do you have a preference that we call them in and make them say yes or no right now or that we just delete the opt in language and make them come back and beg to get in two years down the road, or impose the tax right now?

Senator Hogue: I don't think we should impose it on everybody. It seems like they have an agreement between them that this is a voluntary figure. It seems to me that the most reasonable solution is to ask them to tell us and go on record. And then if they don't want to opt in that is fine.

Senator Dotzenrod: Sometimes we will decide whether to approve or not approve a tax exemption based on the fiscal note. Maybe if they are aware that this is going to be quite a large fiscal impact, they might be better off not to say anything right now. Maybe they don't want it to be publically exposed what the benefit is in reducing their taxes.

Chairman Cook: Suggest for Senator Hogue to talk to Marcy and have her apply a fiscal note on this bill if any of the IOU's were to opt in.

Senator Triplett: That is a good idea. It may just be that they don't want to agree because they disagreed with the REC's for so many years about so many things that it would be against their principals to agree.

Chairman Cook: I think you might be closer to the truth.

Suspended discussion on the bill.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2199

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 02/12/2009

Recorder Job Number: 9389

Committee Clerk Signature	

Minutes:

Chairman Cook: Reopened discussion on SB 2199. Made sure committee had all four proposed amendments .0401, .0402, .0403, .0404 and explained the differences between them.

7.30 **Senator Dotzenrod:** Under current law if you are one of the three school districts that have an unlimited mill levy (Williston, Bismarck, Grand Forks), does the provision you have now have an expiration date on it.

John Walstad, Legislative Council: No

Senator Dotzenrod: So those three that is unlimited right now indefinitely?

Chairman Cook: Yes.

Senator Dotzenrod: This would change that and they would have a stop date and go back?

Chairman Cook: It would put all school districts on the same playing field if they want an unlimited mill levy they will have to get voter approval again. Those who don't have it now will have to get voter approval to get it; the three that do have it now would have to get voter approval to keep it.

Senator Dotzenrod: One thing we are not changing is that under current law if you do get an unlimited mill levy, you can get it and it won't expire, but under this if you get voter approval to get your unlimited mill levy, you are going to have a ten year expiration date?

Chairman Cook: That is correct. These are policy decisions that we need to be making down here.

10.20 **Chairman Cook:** Reviews the amendments again for Senator Triplett and Senator Hogue that were not present during the first review at beginning of the recording.

14.39 **Vice Chairman Miller:** Speaking on .0404, there is kind of a local control issue here, and I would like to just let them make that decision for themselves and not force the decision, but at the same time, the reason why we are even approaching the bill like this is because we get blamed as legislators for a local problem and I think it would be a good idea as maybe a bargaining chip with the other chamber. Also, pushing the issue, I think .0404 is probably where we want to go. I think unlimited mills is a bad policy to begin with, but also putting the issue back in front of the voters and making them think about their taxes is a good thing too, and reminding them who actually controls that. I would want to see .0404 adopted, it gives us a little bit more of a difference.

Senator Triplett: I don't see either of these versions limiting local control in the sense that there is the opportunity for citizens to have a vote and for local school board to put forward proposals for specific mill levies and I think it would be a violation of local control if we said you can't ever go above where you are now or you can't ever go above x other than cost of living adjustments or whatever; neither one of these amendments say that, so I don't see it as a local control issue. I do see .0404 as the benefit that it puts all of the schools in the state kind of on a level playing field and I have always been of the opinion that the state's role in education should be to ensure that all of the children in the state of North Dakota are getting as effective and appropriate education as we can afford to give them. I think that that provides some uniformity across the state which I like.

Chairman Cook: Due to the lateness of the hour, is there anyone who has a different view on .0404?

Senator Dotzenrod: I don't like unlimited mill levies, but I do think that if the voters in the district want to adopt an unlimited mill levy than I would favor allowing them to do that. It is going to expire any unlimited mill levy under the provision in .0403 will expire in 10 years.

Chairman Cook: Under the provisions of amendment .0403, three of the unlimited mill levies out there will expire at the end of the year 2010, unless they go back and get it. With .0404 it is what is taken away vs. the ability for the school board to go to the voters and ask for unlimited mill levy which means they can raise it without a vote of the people any time they want to. What still exists out there is for any school board to go to the vote of the people and ask the permission to raise the mill levy a certain amount that is predetermined that is how I see the difference.

Senator Oehlke: .0403 would force them to have an election, where .0404 wouldn't make them have to pay for an election?

Chairman Cook: It wouldn't force them to have to have one; the school board would have to decide whether or not they would want to do that.

Senator Dotzenrod: Under .0404 if they wanted an increase of some kind to their mill levy they would have to have an election to do it the same as .0403.

Chairman Cook: Yes

Senator Dotzenrod: I am leaning toward .0403.

Senator Anderson: I am fine with .0404.

Senator Hogue: I am fine with .0404

Chairman Cook: Do we have a motion?

Vice Chairman Miller: Moved the amendments .0404.

Senator Hogue: Seconded.

Chairman Cook: Discussion?

A Roll Call vote was taken: Yea 6, Nay 1, absent 0.

Amendments passed.

Vice Chairman Miller: Motioned for a Do Pass As Amended, and re-refer to appropriations.

Senator Hogue: Seconded.

Chairman Cook: Discussion?

Senator Dotzenrod: The condition we have the bill in now, there are no appropriation, are we going to let that go and let them take care of it.

Chairman Cook: Yes. Discussion?

A Roll Call vote was taken: Yea 7, Nay 0, Absent 0.

Senator Cook will carry the bill.

FISCAL NOTE
Requested by Legislative Council
04/30/2009

Amendment to: Reengrossed SB 2199

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	$0	$0	$195,000,000	($295,000,000)	$0	$0
Expenditures	$0	$0	$295,000,000	$0	$0	$0
Appropriations	$0	$0	$0	$0	$0	$0

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
$0	$0	$0	$0	$0	($295,000,000)	$0	$0	$0

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2199 creates a property tax relief sustainability fund, provides for the allocation of state funds to school districts for mill levy reduction grants, and provides provisions for property tax levies of school districts, corporate income tax rates, and income taxes rates for individuals.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The bill provides for property tax reduction grants to school districts based on the lesser of:
-The payments to the school district based on the per student payment rate determined under the state aid to schools formula,
-The taxable valuation of the school district times the number of mills determined by subtracting 100 mills from the combined education mill rate for taxable year 2008, or
-The taxable valuation of property in the school district in the previous year times seventy-five mills.

The combined education mill rate means the combined number of mills levied by a school district for the general fund, high school tuition and high school transportation. The grants must be included in the district's certificate of levy and be used to reduce general fund levies for school districts.

Section 4 amends corporate income tax rates. The tax department estimated a $10 million dollar reduction in general fund revenue.

Section 5 amends individual, estate and trust tax rates. The tax department estimated an $90 million dollar reduction in general fund revenue.

Section 7 creates a property tax sustainability fund in the state treasury for property relief programs.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

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

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 9 appropriates $295 million to the Department of Public Instruction from the general fund for mill levy reduction grants to school districts.
Section 10 transfers $295 million from the permanent oil trust fund to the general fund on July 1, 2009.
Section 11 transfers $295 million from the permanent oil trust fund to the property tax relief sustainability fund on July 1, 2010.
Sections 4 and 5 reduce general fund revenues by $100 million.

Name:	Jerry Coleman	**Agency:**	Public Instruction
Phone Number:	328-4051	**Date Prepared:**	05/01/2009

FISCAL NOTE
Requested by Legislative Council
04/13/2009

Amendment to: Reengrossed SB 2199

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	$0	$0	$195,000,000	($295,000,000)	$0	$0
Expenditures	$0	$0	$295,000,000	$1,720,000	$0	$0
Appropriations	$0	$0	$0	$0	$0	$0

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
$0	$0	$0	$0	$0	($295,000,000)	$0	$0	$0

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

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B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The bill provides for property tax reduction grants to school districts based on the lesser of:
-The payments to the school district based on the per student payment rate determined under the state aid to schools formula,
-The taxable valuation of the school district times the number of mills determined by subtracting 100 mills from the combined education mill rate for taxable year 2008, or
-The taxable valuation of property in the school district in the previous year times seventy-five mills.

The combined education mill rate means the combined number of mills levied by a school district for the general fund, high school tuition and high school transportation. The grants must be included in the district's certificate of levy and be used to reduce general fund levies for school districts.

Section 4 amends corporate income tax rates. The tax department estimated a $20 million dollar reduction in general fund revenue.

Section 5 amends individual, estate and trust tax rates. The tax department estimated an $80 million dollar reduction in general fund revenue.

Section 7 creates a property tax sustainability fund in the state treasury for property relief programs.

The house amendments add revenue replacement grants to tax increment financing districts for the loss of tax increments attributable to the mill levy reduction for the school district. The bill appropriates $1,720,000 for these grants for the 2009-2011 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.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 8 appropriates $295 million to the Department of Public Instruction from the general fund for mill levy reduction grants to school districts.
Section 9 appropriates $1,720,000 to the state treasurer from the permanent oil tax trust fund for revenue replacement grants to tax increment financing districts.
Section 10 transfers $295 million from the permanent oil trust fund to the general fund on July 1, 2009.
Section 11 transfers $295 million from the permanent oil trust fund to the property tax relief sustainability fund on July 1, 2010.
Sections 4 and 5 reduce general fund revenues by $100 million.

Name:	Jerry Coleman	**Agency:**	Public Instruction
Phone Number:	328-4051	**Date Prepared:**	04/13/2009

FISCAL NOTE
Requested by Legislative Council
03/18/2009

Amendment to: Reengrossed SB 2199

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	$0	$0	$295,000,000	($295,000,000)	$0	$0
Expenditures	$0	$0	$295,000,000	$1,720,000	$0	$332,720,000
Appropriations	$0	$0	$0	$0	$0	$0

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
$0	$0	$0	$0	$0	($295,000,000)	$0	$0	($331,000,000)

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2199 relates to the allocation of state funds to school districts for mill levy reduction grants and property tax levies of school districts.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The bill provides for property tax reduction grants to school districts based on the lesser of:

- The payments to the school district based on the per student payment rate determined under the state aid to schools formula,
- The taxable valuation of the school district times the number of mills determined by subtracting 100 mills from the combined education mill rate for taxable year 2008, or
- The taxable valuation of property in the school district in the previous year times seventy-five mills.

The combined education mill rate means the combined number of mills levied by a school district for the general fund, high school tuition, and high school transportation. The grants must be included in the district's certificate of levy and be used to reduce general fund levies for school districts.

The estimated grant total for the first year of the biennium is $143 million. Assuming a 6 percent annual growth rate in taxable valuation, the estimate for the 2009-2011 biennium is $295 million. The estimate for the 2011-2013 biennium is $331 million.

The house amendments add revenue replacement grants to tax increment financing districts for the loss of tax increments attributable to the mill levy reduction for the school district. The bill appropriates $1,720,000 for these grants for the 2009-2011 biennium. The same funding level is estimated for the 2011-2013 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.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 6 appropriates $295 million to the Department of Public Instruction from the general fund for mill levy reduction grants to school districts.
Section 7 appropriates $1,720,000 to the state treasurer from the permanent oil tax trust fund for revenue replacement grants to tax increment financing districts.
Section 8 transfers $295 million from the permanent oil trust fund to the general fund on July 1, 2009.
Section 9 transfers $295 million from the permanent oil trust fund to the property tax relief sustainability fund on July 1, 2010.

Name:	Jerry Coleman	**Agency:**	Public Instruction
Phone Number:	328-4051	**Date Prepared:**	03/20/2009

FISCAL NOTE
Requested by Legislative Council
02/19/2009

Amendment to: Engrossed SB 2199

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	$0	$0	$0	$0	$0	$0
Expenditures	$0	$0	$0	$295,000,000	$0	$331,000,000
Appropriations	$0	$0	$0	$0	$0	$0

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
$0	$0	$0	$0	$0	($295,000,000)	$0	$0	($331,000,000)

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2199 relates to the allocation of state funds to school districts for mill levy reduction grants and property tax levies of school districts.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The bill provides for a property tax reduction grants to school districts based on the lesser of:
- The payments to the school district based on the per student payment rate determined under the state aid to schools formula.
- The taxable valuation for the school districts times the number of mills determined by subtracting 100 mills from the combined education mill rate for taxable year 2008.
- The taxable valuation of property in the school district in the previous year times seventy-five mills.

The combined education mill rate means the combined number of mills levied by a school district for the general fund, high school tuition, and high school transportation. The grants must be included in the district's certificate of levy and be used to reduce general fund levies for school districts.

The estimated grant total for the first year of the biennium is $143 million. Assuming a 6 percent annual growth rate in taxable valuation, the estimate for the 2009-2011 biennium is $295 million. The estimate for the 2011-2013 biennium is $331 million.

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

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

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

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and* *appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 5 appropriates $295 million from the permanent oil trust fund for the mill levy reduction grants identified in Section 4 of this bill.

Name:	Jerry Coleman	**Agency:**	Public Instruction
Phone Number:	328-4051	**Date Prepared:**	02/19/2009

FISCAL NOTE

Requested by Legislative Council
02/13/2009

Amendment to: SB 2199

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	$0	$0	$0	$0	$0	$0
Expenditures	$0	$0	$0	$295,000,000	$0	$331,000,000
Appropriations	$0	$0	$0	$0	$0	$0

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
$0	$0	$0	$0	$0	($295,000,000)	$0	$0	($331,000,000)

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2199 relates to the allocation of state funds to school districts for mill levy reduction grants and property tax levies of school districts.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The bill provides for a property tax reduction grants to school districts based on the lesser of:
- The payments to the school district based on the per student payment rate determined under the state aid to schools formula,
- The taxable valuation for the school districts times the number of mills determined by subtracting 100 mills from the combined education mill rate for taxable year 2008, or
- The taxable valuation of property in the school district in the previous year times seventy-five mills.

The combined education mill rate means the combined number of mills levied by a school district for the general fund, high school tuition and high school transportation. The grants must be included in the district's certificate of levy and be used to reduce general fund levies for school districts.

The estimated grant total for the first year of the bennium is $143 million. Assuming a six percent annual growth rate in taxable valuation, the estimate for the 2009-2011 biennium is $295 million. The estimate for the 2011-2013 biennium is $331 million.

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

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

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

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a* *continuing appropriation.*

Funding for this bill was included in the executive budget recommendation. HB 1013 Section 16, as introduced, provided for statutory language creating a continuing appropriation from the permanent oil tax trust fund for the mill levy reduction grants.

Name:	Jerry Coleman	**Agency:**	DPI
Phone Number:	328-4051	**Date Prepared:**	02/16/2009

FISCAL NOTE

Requested by Legislative Council
01/14/2009

Bill/Resolution No.: SB 2199

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	$0	$0	$0	$0	$0	$0
Expenditures	$0	$0	$0	$295,000,000	$0	$331,000,000
Appropriations	$0	$0	$0	$0	$0	$0

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
$0	$0	$0	$0	$0	($295,000,000)	$0	$0	($331,000,000)

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2199 relates to mill levy reduction grants to school districts.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The estimated grant total for the first year of the biennium is $143 million. Assuming a 6 percent annual growth rate in taxable valuation, the total for the 2009-2011 biennium is estimated at $295 million, the estimate for the 2011-2013 biennium is $331 million.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

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

   C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

HB 1013 Section 16 provides for statutory language creating a continuing appropriation from the permanent oil tax trust fund for the mill levy reduction grants.

Name:	Jerry Coleman	**Agency:**	Public Instruction
Phone Number:	328-4051	**Date Prepared:**	01/15/2009

90484.0404
Title. 0500

Prepared by the Legislative Council staff for
Senator Cook
January 29, 2009

PROPOSED AMENDMENTS TO SENATE BILL NO. 2199

Page 1, line 3, replace "section" with "sections 57-15-14 and"

Page 1, after line 16, insert:

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

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

1. In any school district having a total population in excess of four thousand according to the last federal decennial census~~:~~

   ~~a.~~ ~~There~~ there may be levied any specific number of mills that upon resolution of the school board has been submitted to and approved by a majority of the qualified electors voting upon the question at any regular or special school district election.

   ~~b. There is no limitation upon the taxes which may be levied if upon resolution of the school board of any such district the removal of the mill levy limitation has been submitted to and approved by a majority of the qualified electors voting at any regular or special election upon such question.~~

2. In any school district having a total population of ~~less~~ fewer than four thousand, there may be levied any specific number of mills that upon resolution of the school board has been approved by fifty-five percent of the qualified electors voting upon the question at any regular or special school election.

3. After June 30, ~~2007~~ 2009, in any school district election for approval by electors of ~~unlimited or~~ increased levy authority under subsection 1 or 2, the ballot must specify the number of mills~~, the percentage increase in dollars levied, or that unlimited levy authority is~~ proposed for approval, and the number of taxable years for which that approval is to apply. After June 30, ~~2007~~ 2009, approval by electors of ~~unlimited or~~ increased levy authority under subsection 1 or 2 may not be effective for more than ten taxable years.

ends unlimited

4. The authority for an unlimited levy approved by electors of a school district before July 1, 2009, is terminated effective for taxable years after 2010. If the electors of a school district subject to this subsection have not approved a levy of a specific number of mills under this section by December 31, 2010, the school district levy limitation for subsequent years is subject to the limitations under section 57-15-01.1 or this section.

The question of authorizing or discontinuing such specific number of mills authority ~~or unlimited taxing authority~~ in any school district must be submitted to the qualified electors at the next regular election upon resolution of the school board or upon the filing with the school board of a petition containing the signatures of qualified electors of the district equal in number to ten percent of the number of electors who cast votes in the most recent election in the school district. However, not fewer than twenty-five signatures are required ~~unless the district has fewer than twenty-five qualified electors, in which case the petition must be signed by not less than twenty-five percent of the qualified electors of the district. In those districts with fewer than twenty-five qualified electors, the number of qualified electors in the district must be determined by the county superintendent for such county in which such school is located~~. However, the approval of discontinuing ~~either~~ such authority does not affect the tax levy in the calendar year in which the election is held. The election must be held in the same manner and subject to the same conditions as provided in this section for the first election upon the question of authorizing the mill levy."

Page 3, line 5, after "district" insert "in the previous taxable year"

Page 3, line 29, after "2008" insert "reduced by the amount of the school district's mill levy reduction grant under section 57-64-02 for the budget year"

Page 4, line 4, after the underscored period insert "A ballot measure for approval by electors of extension of levy authority under subdivision a or b of subsection 1 is subject to the following:

a. The ballot measure must specify the number of mills for the combined education mill rate for which approval is sought.

b. If a ballot measure for approval of authority to levy a specific number of mills is not approved by a majority of the electors of the school district voting on the question, the school district levy limitation for subsequent years is subject to the limitations under section 57-15-01.1 or 57-15-14."

Page 4, line 11, replace "and" with a comma and after "2" insert ", and 3"

Renumber accordingly

Date: 02/12/09

Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 2199

Senate Finance and Taxation Committee

☐ Check here for Conference Committee Amendments

Legislative Council Amendment Number .0404

Action Taken ☐Do Pass ☐Do Not Pass ☐Amended

Motion Made By Senator Miller Seconded By Senator Hogue

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman	✓		Sen. Arden Anderson	✓	
Sen. Joe Miller – Vice Chairman	✓		Sen. Jim Dotzenrod		✓
Sen. David Hogue	✓		Sen. Constance Triplett	✓	
Sen. Dave Oehlke	✓				

Total: Yes 6 No 1

Absent 0

Floor Assignment

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

Date: 02/12/09

Roll Call Vote #: 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 2199

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Re - Referred to App.

Action Taken ☒ Do Pass ☐ Do Not Pass ☒ As Amended .0404

Motion Made By Senator Miller Seconded By Senator Hogue

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman	✓		Sen. Arden Anderson	✓	
Sen. Joe Miller – Vice Chairman	✓		Sen. Jim Dotzenrod	✓	
Sen. David Hogue	✓		Sen. Constance Triplett	✓	
Sen. Dave Oehlke	✓				

Total: Yes 7 No 0

Absent 0

Floor Assignment Senator Cook

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

REPORT OF STANDING COMMITTEE

SB 2199: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2199 was placed on the Sixth order on the calendar.

Page 1, line 3, replace "section" with "sections 57-15-14 and"

Page 1, after line 16, insert:

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

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

1. In any school district having a total population in excess of four thousand according to the last federal decennial census~~:~~

   ~~a.~~ ~~There~~ <u>there</u> may be levied any specific number of mills that upon resolution of the school board has been submitted to and approved by a majority of the qualified electors voting upon the question at any regular or special school district election.

   ~~b. There is no limitation upon the taxes which may be levied if upon resolution of the school board of any such district the removal of the mill levy limitation has been submitted to and approved by a majority of the qualified electors voting at any regular or special election upon such question.~~

2. In any school district having a total population of ~~less~~ <u>fewer</u> than four thousand, there may be levied any specific number of mills that upon resolution of the school board has been approved by fifty-five percent of the qualified electors voting upon the question at any regular or special school election.

3. After June 30, ~~2007~~ <u>2009</u>, in any school district election for approval by electors of ~~unlimited or~~ increased levy authority under subsection 1 or 2, the ballot must specify the number of mills~~, the percentage increase in dollars levied, or that unlimited levy authority is~~ proposed for approval, and the number of taxable years for which that approval is to apply. After June 30, ~~2007~~ <u>2009</u>, approval by electors of ~~unlimited or~~ increased levy authority under subsection 1 or 2 may not be effective for more than ten taxable years.

<u>4.</u> <u>The authority for an unlimited levy approved by electors of a school district before July 1, 2009, is terminated effective for taxable years after 2010. If the electors of a school district subject to this subsection have not approved a levy of a specific number of mills under this section by December 31, 2010, the school district levy limitation for subsequent years is subject to the limitations under section 57-15-01.1 or this section.</u>

The question of authorizing or discontinuing such specific number of mills authority ~~or unlimited taxing authority~~ in any school district must be submitted to the qualified electors at the next regular election upon resolution of the school board or upon the filing with the school board of a petition containing the signatures of qualified electors of the district equal in number to ten percent of the number of electors who cast votes in the most recent election in the school district. However, not fewer than twenty-five signatures are required ~~unless the district has fewer than twenty-five qualified electors, in which case the petition must be signed by not less than twenty-five percent of the qualified electors of the district. In those districts with fewer than twenty-five qualified electors, the number of qualified electors in the district must be determined by the county superintendent for such county in which such school is located~~. However, the approval of discontinuing ~~either~~ such authority does not affect the tax levy in the calendar year in which the election is held. The election must be held in the same manner and subject to the same conditions as provided in this section for the first election upon the question of authorizing the mill levy."

Page 3, line 5, after "district" insert "in the previous taxable year"

Page 3, line 29, after "2008" insert "reduced by the amount of the school district's mill levy reduction grant under section 57-64-02 for the budget year"

Page 4, line 4, after the underscored period insert "A ballot measure for approval by electors of extension of levy authority under subdivision a or b of subsection 1 is subject to the following:

a. The ballot measure must specify the number of mills for the combined education mill rate for which approval is sought.

b. If a ballot measure for approval of authority to levy a specific number of mills is not approved by a majority of the electors of the school district voting on the question, the school district levy limitation for subsequent years is subject to the limitations under section 57-15-01.1 or 57-15-14."

Page 4, line 11, replace "and" with a comma and after "2" insert ", and 3"

Renumber accordingly

2009 SENATE APPROPRIATIONS

SB 2199

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2199

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 02-17-09

Recorder Job Number: 9634

Committee Clerk Signature	Alice Delzer

Minutes:

Chairman Holmberg called the committee hearing to order on SB 2199 regarding allocation of funds to school districts for mill levy reduction grants and relating to property tax levies of school districts.

Senator Wardner District #37. Testified in favor of SB 2199 and stated he will talk about only the budgetary items. The funds will come out of the Permanent Oil Trust Fund. It will go through the school? (missed the beginning of testimony on winscribe)

Rep Monson District #10. Testified in favor of SB 2199. In the state as a whole we do have a big out cry for property tax relief. If we do own any of the responsibility for rising property taxes around the state, it is through education. K-12 education does take a big chunk of the property tax payments made by our taxpayers. For that reason I believe that if the state is going to provide property tax relief, this type of a bill where the school district is involved in the property tax reduction, this is the proper bill.

Lt. Governor Jack Dalrymple Commission of Education. Testified in favor of SB 2199. See attachment #1. Prepared the committee to walk through his testimony to help them understand the bill, explained the bill

Senator Krauter Are there any school districts below that amount?

Dalrymple Yes, I will address that. Continued with testimony

Senator Christmann Roughly a 10% increase?

Dalrymple They assume a 6% growth in the tax evaluation. Continued with testimony

Dr Paul Stremick Superintendent of Dickinson Public Schools. Submitted written testimony in opposition to the amendment, see attachment #2.

V. Chair Bowman How do you treat schools with unlimited mill levees in this?

Dalrymple The bill as introduced had a provision that requires school districts review/renew their higher/unlimited levy once every ten years. We continue to carry that in this program which is different to be consistent. The senate finance and tax committee did add an amendment that requires in addition to a ten year renewal, any district with an unlimited levy must in the future vote on a number to be assessed.

Senator Seymour You've had two commissions, are you looking at having a 3rd one?

Dalrymple House bill 1400 does call for a continuation for another 2 years. We have proposed adding the chancellor of higher education as well as the employer for the state of ND. We feel that the next step in this process is to align our K-12 education with our higher ed requirements and the other important step is to potentially try to integrate these two formulas, or three, into a fully integrated formula.

Senator Warner Can you make generalizations about the demographics of the civil districts that fit in to the different categories. In other words, we have some districts that might be 100 times bigger than others. Is there generally a larger mill levy with larger schools? Does it vary by region?

Dalrymple No, you cannot. The relative wealth of a school district is measured by the taxable evaluation per student. That may or may not be large or small according to the number of students; it may not be rural or urban. Generally speaking what this program does is it will tie

(?) down more mills for school districts that have had higher levees. The reason they had higher levees is that they were relatively poor in relation to other districts.

Senator Krauter What about geographical size, a few school districts have consolidated creating more land and property values and in that process have more mills?

Dalrymple Yes, consolidation is common now particularly in the western half of the state where the relative amount of land is large in comparison to the education mission/number of students that need to be educated. That can produce a relatively high valuation of student. We would say congratulations to those that have been able to have lower mill levees over the last 30 years but as we move towards providing property tax relief that (unintelligible).

Senator Mathern Did you give any consideration to giving a higher relief or different kind of relief to property owners who live here? I am concerned about the amount of dollars that we could maybe even add here that are part of the equation.

Dalrymple There has been a number of ideas brought forward about fairness issues relating to property taxation. What we would say is that this bill is only designed to deliver money back to the tax payer through the school district levy in order to provide tax relief directly to the taxpayer as that exists today. All other issues such as fairness of taxation, resident, nonresident, etc. we have asked people to put in other bills. This bill is not about tax policy, it is only about a delivery mechanism of state funds back to tax payers.

Doug Johnson Executive Director, NDECL. Testified in favor of SB 2199. See attachment # 3.

Greg Burns Executive Director of the ND Educators Association. Testified in favor of SB 2199.

Claus Lembke ND Association of Realtors. Testified in favor of SB 2199. We find the taxes on residential property are around 2-3% throughout the towns in ND. Proposition 13 was started in California. I have been fortunate enough to travel with the Department of Commerce to recruit ND to come home. Taxes inevitably come up and people think the taxes are high here. I hope you will support the bill.

V. Chair Grindberg Asked if anyone wanted to testify in opposition of 2199.

Senator Christmann Asked if Marcy Dickerson wanted to say anything about this bill. She declined.

Paul Johnson Superintendent of Bismarck Schools. Testified in opposition to SB 2199. See attachment #4.

Senator Warner So we understand, dealing with engrossed bill—the language you object to is on page 24?

Johnson Philosophically we believe that those unlimited mill levees that were put into place by the local government should remain until that authority is taken away. We could live with the idea that we have 10 years, we think that is fair but to reduce our mill levy in one year by 20 mills is drastic and hopefully an unintended consequence.

Senator Robinson Who are the other two districts besides Bismarck?

Johnson I believe it is Grand Forks and Williston?

Lynn Bergman Taxpayer from Bismarck. Testified in opposition to this bill. See attachment #5.

Senator Christmann We have two very similar school districts with an urban population, one of those communities decides to give major property tax breaks for new buildings so their new homes aren't coming on the tax roles the other doesn't, will this reward the one who keeps giving tax breaks?

Dalrymple I don't see it as rewarding one or the other. This is again, a delivery mechanism of state dollars back through school districts passed directly to tax payers. The policy of how we treat the taxation of property is a policy question. Spoke about tax laws.

Senator Christmann Are we basing this on the taxable valuation of property that is available in the district to tax or just on the part that they choose to tax?

Dalrymple All of these computations are based on cash dollars that flow through school districts for their use.

Senator Christmann Restated his question about communities giving tax breaks using a new example.

Dalrymple Again I think you're uncovering a kind of inconsistency or balance in some of our tax policies, those exist today and they will exist if this bill passes. In the computation of the equity, we try to take into account ever other source of income that the school district has other than property tax income. Where we have been able to determine that and get that data we have required that it be taken into account. In some cases we can't actually do that. Gave some examples and offered a printout on affects of the bill on school districts

V. Chair Grindberg Closed the hearing on SB 2199.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2199

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: February 17, 2009

Recorder Job Number: 9640

Committee Clerk Signature	Rose Laning

Minutes:

Chairman Holmberg opened the discussion on SB 2199.

Chairman Holmberg said there is a flaw and as of today there is no mechanism or appropriation to cover the cost of the property tax measure. The House removed it and now the Senate has to take care of it. The authority and the source of money is not in this bill or in anything coming out of the House.

Senator Robinson said three school districts will take a major hit.

Chairman Holmberg said this is clearly a policy issue.

Senator Mathern asked if they should remove subsection 4, section 2.

Senator Robinson said we should try to stay out of policy issues.

Senator Kilzer said he would go along with taking this section out and he referred to Dr. Johnson's testimony during the hearing where he felt the affect was unintended.

Senator Christmann said the intent is right, but the .0404 amendment is an order to accomplish what finance and tax wanted to do. The point of the bill is to continue to allow the three schools to have their unlimited mills? Maybe the amendment is to undo the .0404 amendment.

Senator Mathern moved to undo the amendment.

V. Chair Grindberg said that this committee doesn't have the knowledge or background to know what the intentions of the Finance and Tax committee were.

Senator Mathern moved to remove Cook amendments that were put on in Finance & Tax. Senator Robinson seconded.

Voice vote passed. (The Cook amendments are out of the bill.)

Chairman Holmberg: We have to talk about the mechanism for the money. We can do what was presented by the Governor and take it out of the Oil Trust Fund or the general fund.

V. Chair Grindberg moved to take it out of permanent oil trust fund.

Senator Wardner seconded.

Voice vote passed.

Senator Wardner moved Do Pass on SB 2199 as Amended.

Senator Robinson seconded.

V. Chair Grindberg said that what he hears in the halls is that everyone understands the intent of the bill, we're shifting and putting in more state funds and reducing mills. And part of the Finance and Tax intent was to have a look back or a check and balance by the state picking up 70% of the cost of education now. What's to prohibit an escalation on the local share to have 140% over 4-6 years, or 110%. That's what we'll have to resolve.

A Roll Call vote was taken. Yea: 12 Nay: 2 Absent: 0

Senator Wardner will carry the bill.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2199

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: February 18, 2009

Recorder Job Number: 9650

Committee Clerk Signature	Rose Laning

Minutes:

Chairman Holmberg opened discussion on SB 2199 concerning mill levy grants for school districts.

Senator Fischer moved to reconsider the committee's action by which they amended and passed SB 2199.

V. Chair Grindberg seconded.

Voice vote passed

Chairman Holmberg said they made some amendments, one of which gave the funding source for the bill. Discussion was held on the 10 year vote for the three unlimited mill levy school districts. The committee had removed all the amendments that the Finance and Taxation committee had put on.

Sen.Dwight Cook, District 34

The intention of the bill was to find a funding mechanism for 2199. He was here to speak to amendments and unintended consequence.

John Walstad, Legislative Council, addressed the bill.

Senator Warner moved to re-amend SB 2199 and re-attach the .0404 amendments that were put on by the Finance and Tax committee.

V. Chair Grindberg seconded.

Voice vote passed.

Senator Warner moved Do Pass as amended SB 2199.

Senator Fischer seconded.

A Roll Call vote was taken. Yea: 12 Nay: 2 Absent: 0.

The bill goes back to the Finance and Tax Committee.

Date: 2-17-09

Roll Call Vote # 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2199

Senate **Senate Appropriations** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number .0404 amendment remove Cook amend.

Action Taken ☐ Do Pass ☒ Do Not Pass ☐ Amended

Motion Made By Sen Mathern Seconded By Sen Robinson

Senators	Yes	No	Senators	Yes	No
Sen. Ray Holmberg, Chairman			Sen. Aaron Krauter		
Sen. Bill Bowman, VCh			Sen. Elroy N. Lindaas		
Sen. Tony S. Grindberg, VCh			Sen. Tim Mathern		
Sen. Randel Christmann			Sen. Larry J. Robinson		
Sen. Tom Fischer			Sen. Tom Seymour		
Sen. Ralph Kilzer			Sen. John Warner		
Sen. Karen K. Krebsbach					
Sen. Rich Wardner					

Total Yes ______ No ______

Absent ______

Floor Assignment ______

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

killed the amendment

90484.0501
Title.

Prepared by the Legislative Council staff for
Senate Appropriations
February 17, 2009

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2199

Page 1, line 3, replace "sections 57-15-14" with "section"

Page 1, line 4, remove "and"

Page 1, line 5, after the semicolon insert "to provide an appropriation;"

Page 1, remove lines 17 through 23

Page 2, remove lines 1 through 31

Not Correct

Page 3, remove lines 1 through 10

Page 4, line 21, remove "in the previous taxable"

Page 4, line 22, remove "year"

Page 5, line 15, remove "reduced by the"

Page 5, remove line 16

Page 5, line 17, remove "for the budget year"

Page 5, line 23, remove "A ballot measure for approval by"

Page 5, remove lines 24 through 31

Page 6, after line 6, insert:

"**SECTION 4. APPROPRIATION.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $295,000,000, or so much of the sum as may be necessary, to the superintendent of public instruction for the purpose of allocation of mill levy reduction grants to school districts under chapter 57-64, for the biennium beginning July 1, 2009, and ending June 30, 2011."

Page 6, line 7, replace the first comma with "and" and remove ", and 3"

Renumber accordingly

Date: 2-17-09
Roll Call Vote #: 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2199

Senate **Senate Appropriations** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number ______

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended moved to take the money out of the permanent oil trust fund to fund the bill

Motion Made By Sen Grindberg Seconded By Sen. Wardner

Representatives	Yes	No	Representatives	Yes	No
Senator Krebsbach			Senator Seymour		
Senator Fischer			Senator Lindaas		
Senator Wardner			Senator Robinson		
Senator Kilzer			Senator Warner		
V. Chair Bowman			Senator Krauter		
Senator Christmann			Senator Mathern		
V. Chair Grindberg					
Chairman Holmberg					

Total Yes ______ No ______

Absent ______

Floor Assignment ______

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

Voice vote passed.

Date: 2-17-09
Roll Call Vote #: 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2199

Senate Senate Appropriation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken ☒ Do Pass ☐ Do Not Pass ☒ as Amended

Motion Made By Wardner Seconded By Robinson

Representatives	Yes	No	Representatives	Yes	No
Senator Krebsbach	✓		Senator Seymour	✓	
Senator Fischer	✓		Senator Lindaas	✓	
Senator Wardner	✓		Senator Robinson	✓	
Senator Kilzer	✓		Senator Warner	✓	
V. Chair Bowman		✓	Senator Krauter	✓	
Senator Christmann		✓	Senator Mathern	✓	
V. Chair Grindberg	✓				
Chairman Holmberg	✓				

Total Yes 12 No 2

Absent

Floor Assignment Wardner

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

Date: 2-18-09
Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2199

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number reconsider previous vote on bill

Action Taken ☒ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Fischer Seconded By Grindberg

Representatives	Yes	No	Representatives	Yes	No
Senator Krebsbach			Senator Seymour		
Senator Fischer			Senator Lindaas		
Senator Wardner			Senator Robinson		
Senator Kilzer			Senator Warner		
V. Chair Bowman			Senator Krauter		
Senator Christmann			Senator Mathern		
V. Chair Grindberg					
Chairman Holmberg					

Total Yes ______ No ______

Absent ______

Floor Assignment ______

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

voice vote approval

Prepared by the Legislative Council staff for
Senate Appropriations
February 18, 2009

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2199

Page 1, line 5, after the semicolon insert "to provide an appropriation;"

Page 6, after line 6, insert:

> "**SECTION 5. APPROPRIATION.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $295,000,000, or so much of the sum as may be necessary, to the superintendent of public instruction for the purpose of allocation of mill levy reduction grants to school districts under chapter 57-64, for the biennium beginning July 1, 2009, and ending June 30, 2011."

Renumber accordingly

Date: 2-18-09
Roll Call Vote #: 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2199

Senate **Senate Appropriations** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number (.0404) put back amendments from Finance & Tax Section 4 voice vote passed

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By ______ Seconded By ______

Representatives	Yes	No	Representatives	Yes	No
Senator Fischer			Senator Warner		
Senator Christmann			Senator Robinson		
Senator Krebsbach			Senator Krauter		
Senator Bowman			Senator Lindaas		
Senator Kilzer			Senator Mathern		
Senator Grindberg			Senator Seymour		
Senator Wardner					
Chairman Holmberg					

Total Yes ______ No ______

Absent ______

Floor Assignment ______

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

Date: 2-18-09

Roll Call Vote # 3

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2199

Senate **Senate Appropriations** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number ______

Action Taken ☒ Do Pass ☐ Do Not Pass ☒ Amended

Motion Made By Warner Seconded By Fischer

Senators	Yes	No	Senators	Yes	No
Sen. Ray Holmberg, Chairman	✓		Sen. Aaron Krauter	✓	
Sen. Bill Bowman, VCh		✓	Sen. Elroy N. Lindaas	✓	
Sen. Tony S. Grindberg, VCh	✓		Sen. Tim Mathern	✓	
Sen. Randel Christmann last		✓	Sen. Larry J. Robinson	✓	
Sen. Tom Fischer	✓		Sen. Tom Seymour	✓	
Sen. Ralph Kilzer	✓		Sen. John Warner	✓	
Sen. Karen K. Krebsbach	✓				
Sen. Rich Wardner	✓				

Total Yes 12 No 2

Absent 0

Floor Assignment Finance + Tax

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

REPORT OF STANDING COMMITTEE

SB 2199, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2199 was placed on the Sixth order on the calendar.

Page 1, line 5, after the semicolon insert "to provide an appropriation;"

Page 6, after line 6, insert:

"**SECTION 5. APPROPRIATION.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $295,000,000, or so much of the sum as may be necessary, to the superintendent of public instruction for the purpose of allocation of mill levy reduction grants to school districts under chapter 57-64, for the biennium beginning July 1, 2009, and ending June 30, 2011."

Renumber accordingly

2009 HOUSE FINANCE AND TAXATION

SB 2199

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2199**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 9, 2009

Recorder Job Number: 10531

Committee Clerk Signature

Minutes:

Chairman Belter: I will call the committee to order and we will open the hearing on SB 2199.

Senator Wardner: I bring before you SB 2199. This is the Governor's bill on property tax relief to the people of North Dakota. It is a pretty simple bill really when you look at it. The money which amounts to $300 million comes out of the permanent oil trust fund and it goes through the schools. The state buys down 75 mills; whatever the mill is in your particular district or anybody's district; that is what it will buy down. So, Mr. Chairman, I think it is one way the State of North Dakota can make an impact and help the people stay in their homes. Mr. Chairman, I had someone tell me that there are different needs that we have, shelter, food and clothing and this is definitely one that keeps people in their shelter. We have a Lt. Governor who will be explaining the bill. We also have Senator Cook who will be here; he will talk about the amendment they put on over on the other side. It is an amendment that needs to make sure everyone understands how it works because we had a little misunderstanding over on the Senate side, but we've got it worked out. It has to do with schools that have an unlimited mill levy and how it affects that. With that, Mr. Chairman, I am going to turn it over to the Lt. Governor.

Lt. Governor Jack Dalrymple: Thank you. Are there any other sponsors in here? I guess not. Senator Cook will be here; he just has another bill. It is a pleasure to be back in the House Finance and

Tax Committee again. It brings back memories. It is good to be here with you today. I have a handout here or two. **(Testimony 1)** Mr. Chairman, I think the piece that I would like to focus on is the one marked Bill Summary, SB 2199. **(Attachment 2 and Attachment 3)** ((13:24) The fiscal note, as I mentioned, came out at $143 million in year one and $151 million I guess in year 2; it must have been $152 million for a total of $295 million. It assumes an increase in valuation of 6.8% from year one to year 2. There was an amendment added by the Senate, which is not the work of the Commission on Education Improvement. The Senate feels that not only should electors be required to vote within ten years; but if the district has a limited value, the Senate felt that the district should be required to vote for a specific number of mills within two years. There was some disagreement about that in the Senate. I know there were some who felt that was a little bit too soon to force those districts to take another vote on the mill levy. I believe that that covers the important elements in the bill. We have also handed out the actual report on the Commission on Education Improvement in regard to the mill levy reduction program. If you want to read in more detail some of the reasoning that the commission put together, you can take a look at that. Also we handed out a few charts which you have seen before. We just wanted them to be available so you can look at them again in regards to the sustainability of providing $300 million approximately from the permanent oil tax trust fund; some of this was presented during the original budget presentation; these charts which you all have in front of you and they are very familiar to you. Just quickly, chart 1 shows the general fund forecast even after income tax relief will exceed ongoing expenses. Chart 2 shows that one time recommended capital investments are less than the projected cash balance on June 30, 2009. Chart 3 shows that the package of tax relief, which is not only this bill for $300 million, but also a recommendation for $100 million in income tax relief (which the house passed, as you know). Chart 4 shows that the cash reserves that will build up by the beginning of the 2009-2011 biennium reach $608 million even though we reserve $300 million up front out of the permanent oil tax trust fund for property tax relief. You will see that those balances will be there even after we take that money out. Chart 5 is the original forecast last fall in which we felt that revenues may range as high as $1.2 billion and economy.com recently came in at $980 million. The last page, Chart 6, shows that even under a $40 per barrel oil scenario, we feel that the total reserves at the end of the 2009-2011 biennium would still be over $800 million. The bottom line here is that the Governor's Office feels that we can sustain property tax relief over the long haul. We feel that it is possible even under conservative (?), so Mr. Chairman, thank you, and if there are any questions.

Representative Headland: The statutory cap, if this bill passes, will become 110 mills. Can you define the purpose of in raising that what an elector is. I should maybe know that and I do have an idea of what I believe it is. Do you have to live within the district or do you have to own property within the district or how do you get a vote?

Lt. Governor Dalrymple: An elector is the statutory definition of a person who is eligible to vote in that jurisdiction; in this case, a school district. Normally a person of the proper age actually residing in the district under our fairly loose residency laws, which basically indicate that I only need to have been around about a month and have some sort of address. It is the same definition we use for all state elections.

Representative Weiler: Chart 5 on the projected reserves, the second line item there says oil tax trust fund projected revenues $428 million. Is that after the first $71 million goes to the general fund?

Lt. Governor Dalrymple: This particular handout was the original Governor's budget proposal in which we did recommend that the general fund be allowed to keep, I believe it was $100 or $110 million rather than spend it. That is correct, but it would not change the reserve total in the sense that it would simply be allowed to flow with the general funds.

Chairman Belter: Any other questions? On the exceptions, we have the three listed. It says the districts obtained a higher levy as a result of a reorganization as allowed in the century code so what specific rules are there that would allow them to have a larger mill levy?

Lt. Governor Dalrymple: As I understand it, that mill use section to provides that if two districts merge or consolidate and one district has a higher levy or even a levy over the statutory cap, the merged entity is allowed to set a mill levy up to the higher levy of the two. That can theoretically result in a levy over the statutory cap. Now over time, what normally happens is the savings and efficiencies from consolidation replace the consolidated district's attempts to get the levy back down again within a couple of years. Let me just close by saying that the question of limitations on school spending, I know is of interest to this committee, and I would ask that you consider looking primarily at the requirements on voting as the best controller for the local mill levy. That means the number of years that you think is the right number of years for which the voters need to revisit the question of the local mill levy. There is a possibility that in some cases electors will lose track of what their mill levy is; maybe they didn't live in the district when it was raised to a higher level. It is reasonable to ask that it be revisited from time to time, but I think that is a governing mechanism then, an arbitrary mathematical computation that holds down perhaps the valuations or holds the revenue collections. Therefore, I would suggest that if you do have interest in other changes in tax policy that it would be our preference that you attach those changes in tax policy to other bills. This bill is not about limitations on taxation; it is strictly a mechanism to deliver dollars back to the local taxpayer. That is what this bill does and I think does quite effectively, but that is all that it tries to do.

Senator Dwight Cook: I am here to testify in support of SB 2199 and to ask for your favorable consideration. Mr. Chairman, the sheet that I am handing out here **(Attachment 4)** is something that might be beneficial to you. I actually had it prepared after we had the bill in the Senate. I was getting asked a lot of questions from various legislators, senators, on how they might go home and easily explain this to their superintendents and school board members far as how it applied to some of the major features of this bill. I will walk though it very briefly with you; but you heard, as the Lt. Governor explained the bill, the three categories that determine the amount of your mill levy deduction. The first box you see there, if you are under 100 mills, there are eight school districts and they get no relief and, of course, they get basically no state aid right now. If you go across to the last box, their options that exist today after the passage of this bill, to increase their mill levy are exactly the same as they were before. They can go to an 18% increase in dollars up to 110 mills; before that would have been up to 185 mills or any specific number of mills approved by the voters. That is the same as it is today. You are going to have 70 school districts that are going to fall in that bracket between 100 and 174 mills; those school districts will all get the number of mills that they are over 100. There are 70 of them; they will all end up at 100 mills; they have the same options yet after this bill passes to increase their mill levy they have existing today. The 58 school districts between 175 and 185 mills, again you will see they have the same options. Then the next two brackets, those that are over 185 mills and there are a total of 45 districts that fall into those next two boxes. We can't separate them because we don't know which is which, but they are in there. I think the Lt. Governor probably explained this; they are in there for two reasons. One is they have voter approval to go over the existing mill levy cap and number two, they have gone over it because of the conditions when we talked about this 57-15.01.1. In the past, for a few years starting in the 80's, they were not only allowed to guarantee themselves the same amount of dollars, which is what 57-15.01.1 allowed, but they were also allowed an annual escalator and it was that annual escalator that allowed some of these school districts then as they built their budgets, to go over the 185 mill levy cap. We don't know how many there are of them, but there are 45 school districts that fall into that same category. Again the first bracket, those who are over because of the taxable valuation, they can retain the dollar amount levied in 2008, any specific number of mills approved by the voters. The last bracket is the one that I want to talk to you about and that is the one real amendment that we put on SB 2199. The bill as introduced to us as far as the unlimited mill levy cap (we have three school districts in the state where the voters have given the school board the ability to levy mill levies as high as seemed right; there are three of them), the bill as introduced, I think, said that those three school districts had to go back and get voter approval again within ten years. The Senate Finance and Tax Committee had quite a discussion on that; we looked at some options. We considered whether or not that ability to have an unlimited mill levy should even exist. We considered allowing it with regular voter approval. The wish of the committee, and I believe it was a unanimous amendment that was put on there, was to remove the ability for any school district to have an unlimited mill levy cap. We feel this is a property tax reduction; they will still have the ability to go to the voters and get voter approval for any mill levy increase that they want over their existing mill levy. The other options that they have, these three school districts, and they can retain their current mill levy through the year 2010. After that, they will have to go to the voters and get approval to continue to have that existing mill levy. If they don't get that mill levy, then they fall back to the conditions of 57-15.01.01 which is they are going to be guaranteed the same amount of budget dollars that they have right now or the highest number in the last three years. Whatever mill levy that is for, that is the only real substantive amendment that we put on the bill. Otherwise we made some technical corrections to make sure that it would work. Again with that, I will answer any questions and would encourage your favorable support. (29:59)

Chairman Belter: Any other questions of Senator Cook?

Representative Weiler: If I could just talk for a second about the issue you just discussed about the unlimited mills, Bismarck School District if we had 225 mills and we are required to drop that 75; I don't know what we have if it 225 or 240, but for the sake of argument, let's just say it is 225 and we have to drop it to 150 under this bill, then the school board needs to take it to a vote to go over that 150 mark;

am I understanding it correctly? If I am, do they set a number and say, "okay we want the ability to go to 200". Do they set that number that would be on the ballot?

Senator Cook: Just so we talk exact numbers here, currently the Bismarck School District is at 205.71 mills. That is the total GF3 mills that they have; that is also the same as their general fund mill levy so a 75 mill reduction will take them down to 130.71 mills. Now the new mill levy cap is 110 so they are going to be 20 mills over that cap; they are 20 mills over the existing cap of 185. By 2010, they would have to go and get voter approval to stay at 205 mills or they could get voter approval to stay at whatever mill levy they wanted, but they would have to get voter approval. If they don't get voter approval, then they would be required to go to the last part of that box which is after 2010, if voters have not approved a specific number of mills, the dollar amount levied in the highest of the last three years under section 57-15.01.1. That is the section of code that this whole SB 2199 is based off of basically is how subdivisions build their budgets so that would guarantee them the same amount of dollars. They will get new dollars if there is new construction in the town. They build new homes in Bismarck; the value of those new homes would have to be added to that number so there are some conditions they get to add to that number also. Then they would get whatever mill rate that equates to.

Representative Weiler: So if this bill passes and the Bismarck School District is down to 130 mills and the voters do not approve of the district getting to stay at 205, they are at 130 and the only increase we are going to get is new construction, is that correct? And valuation increases?

Senator Cook: I don't believe they would get valuation increases.

Representative Weiler: So we would be getting 130 mills and only new construction. We had better hope we have a heck of a boom in Bismarck because there will be no extra money.

Senator Cook: The key of this whole section 57.15.01 is to protect them when the opposite happens. I mean it works both ways and I think that if you take a look at the reality of the world, we are probably going to see the mill levy in the state go down. That is really what that was put in back in 1981 was to do that. Of course the other option we have is in the code too. But that is the way it would work and my guess is that the voters of Bismarck, if real estate went down because of that section of law that the mill rate would go up. If real estate went down, the 130 mill rate could go up to 150 if it had to to guarantee that amount without voter approval.

Representative Weiler: So if we are at 130 mills in Bismarck and we are stuck there for ten years but the valuation of houses continues to go up, we don't get that extra money for the school district?

Senator Cook: If the valuations go up, they would not get that unless they got voter approval to levy a mill rate like all the other schools that are over 110 mills would have to do.

Representative Weiler: But our mills are staying at 130. There are two ways the school district is going to get an increase in money—if the mills go up or the valuations go up. If the mills are staying at 130 but the valuations increase, the school district is not getting additional money because of that?

Senator Cook: The school district is going to go to the voters and get voter approval for a specific mill rate. That condition you are talking about is if the voters do not give them voter approval. All of the other school districts that are over 110 mills, if they are over it they have a specific mill rate that they are guaranteed right now. Those school districts, every one of them, will have to go back to the voters every ten years and get approval to stay at the mill rate. The whole purpose of this as we introduce for property tax reduction is to have means for the voters of the school district to weigh in on a regular basis on what the mill rate should be. (36:03)

Representative Winrich: The election here for those three districts that are over 185 mills must occur before the end of 2010. Is that correct?

Senator Cook: That is correct.

Representative Winrich: What happens if the…until that election, because of the buy down that is in this bill, the ceiling drops by 75 mills so doesn't this give those school districts a tremendous incentive to max out their 2010 budget so that if that election in 2010 fails, they can at least keep the same dollar amount?

Senator Cook: I believe they are capped right now at their existing mill rate they have so they are going to build a budget over what that mill rate is, they no longer will have that unlimited mill levy authority so if their budget is going to be limited. As they build their budget, they are supposed it in dollars based on their needs. If they try to get imaginative to increase the size of that, they are still going to be restricted to their current mill rate.

Representative Winrich: I understand that, but they are going to build their 2010 budget presumably before this election so just to kind of hedge against that election not approving the continuation, wouldn't they have an incentive to, as you said, be as imaginative as possible?

Senator Cook: They might have a disincentive to try to lower it. I don't know. Mr. Johnson is here. I don't think that is what they are going to do, but I don't see any incentive to build it. I might be missing something; that is why we have two committees here.

Representative Grande: When we are talking about the number three option with the Bismarck School District, where after 2010, if voters have not approved a specific number of mills, the dollar amount levied is the highest of the last three years so they can go back to their previous mill so they are automatically back to the full amount of their top mills. They get to choose the highest of the last three years.

Senator Cook: That is exactly correct. I guess that in dollars the last year's budget, this current budget, is probably the highest of the three. They get to go back three years.

Representative Headland: Just following up on Representative Winrich, I don't think they will be able to go in with a bigger budget because the reduction is based on 2008's collections, correct, so that is going to essentially cap it.

Senator O'Connell: A lot of thought went into this bill. Before I agreed to sign onto this bill, I wanted to make sure it was sustainable and I think this is possible because the last thing any of us want to see after two years is to make that jump back up. I think the way it is set up from the oil trust fund is doable at this time. I will be really careful today because the last time I testified before a committee, they said your testimony is like a steer with horns, a point here, a point there and a lot of bull in between.

Representative Pinkerton: How does this stand with the equity bill that was passed two years ago?

Senator O'Connell: I think when we worked on it; we looked at it pretty closely. This is doable all the way through, I think. I have a little heartburn on some of the smaller units, but I think by putting more money and 1400 into transportation, this is doable that way too. That will make up some of that on (inaudible) schools.

Representative Pinkerton: So that equity bill is still out there and it will still be putting money into those seven or eight or ten districts.

Senator O'Connell: I believe it is seven. Yes.

Representative Pinkerton: This bill will have no effect on that?

Senator O'Connell: Not that I am aware of. (42.05)

Paul Stremick, Dickinson Public Schools: (Testimony 5) (47:14)

Bev Nielson, ND School Boards Association: We are here to support 2199. We had some reservation about cleaning up some of the language in relation to the unlimited levies. We are not convinced that they are treated fairly in comparison to the other excess levy. Overall, we believe that this bill, as compared to others we have seen in sessions past and even this session, is a fair way to replace property tax dollars with state dollars. I won't get into it any further; there are many here to testify but I just wanted to go on record.

Greg Burns, Executive Director of ND Education Association and proud participant in the Governor's Commission: For many of the reasons you have heard today, we want to offer our support for this bill. We like the sustainability of this; it is revenue neutral and it gets us toward the goal we set more than 25 years ago about having the state fund 70% of public education. I won't take any more of your time.

Doug Johnson, ND Council of Educational Leaders: We would like to go on record as supporting SB 2199. NDCEL supports the property tax relief legislation that helps the state assume that 70% funding of the cost of education and is based on an adequacy model, which does not reduce the appropriation dedicated to the 2009-2011 budget of the K-12 education as recommended by the commission. We believe this is a fair and equitable way to address property tax problems in our state and give needed relief to those that are out there that need that in their school districts. In the 2007 session, we took the same position and we will continue that in the future. That concludes my testimony and I will be glad to answer any questions if you have them.

Representative Headland: Could you just say for some of us who didn't catch it who you represent again.

Doug Johnson: The North Dakota Council of Educational Leaders, NDCEL.

Janis Cheney, AARP of ND: Representing 88,000 members. I take just a slightly different tack on this to bring your attention to the fact that property tax is the single most burdensome tax for many low-income and older people. It affects older people directly as homeowners and also indirectly as renters because many landlords pass on costs to their renters. The perspective of property tax relief is certainly reflected in our ongoing communications with our members. Many are also sensitive, I would add, to the educational needs of their children and grandchildren so I would encourage your support of this legislation.

Representative Headland: As a person who represents taxpayers in this state, I would just like your opinion on something. There are some fairly restrictive provisions in this that will not allow for school districts to raise levies over what they are already raising. I am just wondering, do you feel that the other political subdivisions that have the ability to raise property tax should somehow have similar constraints placed on them so the taxpaying citizen doesn't see the increase in the very tax we are attempting to lower for him now?

Janis Cheney: I cannot pretend to be an expert on tax policy. I am trying to represent the perspective of a great number of citizens of ND who do have concerns about property tax rates as well as education. We would be happy to bring to bear some of the people in our organization who are experts to help answer that question or to work with the sponsors as far as working on potential amendments, but I am really not equipped to answer a question at that level of detail.

Claus Lembke, ND Association of Realtors: When we look at this bill, we think this is a very fine bill that finally provides some tax relief. When I go out of town on behalf of the Department of Commerce recruiting people back to ND, I provide a resource of comparing real estate to their community and what it is here throughout the state. We find that taxes are very high here. On the average, most other states run around 1.2 or 1.4% of the value and here in ND in almost every community it is over 2% or 2.1% in Bismarck and 2.1% in Mandan for example. So we think this is leaning toward sustainable tax relief for property owners.

Chairman Belter: Further testimony in support of SB 2199?

Bill Shalhoob, ND Chamber of Commerce: We also stand in support of this bill **(Testimony 6).**

Sandy Clark, ND Farm Bureau: We are pleased to stand in support of SB 2199. Property tax relief has been a running gun issue for a long time and Farm Bureau has long been a staunch supporter of property tax relief so we support the bill. We would have some questions still about sustainability over the long term and even question if the education component for property tax is the proper venue for relief because it does still just represent half of the property tax problem on a statewide basis.

But we support the bill wholeheartedly. We think that SB 2199 is the best opportunity for property tax relief that we have seen. We have been assured, as you saw on the bill, that is dollar for dollar property tax relief and we feel strongly that dollar for dollar replacement is the only way we believe replacement funding can achieve real property tax relief. We would also say that we do support property tax relief, but we think that is only the first step. We also believe that the legislature can at some point begin to look at property tax reform. We would stand in support. I will try to answer any questions you might have.

Representative Headland: You said you support reform so I am assuming that you would be in favor on some kind of restrictions on budget growth in the other political subdivisions .(inaudible).

Sandy Clark: Yes, we think those kinds of reform are important and it is time for them to come; you can't provide replacement dollars and allow all of the other subdivisions or even education to continue to escalate. (56:32)

Chairman Belter: Any other questions? Further testimony in support? Any other testimony in support? If not, is there any opposition to 2199?

Paul Johnson, Superintendent of Bismarck School District: (Testimony 7). I want to make it clear right from the beginning that I am not testifying against the original intent of this bill. Our school board is firmly in favor of property tax relief, but I am testifying in opposition of the current version, very specifically, the amendment that put on by the Senate Finance and Taxation Committee.

Mike Motschenbacher, Citizens for Responsible Government: (Testimony 8) (64:01-71:08)

Representative Headland: You talk about reform and I would just like your opinion. If you don't like capping local political subdivisions, what do you feel is the best mechanism to give the taxpayer the ability to control his tax obligation?

Mike Motschenbacher: I will just say I am glad it is your problem and not mine. Like I said, I still believe that local government is the best government. I am not a fan of capping; but in this time and place, I think we might have to do it just to send the message out that if it gets out of control, we are going to step in. Once it gets back under control, we can step out and it can go on as it was before.

Representative Winrich: Lt. Governor Dalrymple made reference to the goal that has been around for a long time, the 70% state support for education. The constitution pretty makes education a state responsibility. Do you believe that the state has some role in funding public education?

Mike Motschenbacher: Yes, I do. I would like to add one thing to that though. I have had several people around the state; I have asked educators; I have asked legislators, when they say that they have a 70% goal, I ask them 70% of what and I have yet to have anybody be able to answer that. What I am trying to say is that if we do fund it at the 70%, which I am fine with, as long as—right now it is a moving goal post. If we can set a limit as to where it is going to go every year, I would be happy to support the 70%.

Representative Winrich: Just for a moment I think we could put off the definition of 70% for a bit, but if the state has a role in funding education, and you don't like the idea of the state directly providing money back to the school districts, how should that funding take place from the states?

Mike Motschenbacher: That is a good question. I guess I am not prepared to answer that with a 100% solution at this time. We have got ideas. We would like to see the 70%; that is where the state would be involved is at that 70%, but until we can find out what that top number, what 100% is, I think it needs to stay the issue like it is.

Wayne Papke: (Testimony 9) (77:26)

Representative Headland: Wayne, in your mind as a citizen, I understand what you feel is the need to put some kind of restrictions on, whether it be capping or. In your opinion, how would it work better—capping the ability to tax or just allow for public referral if taxpayers don't like what they have placed on them?

Wayne Papke: It has been very frustrating because I am an advocate of doing it on a local basis. The apathy, as we all know, has been overwhelming, which is growing to the state of a revolution. It is so it is going to go from active involvement at the local level to revolution. That is what is amazing; that is what it is building up to. I hope it doesn't happen obviously, but by the same token, we are getting very frustrated at the local levels in doing that. I think a state legislative capping is needed to give the guidelines to local politicians and local commissioners to work with and give them a little bit of guidance.

Chairman Belter: Further opposition to 2199?

Dustin Gawrylow, ND Taxpayers Association: (Testimony 10) (79:11-85:09)

Chairman Belter: Further opposition to 2199? Any other opposition? If not, is there any neutral testimony to 2199?

Representative Kasper: (Testimony 11) (85:40) What I am handing out is reform. Reform is here; it didn't take long for the request to be honored in my opinion. I didn't get to hear the testimony of Lt. Governor Dalrymple and not all of the testimony of Senator Cook, but I did hear the rest. I believe that with SB 2199, if it is passed in its present form, the state of North Dakota, the legislature, is in the property tax business. Without reform, with a cap and a real cap on the taxpayers' dollars in the state of ND, I think we are heading down the wrong path so my neutral testimony on the bill is assuming you would adopt the amendment which I have handed out for your consideration. I would just like to walk though the amendment and explain it as best as I can. If there are technical questions that I can't get to, I see that John Walstad is still here and he has all of the answers. First of all, the amendments will not change the basic structure of the bill before you. It simply adds an area of caps. On page 1, section 1 of the amendment, you can see item 2. Item 2 will cap the taxable value of each parcel of property at no greater increase than 3½% over the previous year's taxable value. The reason we need the taxable valuation capped is so that when new construction comes on board in the years ahead, they will be able to have the benefit of the capped taxable value of comparable pieces of property so that the new construction will not pay for more of their share of property taxes than the old construction and buildings and property that is under the caps. Item 4, near the bottom states that the home rule charter of any political subdivision cannot overrule the cap. That would be cannot overrule the cap in any part of the bill. By the way, Mr. Chairman, I failed to mention at the beginning, that these caps apply to all political subdivisions and not simply the school districts so all political subdivisions would have to live with caps in the bill. Items A and B in the middle of page 2 does state that improvements in the property, that valuation could go above the 3½% and if the class (?) of the property does change from the previous year, then the valuations could go up. Flipping over to page 2, on item 3 at the top, the board may not make any adjustment in taxable valuation of property which would exceed the limitations of this area so the county board of equalization cannot override what the bill says. The rest of page 2 is current law. At the top of page 3, we are now talking about the state board of equalization under item 4 also may not supersede the caps in this amendment. Section 5, limitation on levies by taxing districts, item 1, this is the key in my opinion to the bill or the amendments. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of the law, this section limits that authority. This section may not be interpreted as authority to increase any levy limitation otherwise provided by law and may be applied only to limit any unused or excess levy authority that the taxing authority may otherwise be entitled to use. Property taxes levied in dollars by a taxing district against a parcel of property may not exceed the amount the taxing district levied in dollars against that parcel of property in the preceding taxable year by more than 3 ½%. That is what the taxpayers of the state of ND know and understand. They know that their property taxes, as an example, this year are $2,000 and they know that if the property taxes can go up no more than $70 next year, their property taxes will not be any greater than $2,070 unless they had improvements or the classification of the property changes. That is what our taxpayers understand. It is my firm conviction that if this legislative body chooses to get into the property tax payment business, we must also get into the capping of the property values and property dollars in taxes. Under the rest of section 5, there are exceptions to the 3½% limit increase in dollars. (91:06 – 91:31) There are also opportunities for the 3 ½% to be increased at the bottom of page 3 and item 4 on the last page, page 4, application of this section may be suspended and additional levy authority approved for a taxing district up to four taxable years upon approval by a majority vote of the qualified electors of the taxing district voting on the question at a regular or a special election of the taxing district. A taxing district may not expend funds of the taxing district to promote voter approval of a ballot measure. Item 5, again home rule cannot overturn these amendments. Those are the amendments. They are very simple. They would cap the dollar amounts at 3½% increase and cap the taxable value at 3½% increase with certain exceptions. I would answer any questions.

Representative Weiler: I don't think you were here earlier, but under a scenario that we had; if this bill passes in its present form, the Bismarck School District would not be allowed to have any increase in their dollars at all. There would be no increase in dollars except for new money that the state gave them, but it wouldn't come from property taxes. If we were to pass your amendment, you say that we would have a 3½% increase so which one would win out? The 3 ½% increase or the no increase for the Bismarck School District?

Representative Kasper: Your committee can decide.

Chairman Belter: Any other questions? Any other neutral testimony? Lt. Governor Dalrymple, these amendments that Walstad prepared, do you wish to go over those at this time?

Lt. Governor Dalrymple: As I understand it, there has been an issue brought up by the tax increment financing districts who are saying that when you lower taxes and you lower mill levies, it is good for everybody except for one entity and that is the entity that is depending on incremental taxation to collect funds to serve as bonds that have already been issued. I believe that is the glitch that needs to be taken care of. As I understand it, these amendments do take care of it.

Representative Froseth: Over the last four legislative sessions, the new money that goes into foundation aid payments in K-12 has been treated differently. About four sessions ago, I think we started putting some provisions on what is called "new money". This year in 1400 I think there is $112 million of new money going into the foundation aid payments, which will come under those provisions like 70% has to go into teacher's salaries and so forth. This money here is this also being considered as new money or doesn't it have that provision in it?

Lt. Governor Dalrymple: There are a number of things that are excluded from the definition of new state funds. In HB 1400 the mill levy reduction grants are also excluded from that computation; it does not count.

Representative Froseth: I just wanted to clarify that.

Chairman Belter: Are there any other questions? Any other testimony on SB 2199 ? If not, we will close the hearing on 2199.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2199**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 11, 2009

Recorder Job Number: 10753

Committee Clerk Signature

Minutes:

Chairman Belter: Let's look at SB 2199.

Representative Pinkerton: You know the problems with the property tax bill yesterday. I did discuss those with John and he said that is exactly right. Some of those districts with more people would raise it to 18% under present law and with an election they could raise it (inaudible).

Chairman Belter: Representative Pinkerton had some questions he asked me about 2199 and so why don't you go ahead and explain.

Representative Pinkerton: I hoped that John Walstad could be here but he is in route. On the property tax bill, I started to think about the bill, wondering what would prevent a community like Langdon or Thompson (examples given to us by the Dickinson superintendent) on SB 2199; I just couldn't understand why a district that, I couldn't read in the bill how a district that was not going to receive the full 75 mills could not raise their mill levy so that they would receive the full 75 mills. (02:27). It came with testimony by Superintendent Paul Stremick of Dickinson. Langdon could increase their mills by 18% without a vote of the people and if they went to a vote of the people, they could increase their mills to the level that they would receive the full 75 mills of reduction.

Representative Headland: Weren't we told that they won't be able to do that because it is based on the 2008 year which has already been budgeted?

Representative Pinkerton: I asked the question and that was the response. I just met with John Walstad and he is in the rules committee meeting now; but he said that he had talked to the Senate about that and they didn't seem to be real concerned. He talked to the Governor, to the Lt. Governor and he didn't seem to be real concerned; he was in full agreement though that there was nothing that would prevent them from raising that.

Chairman Belter: What you are saying is any school with less than 175 mills or 185 mills, there would be no benefit. The rule is 185 but if you have less than 175, then you could raise your mill levy and get the full 75 mills.

Representative Pinkerton: That is what I understood from John Walstad.

Representative Brandenburg: That is very true because at 175, you just reduce 75 mills. The new floor is going to be 110. The administrator is going to be (inaudible) low.

Chairman Belter: We probably need a clarification on that on the question you asked.

Representative Headland: We do but also I have Walstad preparing an amendment that will not allow a school district to raise it 18%. I am going to limit it to 6% in the amendment.

Representative Pinkerton: We discussed there was some possibility of doing that but he said that unless you put them at zero, they are still going to be able to capture more and more than what; this formula would seem to be nefarious. They can always go to a vote of the people. If you go to a vote of the people, and you say like Langdon, would you like the state to pay an extra $300,000 for our school district that it would seemingly be a pretty...it wouldn't take a lot of intelligence to sell that to a community that simply by voting an increase in that they could increase the funding for their district without giving out any money locally. It would also have a dramatic change and John thought that many districts would do that, if not all districts.

Representative Headland: If they haven't voted to raise their property taxes already because they haven't needed it, would they do it just to leverage some money? They are going to have to raise their property taxes in order to get the increase in state money and I just don't know.

Chairman Belter: But if the state is going to cover it. If the state is going to cover it, there is no.....

Representative Headland: But they run the risk of this being the feeder program and ....

Chairman Belter: It is sustainable.

Representative Pinkerton: I believe you could run a property tax mill levy that would have a sunset on it; I think you could sunset it in two years or one year. You could sunset it in a year. I am not going to swear to that, but in the mill levy elevations that I have been involved in, they seem to have (inaudible) (07:15).

Representative Drovdal: Right here in the testimony, it says for over 185 mills.

Representative Brandenburg: That is part of the concern that I have; you get four sheets of schools now under 185 mills so if they take a 75 mill reduction, like Langdon is only to have a 55 mill reduction and that is just because they are property rich (inaudible). I have one in my district at 57; that is Gackle-Streeter; they run a conservative ship and now are only going to get 55 mills reduction because it is in the bill. Actually most schools go to 110 that are over 185 and higher so how do you control that? I am not sure either between the 100 to 110, I am not even sure they have to go to a vote of the people from 100 to 110. They could actually put it right at 110 so you could actually have a 10 mill increase with no vote today because the new floor is 110. (inaudible).

Representative Drovdal: Is this not going to be based on the current year budget which is already approved so this would kick in before you have to go to the voter and even ask for the major increase and once this kicks in, they are set at 110. The highest they could go then is the 110 if they were at 100.

Representative Brandenburg: But if you do this right and think like administrators and try to get all the dollars you can for the school, whether it is 40 mills, 50 mills or 690 mills, they are going to have a property tax reduction. People aren't going to know if it is 110 mills or 100 mills. I don't know—is the floor really 110 or is the floor 100? You are going to have two floors here; you are going to have some at 110 that over 185 and then you are going to have another floor that is 100 mills if you are under 175 so there is no floor to me.

Chairman Belter: We will try and get that clarified.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2199**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 11, 2009

Recorder Job Number: 10754

Committee Clerk Signature

Minutes:

Chairman Belter: Let's look at SB 2297; that's the rural electric coop. We have kind of come to an end here on bills we can deal with. **(Discussion reverts back to SB 2199 previously discussed on Recording 10753).**

Representative Drovdal: On page 4, line 17 through 20 seems to indicate a base year of 2008 if you look at that.

Representative Pinkerton: That is why I went and spoke to Walstad about an amendment; he seemed to say it was a problem and there was really not much in the way of fixing it; he thought it was a big problem.

Chairman Belter: 2008 is the year that is base year for the property tax rebate but that doesn't.

Representative Headland: I don't think the intent was ever to not allow some school districts to increase their mill levy if they have the ability to do it now.

Chairman Belter: So what you are saying is that since it is 2008, regardless of whether they increase their mill levy or not, they are still only going to get the rebate ....

Representative Drovdal: The base is 2008.

Representative Headland: That is the way I understood it, Mr. Chairman.

Representative Pinkerton: The best I can understand it is that 2008 is pretty set from what the previous mill levy is, but for 2009 I think they can increase it to capture clear to using that 18% or whatever we reduce it down to or through a vote of the people, I think they could capture as much as would be available under the bill in 2010.

Representative Headland: Mr. Chairman, what we need clarified is if the 2008 base year is for both years of the program and ongoing. I believe it is, but I guess I can't say that for certain.

Representative Pinkerton: That is way above my head so I think we need to have Walstad come in.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2199**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 16, 2009

Recorder Job Number: 11065

Committee Clerk Signature

Minutes:

Chairman Belter: Let's look at SB 2199.

Representative Pinkerton: I have some amendments that are not ready yet. (General discussion on who has amendments.) Representative Weiler, I think you want these; they are a newer version.

Representative Weiler: I not only have one set of amendments; I have three but let's start with.

Chairman Belter: Well, can I start with mine here then?

Representative Weiler: You're the chairman; you can do anything you want.

Chairman Belter: This deals with correcting the tax income and financing the Lt. Governor talked about. That is to correct that situation they discovered in the bill. I haven't even read them yet. (04:47) Are there any questions? I guess it is just setting up $1.17 million to take care of replacing monies that would be lost in the tax increment financing.

Representative Headland: Can you just refresh my memory on that a little bit? I don't remember what the Lt. Governor was talking about there.

Chairman Belter: Marcy, would you be able to explain that?

Marcy Dickerson, State Supervisor of Assessments, Tax Commissioner's Office: Tax increment financing, when property is put into the method of development, any old value that has been there before remains taxable and the taxes are distributed to the political subdivisions just like any other tax. Any incremental value when they build the new property, that incremental value goes into a special fund so that the taxes on that incremental value don't get distributed until all the expenses are paid off and until all of the political subdivisions are reimbursed for any incremental losses they had. The money going into that fund, again it is the mill rate times the incremental value. Now when this mill rate is reduced because of something like 2199, there would be less money going into that incremental fund; therefore, they might have difficulty making their bond payments timely or whatever. That is basically what the issue is. Now I only have an early version number .0604, which didn't provide for the tax commissioner to certify to the state treasurer for payment. I don't know if you have received the one that does that.

Chairman Belter: Which version do you have?

Vice Chairman Drovdal: We have .0610.

Marcy Dickerson: Well then you must have that because John Walstad was going to do that. Yes, certify to the state treasurer; that was not in the version I had. I will be glad to answer any more questions.

Representative Headland: I know this seems like a funny time to asking this question now, but it is my understanding that the mill rates don't get reduced; that it is simply a grant given out to supplement the school districts for 75 mills, isn't it? The mill rate for the schools is still levied if they are at 185, they are still going to levy 185 mills, are they not?

Marcy Dickerson: That is not the way I understand it. My understanding is that the mills will be reduced; what the school districts can levy will be reduced by about 75 mills so the money that the taxpayers will pay will be reduced by about 75 mills. The grant will go to the school district to make up for what they are not going to levy in property tax so that reduced mill rate will also apply to the funds that would be going into this tax increment fund. Therefore, that fund would get less money and since they do have obligations on bonds, that is where they thought there could be a problem, a potential problem.

Representative Brandenburg: So a tax increment financing district, they could receive a grant if they didn't receive the full 75 mills; is that what this is saying?

Marcy Dickerson: What this grant would do would mean that they would be paid the difference in taxes that they would have collected without the reduction of 75 or whatever number mill.

Representative Brandenburg: If you have a school district that is getting 58 mills reduced instead of 75, can they come in and apply for a grant for 75?

Marcy Dickerson: The grant would be for the 58 mills they are not getting. The school districts will get the amount of money made up that represents that 58 mills. You and I will just not have to pay that 58 mills on our property; the tax increment financing district will get that 58 mills made up to them so they take in as much money as they were anticipating. This only applies for financing projects that were in effect prior to this being enacted. It isn't going to go forward. Going forward they can make a better judgment of what their estimated income will be.

Representative Brandenburg: If somebody builds something and they have a tax and they don't have to pay taxes on it for the first five years and once it comes on the tax rolls and you have to pay tax (inaudible).

Marcy Dickerson: That is different from the tax increment financing. On that there is not an exemption up front. There can be; that is an alternate way of handling it. The basic way is the municipality goes into an agreement with a developer, say there is a base value that has to be determined before any of this takes place. That base value remains taxable; the developer will pay taxes on it at whatever the existing mill rate is. As incremental value goes up, the developer still pays taxes on the incremental value; but instead of that money being distributed to political subs, it goes into this tax increment fund which is used to pay off the expenses of all of this development and infrastructure and to pay back the political subs that have lost money. The developer is going to pay on the old base value out of his own pocket at whatever the mill rate is that you and I are paying at in the same district. Then he is also going to pay again at that same reduced mill rate on the incremental value, but that is going into the tax increment fund and less will be going in because the mill rate has been reduced from what they anticipated it would be when they set up their (inaudible).

Chairman Belter: Any other discussion on this? Does anyone want to move these amendments? We have a motion from Representative Grande to move the .0610 amendments and a second from Representative Froseth. Any discussion. **(The .0610 amendment motion carried.)** Okay we have the .0610 adopted.

Representative Winrich: As I understand what Representative Weiler is going to do is to propose essentially a time when unlimited levied school districts must vote on their unlimited levy. In talking with the superintendent from Grand Forks and other people in the education community, my understanding is that that is an acceptable solution, but they would prefer to simply have the current authority restored which was in the original bill. So I have an amendment prepared which would do that. If my amendment passes, then there wouldn't be a need for Representative Weiler's ten-year amendment so I would like a chance to propose mine first.

Chairman Belter: That's fine.

Representative Winrich: What this amendment does is to essentially restore the bill to the version that was proposed by the Governor. What it does is take out the entire section 2 of the bill which is what was amended in on the floor of the Senate. That deals with the school districts that have unlimited levies. The stuff on page 5 deals with the long-range implications of this bill as proposed by the Governor; the bill anticipates that this is a sustaining program and will go on. What happens on page 5 is essentially that for any school districts which have unlimited mill levies or excess mill levies, after ten years if they want to continue to participate in the state program and receive the 75 mill reduction grant from the state, they must have a vote of the people in the school district. The three districts that are unlimited would come under that as well as all of the excess mill levy districts. That is basically what the amendment does. My rationale for proposing this, Mr. Chairman, is that there are only three districts in the state that have unlimited mill levies. Those are Grand Forks, Bismarck and Williston. There is no evidence that those unlimited mill levies have been abused. In fact, those districts have been reducing mill levies in the past few years. They are not runaway mill levies or anything like that. There is in current law for these three school districts a provision that says that the voters of the school districts can refer this unlimited mill levy to a referendum at any time that they wish. If the voters get together, organize a petition drive, and get enough signatures, it goes on the ballot. That has happened once in Grand Forks and the unlimited mill levy was reaffirmed. My understanding is that it has happened twice in Bismarck and the unlimited mill levy has been reaffirmed so the voters of the district have basically said, yes, this is okay; it is being managed alright. I don't see any reason why these districts should not be allowed to continue as they are instead of putting a restriction on them that would require them to hold a vote under the bill in its current form in two years. So I would move the amendment .0615.

Chairman Belter: We have a motion from Representative Winrich to move the .0615 amendments and a second from Representative Kelsh. Is there any discussion?

Representative Drovdal: After inserting this, does that mean that the unlimited school districts would only have to vote if a petition was brought forward or the other ones that are over would have to vote every ten years?

Representative Winrich: No, they would have to vote every ten years in order to continue to receive the state grant, the 75 mill reduction that the state provides. They would have to vote every ten years just like the other excess mill levy districts. That is the language that is inserted on page 5, line 27; that talks about ......the general paragraph the authority under that for a school district to levy a combined education mill rate exceeding 110 mills applies for not more than ten taxable years unless a majority of the electors in the school district approve an extension of that authority. Then down on line 27, it says the ballot measure must specify the number of mills sought for combined education for which approval is sought or that unlimited levy authority is sought. In other words in a district like Fargo that has an excess mill levy, when they get reduced by 75 mills, they are still going to be over 110. In order to keep that at whatever, I am not sure what that would be in Fargo, but in order to keep that at a level over 110, there would have to be a ballot measure that specified that it stays at that levy. For Grand Forks there would have to be a ballot measure, but it would say "unlimited mill levies are continued".

Representative Grande: Could they do a ballot measure by the people; could somebody put a ballot measure saying we want it to be 200 or whatever choice they have or does it have to be unlimited?

Representative Winrich: My understanding if there is a referendum, if there is a petition drive is that it can specify a certain mill levy, yes.

Representative Headland: I am going to reject the amendment. You may not know, but I have my own amendment also drafted for this particular language so.

Representative Drovdal: Do you want to tell us what yours is so.

Representative Headland: (Inaudible.)

Chairman Belter: Well we have a motion and a second here for Representative Winrich's amendment. Is there any discussion? **(A voice vote on the Winrich amendment .0615 resulted in the motion being defeated.)**

Representative Weiler: I guess I am the next up. Kind of addressing the same issue—Williston, Grand Forks and Bismarck are the only three school districts that have unlimited mill levies; the voters of those districts have granted them unlimited mill levies. In Bismarck, they have done it not once, but they have done it twice so in the bill, the way it stands in front of us, the school district of Bismarck would have to put it on the ballot next year whether we can retain; they would have to put a number out there or they would have to allow them to go unlimited. But the problem is it has to go on the ballot next year and the school districts such as Fargo and several others that have excess funds over 185, they get ten years before they have to bring it to a vote. I think there is a little inequity the way this bill currently is, it treats school districts that are unlimited and granted so by their citizens of that district and the districts that have excess bills. All the amendment that I just passed out does is treat those two situations the same and allows the school districts that have unlimited mill levies to have up to ten years basically to 2018 before they have to take it to a vote. Mr. Chairman, I move the amendment .0608.

Chairman Belter: We have a motion from Representative Weiler to move the .0608 amendments and a second from Representative Winrich. Any discussion?

Representative Headland: Again I am going to reject this amendment. I have got my own which I think is better.

Representative Grande: Which other school districts did you say this affects?

Representative Weiler: Well this is going to affect, the way I understand it, Williston, Grand Forks and Bismarck; it is going to allow them to not have take it to a vote next fall. They are going to have until 2018 so they are going to have nine years, nine and a half years before they have to take it to a vote just the same as your school district of Fargo. They get ten years.

Representative Froseth: Isn't that kind of going around the end gate of what the voters voted for last time? They only voted to approve it to 2010. Aren't we circumventing that vote and saying (inaudible).

Representative Weiler: Well the voters of Bismarck school district voted most recently in 2004 for unlimited mills. This bill, the way it is drafted, is pretty much going to take that away unless we can push the vote out further.

Representative Winrich: This bill without the amendment that I proposed will take that away anyway. There will no longer be any unlimited mill levies and unlimited mill levy districts. What this will do is force the three districts with unlimited mill levies to have an election authorizing some level of excess mill levy as is done now in Fargo for example. All this does is put off that election until 2018 rather than forcing it to happen by the end of 2010. I guess under the circumstances I would support this because, as I said, I think a better solution was available but we rejected that. This is the next best thing.

Representative Wrangham Do the citizens still have the option of petitioning for the vote sooner?

Chairman Belter: Yes.

Representative Wrangham: Is 1018 an arbitrary number? Was it selected for a specific reason rather than say 2014 or 2016?

Representative Weiler: I guess in the amendments we are just trying to be treated as equal to the school districts that have excess mills and so because they get til 2018, we are just asking to be treated the same.

Chairman Belter: Any other discussion? If not, all those in favor of the Weiler amendments .0608 signify by saying aye. **(The motion was defeated by a voice vote. A roll call vote on the Weiler amendment .0608 resulted in 7 ayes, 6 nays, 0 absent/not voting. Motion carries.)**

Representative Headland: Mr. Chairman, I have to ask now what is the process if I want to present my amendments even though we just put something on there that is not going to jive with this proposed amendment.

Representative Grande: Wouldn't procedure be the same as on the floor, the last bill that passes wins? If we have two competing bills and pass them both in session and when the Governor goes to sign them, the last bill signed is the one that supersedes everything else. So the last thing we do here should supersede anything else that we have done.

Representative Froelich: I think you could do a minority report.

Chairman Belter: Why don't you propose your amendments.

Representative Headland: In the testimony when I listened to the superintendent from Bismarck, I understood the unfairness that is perceived so I decided to look for a compromise. I thought a fair compromise would be to make anybody with an excess or unlimited levy vote at some point in order to keep it so I just have given them a couple of years to see how everything came together for them. I thought they should all vote in about 2012 as to whether they want to keep it the way it was. That is basically what the amendment does; it replaces the

2010 with 2012 and it would treat all of them the same which I guess is what we did just pass. However, this would move the date up to 2012 versus 2018 versus the prior one.

Representative Brandenburg: Mr. Chairman, if we pass this, it brings it up earlier.

Chairman Belter: I think if you want to pass this, you are going to have to do it as a substitute motion for the Weiler amendments.

Representative Headland: So are you saying that I can move that we substitute my amendments for the Weiler amendments? I so move.

Chairman Belter: We have a motion from Representative Headland **to substitute the .0614 amendments for the Weiler amendments** and seconded by Representative Brandenburg. Is there any discussion?

Representative Froelich: My curiosity is aroused. Are there any more amendments dealing with the subject? I am serious because we are debating years here because if we have another year, let's put it on the table right away.

Representative Winrich: I don't quite understand the rationale for picking 2012, but one of the curious things that this does because of the provision on page 5 is that my amendment dealt with would force an election in all these school districts in 2012 and then again in 2018. Is that your intention?

Representative Headland: No, that is not my intention. My intention was to move the election date to 2012 and then they would vote again in ten years, from here on out,,every ten years, anyone with excess mill levy, which I think is already in the bill that you are voting every ten years so this amendment really didn't address that. That would be the ongoing intent. Mr. Walstad did not indicate that what Representative Winrich said would occur; I don't think it does. (34:00)

Representative Drovdal: If you read line 19 on page 5, it says "applies for not more than ten years after 2018" so if they voted in 2012, that would reset the clock for not more than ten years if this is working. It says not more than; it doesn't say exactly ten years after 2008 (inaudible).

Representative Schmidt: If I understand this amendment right, it wouldn't only make Bismarck vote in 2012, it would also make Fargo and Williston vote in 2012.

Representative Drovdal: And anyone else over 110 mills.

Representative Schmidt: Anybody else? At my age, time goes fast and that is pretty quick.

Chairman Belter: Well Representative Schmidt, you wouldn't want to miss the vote.

Representative Headland: There was a question asked on the rationale of 2012. Frankly I just believe that waiting until 2018 is too long. However, I thought 2010 was rather quick and I would like to give the districts that have it some time to present their case to the people. That is why I went with 2012.

Chairman Belter: Any other discussion? If not, the **motion is to substitute the .0608 amendments for the .0614...to substitute the Headland amendment .0614 for the .0608 amendments.** Maybe I said it backwards. Any questions? **(The motion carried by a voice vote. Representative Weiler requested a roll call vote which resulted in 7 ayes, 6 nays, 0 absent/not voting.)** The .0614 amendments are adopted in exchange for the .0608 amendments. How many more amendments have we got here?

Representative Headland: Mr. Chairman, I have another one dealing with the same area almost.

Representative Pinkerton: Mine are changing the amounts of the tax, increasing the dollar amount. (39:11)

Chairman Belter: Of the property tax? What we are dealing with, it will have no impact. Do you want to maybe have Jonathan give Walstad a call.

(Discussion on getting Walstad down to committee room and committee party.

Chairman Belter: (41:47) Okay, where are we at? Representative Headland, you have more?

Representative Headland: Yes I do. On the first page of the bill in section 17, 16, 15, 14, I want to replace the 18% allowed as increases to budget to 6%. If the state is going to buy down property tax, I don't think that we want to allow anybody who is not at the cap to raise their budget by 18%. I don't know what a 10 mill increase from 100 to 110 if you could get the 18%, but I think that that is an area that needs to be addressed. This amendment would reduce that growth to 6%. I move the amendments.

Chairman Belter: We have a motion from Representative Headland and a second from Representative Grande to adopt the .0611 amendments. Any discussion?

Representative Winrich: Does this only apply to the Fargo school district? Except the Fargo school district. Why are we exempting Fargo?

Representative Grande: Because we are a homestead school; we were there before the state.

Representative Winrich: So was Grand Forks; so was Pembina.

Representative Headland: This only applies to schools who are not at that statutory cap today. They can increase their budgets by 18% in dollars a year. I just think that that language now that the state is going to get into the practice of buying down mills that ....

Representative Winrich: And every one of those districts has had an election and it has been approved by the local voters and you don't like that?

Representative Headland: I don't believe that is really the case. Any school board that has chosen not to raise their property taxes as much as they could has been very studious in keeping their property taxes down. However, now the state is going to offer the property taxpayers some relief. I don't want these school boards to say, you know what, the state is going to buy down mills so why don't we go ahead and increase our local tax as much as the law allows us to do? I just think that is kind of conflicting.

Representative Kelsh: What would the school districts method of resort be then if fuel costs exceed the 6% or health insurance costs, those types of costs that are beyond their control exceed the 6%?

Representative Headland: I guess their fate would be the same as everybody who is at the cap; figure it out.

Representative Drovdal: I guess I am going to resist simply because we have had this 18% on for a long time and it has not been a problem. We keep wanting to tie the local elected officials hands and these people come in and want to tie their hands and when we ask them about it, none of them bother to go to the school board; none of them bother to go to city council; none of them bother to go to county commission meeting, but they come in here and tell us to cap them. I think they want to take (?) control; to me this is local control; let them go there and complain. We have not had a problem with 18%. We are probably going into an inflation period where the inflation is going to be bigger than 6%. I am going to leave this at local control and resist the motion.

Representative Brandenburg: I am going to support this because a number of schools were at 100 mills which could easily go to 110 without anybody knowing about it. The ones that are at 110 are going to have to adjust (inaudible). Then you go from 100 to 110 without any problem whatsoever and the voters back home if they get a 70 or 75 and it goes down and they get 65, they won't know the difference.

Representative Headland: I had a comment for Representative Kelsh in that, I mean Representative Drovdal said we haven't had a problem. Well, frankly we have had several school districts increase their levy 18% right up until they got the cap. That is kind of why we are buying down mills right now because people's property taxes have gotten out of hand.

Representative Winrich: Just to correct what Representative Brandenburg said, changing this as this amendment would do; the way it is written now does not allow a school district to increase its mill levies. What it does is limit the dollar amounts that their budget can increase so that takes into account any inflation in property values, it takes into account any new construction in the district and so on. They cannot raise their budget by more than 18% in dollar amount. The limitations on mill levy are still in effect.

Representative Headland: That is true for anybody at the cap; but if you're not at the cap, you can raise your mill levy 50% if you have got that room to get to the cap.

Chairman Belter: You are limited to 18%.

Representative Headland: Right, you're limited to 18, but if you have enough mill room space between where you are at and the cap, you can raise that the full 18%.

Representative Winrich: You said there were several school districts that had raised their budgets or their mill levies the maximum amount until they got to the cap. Do you have any details on that, what school districts it was? And over what period of time?

Representative Headland: I don't have any specifics, but I do recall my local school district doing it and they did it over a period of years until they got to the cap.

Representative Schmidt: Will this change the property tax in dollars? Will it change it in the levy? I understand the state is going to pick up. If we are paying less, won't that be more property tax? (49:24)

Chairman Belter: No. It limits it to 6% growth in dollars instead of 18% growth in dollars.

Representative Schmidt: Wasn't the state going to make up the difference though? From the 6 to the 18%?

Chairman Belter: No.

Representative Schmidt: I don't think I understand it then.

Representative Weiler: It is for those school districts that are not at their cap. If you are not at your cap, currently you can increase your mills 18% until you get to your cap. What Representative Headland is trying to do is say for those school districts that are not yet at their cap, you can raise your mills 6% a year until you get to the cap; it is a slower increase but there is nothing about the state, the state doesn't have any part in this particular issue.

Representative Brandenburg: Just to give you a little insight on where I am coming from, back in the days I sat on the education committee, I can remember all of these schools in my district being right about 150-160 mills. Every one of them right now is at 175-185 in that area; the reason being because they have less students; they have less students, they have less state funding; with less state funding, you have to regulate property tax because some areas become property rich(?) (51:17) So now schools are all going to be right around that 75 mills but they still found that 100 to 110 (inaudible). Some of those schools will actually go to 110 depending on what the valuation of the mill is because we deal with dollars. I see an open door here where somebody could take advantage of it instead of staying at the 100, If we give 75 mills in reduction, it should be 75 mills, not 65. By keeping that 6% increase, it keeps it so it is growth over a period so it does adjust for some extra expenses. But again on the education committee, a lot of these schools all have some money put away in emergency funds to.. This is one area between 100 and 110 where a number of schools that fall in there could easily go to 18% in dollars and take it from 100 to 110. Not a voter out there is going to know the difference because when you start talking about mills and valuation of the mills, they don't understand. They go home; they go, "I wonder what really happened, all I know is that I got my statement and I have got lower taxes on them." So why not keep it that way?. If we are going to give property tax reduction from the state, let's give them the full amount rather than just a portion of it and let them reserve it.

Representative Headland: If you look at what Senator Cook gave to all of us but there are options for local school districts. If you look under options for increasing the general fund levy, this option of 18% is available but it looks to me like if they want to raise it more than 6%, they can do it by just raising the mills by a vote of the people. So this would just restrict the school boards a little bit. They still, by taking it to a vote, have the option to increase their mills if the people would vote for it.

Representative Pinkerton: I think you have to be careful; I am not disagreeing with Representative Headland here at all, because there is so much difference. You know some districts like Fargo get a fairly small reduction in their taxes and then you have districts like Minot that is at 185 and all these districts that are at 185 reduction, Kenmare is at 185 but then you go back to those counties in school districts like Langdon that had so much property value and they get $1 million in property tax reduction. It would be pretty easy for a Langdon to come back and increase their property taxes on up. I am not saying that they would, but what you create is inequity among the school districts because at least in the bigger school districts, we compete for principals, superintendents, principals for sure. It seems like you could produce a very unequal playing field if Langdon increases their mills by 18% and they have a decreased property tax. Now they can go out and hire the very best and some districts are squeezed for property taxes and are already at the top, I have to think through this a little bit more than what I see right now. It seems like we are putting a lot of money into a problem that maybe we are not going to get a solution to. I'm sorry; I am not expressing myself very clearly, but there is so much difference in the tax relief and so much difference in the mills, particularly those that are under 185. They do have the vote that they could conceivably go to just everything being increased by a vote. I guess before I could vote for it, I would have to really look through and see what would change. Representative Headland, have you had a chance to go through the list and see who would have the advantage?

Representative Headland: I haven't.

Representative Brandenburg: Representative Pinkerton, what school do you want to know about?

Representative Pinkerton: Like Langdon, that is the one that is the example from Dickinson. I wonder what they are spending per kid now.

Representative Brandenburg: I can tell you that Langdon is so property rich; they just put in $400 million of wind turbines in their school districts. That is why that one will be skewed, just like the ones we had before in the oil districts; it's the same issue.

Representative Grande: When you start paying the mills I pay, you will start talking cash.

Representative Froseth: That is 100 mills for Langdon. (57:54)

Representative Grande: It is getting late in the day. Can I call a question?

Chairman Belter: Okay we have a motion on the.

Representative Froseth: Mr. Chairman, can I ask one question. On that line 22, how do you read that? "the prior school year plus 18% up to a general fund levy of 185 mills". That 185 mills isn't changing in present law so the state buys down 75 mills, shouldn't that be a new figure of 110 mills?

Representative Drovdal: If you look on page 5, line 19, if they sign in and accept the money, it reduces it down to 110 mills. When we are willing to put a cap on it on the legislature at 6%, I will support 6% capping everybody else.

Chairman Belter: Okay, we have the .0611 amendments before us by Representative Headland. I think we will just do a roll call vote. **(A roll call vote on the .0611 amendments resulted in 5 ayes, 8 nays, 0 absent/not voting. Motion fails.)** Do you have more amendments?

Representative Weiler: This one won't last as long, I don't believe, Mr. Chairman. Earlier in the session we kicked out a bill 1388 with a 12-0 "do pass" in this committee. It went to the floor and a couple of individuals got up and ranted and raved and this bill was defeated. Now it is coming back. I think it was defeated by two votes. It is the one that says if I buy a house for $170,000 and the city has it assessed at $185,000, then I can take my paperwork down to the city and they have to adjust it down to $170,000. There is no truer statement about what a home is worth than what somebody paid for it. A few people had issues with the fact that special assessments were included in here; we have taken that out. But these assessors when valuations were going through the roof for a period of five years from 2002 to 2007, they were tacking it on right away. You would buy a house for $195,000 and if the city had it at $170,000; it was $195,000; that was the new assessed value. All the other values of the homes went up with it. Well now valuations are going the other way; I am sorry, sales are going the other way and people are buying houses for $10,000, $15,000, $20,000 less than what the city has it assessed for. It is only fair to the property taxpayers in each and every city in this state that if they buy a house for $170,000; that that is what their valuation is. It is a fairness issue and, Mr. Chairman, I move my amendments.

Chairman Belter: We have a motion from Representative Weiler and a second from Representative Grande **to move the .0607 amendments.** Is there any discussion?

Representative Headland: Just so I am clear, does it work the same way going up?

Representative Weiler: The way it works going up is they tack it on. If you buy a house for $195,000 and it is currently valued at $180,000, your new assessment is $195,000. That is just the way it works. Then all the other homes go up with it, but it does not work that way when valuations are going down. In fact, I have had a couple of instances this last year where I had one guy and his wife who bought a house from me and paid $387,000; the city had it valued at $450,000. They went down and they said, "We paid $387,000 for it." The guy said, "I will adjust it a little bit, but I am not going down to $387,000." They paid $387,000 for it. There are a few issues here where, well, we took the special assessments out. But it is a fairness issue. The only problem with this bill is on the way up, when valuations are on the way up, if you buy at $195,000 and the city has it at $180,000, the city comes along and assesses it at $195,000 and all the other homes are assessed upwards. Now we are going down, the other homes are not going to be assessed as quickly going down, but that is one of the reasons why our property taxes are so high. I don't know if I answered your questions or not, but right now a city assessor will look at it. Some change it; some change it all the way to what the purchase price was; some don't. They don't have to. This says that you have to.

Representative Headland: I agree that that is the way it should be done. If they are automatically doing it on the way up, they should automatically do it on the way down. But not everybody is doing it on the way up. Now we are telling them they have to do it on the way down, but sure as heck going to do it on the way up.

Representative Weiler: They already do it on the way up. It is not in the law that they have to do it on the way up; but believe me, they do it. They do it.

Representative Winrich: Aside from the merits of the idea here, this bill had its chance. It was passed out of this committee and went to the floor of the House and it was defeated. I think this is a good example of precisely the sort of thing that legislatures around the country are being criticized for and why Congress in particular, but legislatures in general, have such an image problem. We can't all hang our favorite ornaments on the Christmas tree as it passes through here. This really is not germane to the subject of this bill; I think we should defeat it.

Representative Brandenburg: Kind of like 1400 in education.

Representative Pinkerton: Mr. Chairman, I think there are both merits and worrisome things about the amendment as far as this bill. In fact, I don't even remember how I voted on it, but this is a pretty major bill we are dealing with here. To add this one section to it, I just think that that is not the place for it.

Representative Pinkerton: Just for the record, you voted for it. It came out of this committee with a 12-0 "do pass".

Chairman Belter: Any other discussion? If not, all those in favor of the proposed amendment, signify by saying aye, opposed nay. Let's do a roll call. **(The roll call vote on amendment (.0607) resulted in 6 ayes, 7 nayes, 0 absent. Motion fails.)**

Representative Weiler: One more time. These are on behalf of Representative Kasper. I will pass them out. Basically it caps in 3½% in dollars, I believe it is the budgets. He spoke to us; he went through them. In the interest of time, I think everybody knows what they are going to do so I move the amendments.

Chairman Belter: We have a motion by Representative Weiler on the Kasper .0609 amendments and a second by Representative Headland. Any discussion?

Representative Grande: Are these the exact same ones? They have a different number in the corner; that is the reason why I ask.

Representative Weiler: I am not aware that they are any different than what he had.

Chairman Belter: He has to have some changes here.

Representative Grande: We do have some different language here.

Representative Weiler: Mr. Chairman, my apologies. I am not aware of any changes. If there are, I don't know what they are.

Representative Grande: He has it highlighted on page 3 and he is adding in "other than a township". That is the only change I can find.

Chairman Belter: Any further discussion? **(A voice vote on the Kasper amendment .0609 was defeated. A roll call vote resulted in 5 ayes, 8 nays, 0 absent/not voting. Motion defeated.)** (10 minute break).

(Continued on Job 11066.)

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2199**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 16, 2009

Recorder Job Number: 11066

Committee Clerk Signature

Minutes:

Chairman Belter: Let's look at 2199.

Representative Drovdal: I have some amendments. The thing of most concern to me about the $300 million property tax relief bill is sustainability. We know we can't tell the next session how to vote; we can't tie their hands. They can bring anything up and vote any way they want to, but we can influence the next legislative session 62. We can do that by making sure there is money available and making it a priority. What this amendment does is it creates a property tax relief sustainability fund. It moves money into that particular fund, the property tax relief fund, on July 1 of this year which would put $295 million moved from the permanent oil and gas trust fund into the new property tax relief fund to cover this biennium. In another year it would move another $295 million into that fund so that the money would be available for the next legislative session to continue on with the 75 mill reduction of the $300 million property tax relief bill. It would do that; we know that by testimony that was presented that that $295 million is going to go to $316 million but with this money being in that single position fund, the interest would also stay there and it would actually have a balance of about $315-316 million. The money would be there and we would be able to sustain that. We would not have to go back to the taxpayers and tell them that we have to drop that 75 mills or use other taxes because this would be as close as we could do to guarantee the sustainability of that tax relief. I think that as a legislature is the thing that must concern or should concern all of us the most. With that, Mr. Chairman, I move amendments .0616.

Chairman Belter: We have a motion from Representative Drovdal and a second from Representative Grande to move the .0616 amendments. Is there any discussion?

Representative Froelich: Do you have the numbers—the balance of all the funds in the oil trust fund money now?

Representative Drovdal: I haven't looked at them again. We started out with $1.2 billion and were down to $900 million. That is why I would like to get this money transferred and it makes it a priority to transfer it.

Representative Froelich: $1.2 in the oil trust fund?

Representative Drovdal: That was total reserves, excuse me. I don't have the figure right now on the permanent oil and gas trust fund, no.

Representative Weiler: I just wanted to respond to that question. It is my understanding that when the money gets transferred for this year, there is going to be approximately $330 million left or so in the permanent gas and oil trust fund. So if we don't take the money out with this bill, there is going to be a problem sustaining it for the next biennium. That is the purpose of doing this so the money gets taken out now for the upcoming biennium and the money gets taken out in 2010 for the 2011-2013 biennium so this will be sustainable for at least four years.

Representative Froseth: If you look at the fiscal note that was presented on February 19, the 2011-2013 biennium it calls for $331 million in expenses so that figure on section 8 with $295 with interest is going to be a little short I think. I wonder if we should change that to $315 million which would give us about $15 million in interest.

Chairman Belter: I guess I am comfortable if we put the $295 away; but if the committee wishes, we could increase that.

Representative Froseth: Well it can be done in appropriations. More than likely this will go to conference committee, but I just wanted to make a point of that if the $295 in section 8 might not be enough to cover the increase that are due because of the increase of valuations of property in everybody's district, the 75 mills will be worth more money.

Chairman Belter: It might be the other way too.

Representative Drovdal: 6% annual growth.

Representative Weiler: If I may just make one more point because I know the question was asked. After this first $295 is taken out, I said I think there would be around $330 or something like that, at the rate we are robbing that fund right now, there won't be anything left so this makes it a priority. That was the purpose because money is coming out of that faster than ...

Chairman Belter: Any other discussion?

Representative Froelich: Mr. Chairman, that money better be there because as soon as that trigger goes on, there will be a lot less money.

Chairman Belter: If there is not more discussion, will all those in favor of the .0616 amendments signify by saying aye. **(The .0616 amendments passed by a voice vote.)** Motion carries. We adopted the .0616. We have a motion to approve SB 2199 as amended and those just for the record here, we have adopted the .0616 amendment, the .0614 amendment in place of the .0608 amendment and we adopted the .0610 amendment which was the tax increment. Is everybody in agreement that that is what was done today? Any discussion?

Representative Winrich: Does this come to the floor on the sixth order with all these amendments before it goes to appropriations?

Representative Weiler: Did we not approve .0607?

Chairman Belter: No.

Representative Drovdal: Nice try.

Chairman Belter: If there is no further discussion, will the clerk read the roll for a **"do pass as amended and rerefer to appropriations" on SB 2199. A roll call vote resulted in 13 ayes, 0 nays, 0 not voting. Representative Drovdal will carry the bill.**

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2199**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: April 7, 2009

Recorder Job Number: 11772

Committee Clerk Signature

Minutes:

Chairman Belter: Committee, let's look at SB 2199.

Representative Drovdal: I move we reconsider our action as we passed out SB 2199 as amended and rerefer to appropriations.

Representative Headland: Second

Chairman Belter: We have a motion from Representative Drovdal **for reconsideration of SB 2199** and a second from Representative Headland. **(The motion carried by a voice vote.)** We have 2199 before us. Committee members, I have passed out amendments .0624. What it does in section 4, it imposes a tax reduction of corporations and the amount of that reduction should be approximately $20 million. Section 5 is a reduction in the personal income tax; with those rate changes, it would amount to approximately $80 million reduction in personal income tax. Is there any discussion?

Representative Drovdal: Is the reduction in the personal income tax by percentage?

Chairman Belter: It is by percentage. Each category is the same, yes.

Representative Winrich: What was the percentage again?

Chairman Belter: I don't know is the answer from staff.

John Walstad: I told Kathy to make it across the board and she sent me the rates.

Representative Weiler: Jonathan can figure it out on his calculator. I am sure Jonathan can just do one calculation. Divide 4.94 by 5.54.

Representative Headland: If $100 million was 13%, then it should be somewhere a little over 10, wouldn't it? (General discussion on calculation.)

Representative Winrich: So the new tax is 89% of the old tax, an 11% reduction basically. I think there is a problem with the numbering here. The amendment that you passed out says that "on page 3 after line 29, insert" and I think it really needs to go on page 4 after line 8, at least in the version of the bill that was left on our table here.

John Walstad: That is the wrong bill. That one has got the House amendments already in it.

Representative Winrich: These amendments**?**

John Walstad: No, the House amendments previously adopted. What you would be looking at is the reengrossed Senate bill that does not say "with House amendments". , 0600

Jonathan Godfread: It is just a number issue. .0700 is where they put it all together.

Chairman Belter: John, the amendments you drafted would be the .0600 version? Okay so then our question.

Representative Drovdal: When we reconsidered, did we take those amendments off or did we reconsider the bill we passed out previously with our amendments on?

John Walstad: I wasn't clear on that, but the way I prepared the various amendments that I have prepared for this meeting is in addition to the amendments that have already been adopted by this committee and adopted on the floor. The amendment that you are looking at now is prepared in addition to those previous amendments. I didn't go back to look and see what those were. It has been awhile.

Representative Drovdal: If we adopt these amendments, are they automatically renumbered to agree with the last version that passed on the floor of the House which is .0700?

John Walstad: That .0700 version would be redone to incorporate all of the amendments.

Representative Drovdal: Even if the page number gets it wrong?

John Walstad: Correct.

Representative Winrich: But we are reconsidering the .0700 version. Is that correct?

Chairman Belter: Yes. We are reconsidering .0700 as it left, as it was approved by the House. Now wait a minute. (08:14)

John Walstad: I think there are two ways to do it. One is to reconsider all of the action, including the amendments that were recommended and have already been adopted or just to make a recommendation for additional amendments on top of those that have already been approved. Unfortunately, I don't remember what those were. I can get copies of that.

Chairman Belter: We adopted .0610, .0614, and .0616. John, in order to keep this thing straight and make sure that we have got this correct, Representative Drovdal's motion was to amend the .0700 version.

Representative Drovdal: To reconsider the .0700 version; we haven't made a motion. We are just reconsidering the .0700 version. Correct?

John Walstad: Right and how I would interpret that is...the .0700 version is not a real version of the bill. It was prepared just so you could see what those amendments looked like in it. You can't amend that version. That is just for you to look at . We cannot amend that version because it is not a real bill.

Representative Drovdal: We haven't moved to reconsider these amendments so we are still on the previous bill.

John Walstad: That would be my interpretation is that that is back before you now and if the committee wishes to adopt amendments in addition to that, the amendments as I have prepared them, do it that way.

Chairman Belter: So the .0624 amendments are amendments to the .0600 which is what we have passed out of the House?

John Walstad: Well it hasn't passed the House yet.

Representative Winrich: Is that what we passed out of committee?

Chairman Belter: Yes, with amendments, with those three amendments on it.

Representative Winrich: So this .0700 version has additional amendments that presumably were put on in appropriations?

Chairman Belter: No, what the .0700 version is the .0600 version with the .0624 amendments added. The .0700 has never been acted on by our committee. Is that correct, John?

John Walstad: That is correct. It incorporates those three amendments this committee previously adopted before it went over to appropriations, but the .0700 version is not an official draft. It is just prepared so you can see what the amendments look like in the text. Amendments need to be done to the .0600 version.

Chairman Belter: So your motion was to reconsider...

Representative Drovdal: To reconsider bringing it back to the floor, the .0600 with the three amendments we previously approved are on the floor right now. The .0600 version with amendments .0616, .0614, and .0610 approved previously. That is what is on the table right now.

Chairman Belter: So Representative Winrich, this .0624 amendment is what you have to adopt or compare the .0624 amendments to the .0600 version.

Representative Winrich: What I am trying to figure out is what is in the .0700 version that we did not vote on in this committee? What is different about this from what came out of our committee and where did it come from?

Chairman Belter: The .0700 includes the .0624 amendments had we adopted them. The .0700 version is not an.

Representative Drovdal: The .0700 is what the bill would look like when they incorporated these three amendments in the .0600.

Representative Winrich: Which three amendments?

Representative Drovdal: The .0614, the .0610 and the .0616 that we have previously adopted.

John Walstad: But it doesn't include the .0624.

Representative Winrich: So this is the bill as it came out of our committee.

Chairman Belter: Correct. The .0700 is.

Representative Drovdal: The .0700 has these engrossed into it, but it is not an official version yet so we still have to act on the .0600 version with these three amendments put on. It is a technical.

Chairman Belter: John the .0700 though, those amendments were adopted in committee and on the House floor on the sixth order.

John Walstad: And when they were adopted on the floor, we printed the .0700 version so you could see what the bill looks like with the amendments in it, but it is not an official engrossment. It is just for your convenience to look at to read. Amendments need to be done to the .0600 version just like the amendments that have already been adopted.

Chairman Belter: So then we need to adopt those three previous.

Representative Winrich: No we have already done that. They are still on there.

Representative Kelsh: If we have adopted those amendments on the floor, don't they become the engrossed version then? Isn't that .0700 the official bill? When does that happen then?

John Walstad: No. The bill only gets engrossed once in its house of origin and then again when it passes its house of origin. If it is amended again, it gets engrossed again; but once it crosses over, it does not get engrossed again with amendments from the second chamber. That is why we print the thing saying "with House amendments". It is not an official engrossment. From here to the end of the session, we keep working off of the version that in this case as it passed the Senate. We keep working back to that version with any amendments the House makes.

Representative Drovdal: I move that the committee further amend House version .0600 to include the amendments in .0624.

Chairman Belter: We have a motion from Representative Drovdal and a second from Representative Headland to adopt the .0624 amendments to the .0600 version of 2199 previous amended. Any discussion?

Representative Kelsh: Can you explain the new section of this amendment about the corporate income tax rate? It is a little confusing to me that some brackets are reduced, some are increased, and there is overlap between some of them?

John Walstad: Under current law, the corporate income tax brackets are in five levels. This would reduce the brackets to three so it does look odd. The comparison, for example, in subdivision c, we are overstriking 5.6 and putting in 6.1 so it looks like an increase. However, we are also overstriking d and e so to compare the current high rate; you have to look at the overstruck language in e, which is a rate of 6½% on the high end. That compared to the 6.1%; now you can see the reduction.

Chairman Belter: John, the section 4 is identical to HB 1255 as it passed the House.

Representative Schmidt: I might be all mixed up here, but this 2199 is a property tax reduction bill. Now we have got income tax. If we have got an income tax bill, why shouldn't this be in there? Leave property tax separate and an income tax; we are mixing them together. It is mixing me up and it is certainly mixing up the taxpayer. We have got property tax; let's give them property tax relief, why put them together?

Chairman Belter: We are going to give them both.

Representative Schmidt: You know it is going to be an April Fool when they get their property taxes, just like the last one was. It was an April Fool because they didn't get much property tax relief, but they got some income tax. They want property tax relief.

Chairman Belter: There will be $295 million in property tax relief in this bill.

Representative Kelsh: I understand that 1324, which is an income tax reduction bill passed the Senate so why are we including that in this bill if it has passed both chambers?

Chairman Belter: The income tax bill that passed the Senate is different than this because it is just the second year of the biennium, there is a $57 million reduction in income tax; the second year of this biennium and then a $57 million reduction the first year of the next biennium, and then the second year of the second biennium, the income tax goes up to its current rate and that is permanent so that is why this is a different version.

Representative Weiler: A couple of questions on what the Senate did today. When you say the second year of this biennium, do you mean this current biennium 2009 or 2011? Which biennium are you talking about?

Chairman Belter: The upcoming biennium.

Representative Weiler: So the calendar year 2011, there is a $57 million income tax reduction and the calendar year 2012, which is the first year of the next biennium, because I know we are budgeting for 2011.

Chairman Belter: I haven't seen the bill. Do you want to clarify that for us?

Representative Weiler: If I could just ask one more question. So if they did, the second year of one biennium and the first year of the next biennium, regardless of what years they are, we will figure that out in a minute. Then after that it goes away so it is a one-time income tax relief; it it's not permanent?

Chairman Belter: That is correct.

Representative Weiler: Representative Kelsh, that is why we would be doing this to make it permanent.

Representative Kelsh: But if this one goes into effect, we will have two income tax reductions operating under the same biennium.

Representative Weiler: They won't both pass. They will end up in conference committee and we will hammer it out there I would think. We are not going to pass both.

Chairman Belter: We will fix it.

Representative Weiler: Can I have John Walstad answer my question, Mr. Chairman? Do you know what calendar years they are for?

John Walstad: I think you are exactly right. It is for the 2010 tax year which are the taxes we will pay in 2011 so there would only be one year in this biennium where there would be a revenue plus. Then the first year of the following biennium, which would be 2011 tax year which we will pay in 2012.

Representative Weiler: Do you know the version that the Senate passed and then it goes away and it is not funded. Is that correct?

John Walstad: I have not looked at that bill in quite awhile so I am not sure. It seems to me that it does have a sunset.

Representative Winrich: So this is essentially an attempt to send the same bills to the Senate twice by amending it because these are provisions of previous bills, are they not?

Chairman Belter: The only difference would be that the personal income tax is $80 million instead of $100 million we passed out the first time, but the core bill would be the same. Out of the House we passed a $120 million package between the two; this is $100 million between the two. Any other questions? They are looking at 1324.

Representative Drovdal: Part of what it says is that section 26 of this act is effective for the first two taxable years beginning after December 31, 2009 and is thereafter ineffective so it essentially sunsets.

Representative Weiler: That is not acceptable.

John Walstad: The 30.3% rate changes; the rest of it is the long form elimination.

Representative Drovdal: I make a motion to further adopt .0624 amendments. Is there any discussion? If not, will the clerk read the roll? **(A roll call vote resulted in 7 ayes, 4 nays, 2 absent/not voting-Froelich and Wrangham).** What are your wishes? **We have a motion from Representative Grande for a "do pass as amended" on 2199.**

Representative Pinkerton: I have an amendment.

John Walstad: Before the committee sends the bill out, there are a couple of corrections that I have come across before anybody did anything with this bill.

Chairman Belter: Do you want to withdraw your motion, Representative Grande? You have technical corrections, John? Okay, let's do the technical corrections first.

John Walstad: These changes are to do two things to the bill the way it is. One is, as you know, for most school districts in the state, 2199 would buy down the school district property tax levy by about 75 mills and that is swell. However, there are a number of places in law where funds are allocated at the county level among political subdivisions on the basis of property tax levies. When I was working with one of those, it finally dawned on me that school district property tax levies are going to be a lot smaller, which means their share of those revenues would be a lot smaller as a result. And REC taxes, telecommunications taxes, centrally assessed property distribution lines, transmission lines—those kinds of things mean schools would get a smaller part than they have been accustomed to receiving. (He explained the proposed amendments 29:01-32:04 and how they affect K-8 schools sending their kids somewhere else and maintaining significantly high transportation and/or tuition levies, like Emerado.)

Chairman Belter: Are there any other questions?

Representative Drovdal: I will move to further amend SB 2199 version .0600 with the amendments .0620.

Representative Grande: Second.

Chairman Belter: Any discussion? **(The motion to further amend SB 2199 with the .0620 amendments passed by a voice vote.)** We have the .0620 amendments adopted.

Representative Pinkerton: These amendments would change the dates of the election from 2010 to 2018 on the first page of the bill. On page 4 it would limit the tax deduction to only residential and agricultural so commercial and centrally assessed would not be included in the tax reductions. That reason is to increase the amount of value for agricultural and residential and try to retain as much in ND as we can. Much of the commercial is out of state owned, all your railroads, the pipelines (I think the Keystone Pipeline gets a real big tax break) (inaudible) so between centrally assessed and commercial. This bill certainly wraps in the $100 million of income tax deduction. As we go through it, the bottom line as you will see, it moves the numbers up for the amount of tax reduction. Page 4, line 17 (36:08) goes to residential and agriculture and this bill will bring the mill levy down to 40 mills in most of our districts, as far as the school mill and that is the one issue that (inaudible). The reduction will be 150 mills in most of the districts, Bismarck, Grand Forks, Minot, Fargo and many of the small rural communities. Page 5, line 2, John can help us through here, we put in here that allocation of funds among political subdivision based on property tax levies, property taxes levied by school districts are the amounts that would have been levied without the mill reduction and grant provided so it is the same going into the districts. You see some of the same language again that was just adopted as far as combined education with general funds. On page 5, line 6, the previous bill would only bring it down to 110 mills maximum; this brings it down to 40 mills as a maximum. Most taxing districts will see a 30% reduction in their tax rate so on my $5,000 house tax rate in Minot, that would be something in the low $1,500s. Language on page 6, line 1, that if the combined mill rate of the school district is reduced to zero for residential and agricultural property, any remaining amount of the grant must be applied proportionally to the reduction of the combined mill rate for other taxable property in the school district. The property tax relief sustainability fund is a special fund to the state treasurer; monies in the fund may be spent pursuant to legislative apportions for property tax relief. Line 8, page 6 is the permanent oil tax trust general fund and page 6, line 9 would be increasing the amount that was in the original bill from $295 million to $395 million. This bill essentially sweeps away the income tax reduction. We have to remember that the income tax reduction for those making under $50,000 in taxable income (which is probably closer to $70,000 of regular income), that that would only give about $100 of relief. As you move closer to $100,000 of taxable income, the relief would be around $200 so for a couple with a couple of kids living in a $200,000 house with $120,000 taxable income, the numbers work out to a much bigger reduction than what you would see in current bills. What I like about this bill is that almost as much (about 50% of agricultural land in the state is owned by out of state interests) so 85% of the agricultural property tax reduction would stay in the state; it wouldn't move to out of state ownership. Of the residential, that is single family, duplexes and tri-plexes, much of that property is owned within the state so without an income tax cut, we don't see that large amount of money going out of state for out of state income tax reductions. Wal-Mart is not going to reduce their prices because they got a property tax break and Wal-Mart is the biggest commercial property taxpayer in Minot. I just don't believe that they are going to cut their prices because we gave them an income tax break and I don't think my constituents do. Can I answer any questions on the amendments?

Representative Headland: The first part of your amendment where you are changing the date 2010 to 2018, how does that affect the amendment that I already put on this bill which moves the date to 2012?

Representative Pinkerton: My understanding is to make this work and we look at the top of the page, it would have to go on to the amendments in lieu of the amendments that were adopted by the House as printed on page 960 and 961 of the House Journal.

Representative Drovdal: Did I hear you correctly? You said that for agricultural property the property tax relief would be for just residents or is that for all agriculture ownership?

Representative Pinkerton: There is some variation from district to district. In some districts like the one mentioned in Grand Forks, that district has a hard time getting their tax rates down, but for almost all the agricultural property in the state, there will be a 150 mill reduction in the school mill levy. Some counties, it will not go below 40, and the reduction to residential and agricultural property will have the same number of mill reductions.

Representative Drovdal: You said something about out of state money not going out of state or something. This reduction is for everybody regardless of where they live. Resident owners have nothing to do with this.

Representative Pinkerton: By choosing these two categories of residential and agricultural, these are the two categories that should conserve most of the money within the state. This bill does not prevent out of state owners from receiving the tax reduction, no.

Representative Froseth: On page 2 of the amendment, section 7, appropriations "appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $1,720,000"; that is for the 2009-2011 biennium?

Representative Pinkerton: I am sorry; I didn't go over those amendments. Those amendments would hold the counties harmless if there were additional costs. The thought was that there might be as much as $1.7 million used in implementing the bill, the amendments. That money was appropriated to pay for any costs of implementing the bill. I did check with my county and they thought there would be very little problem in making this work. I checked with both of my assessors and the county offices, but there is money there to hold them harmless.

Representative Pinkerton: If there are no other questions, **I will move to further amend SB 2199 with .0621 amendments.**

Chairman Belter: We have a motion from Representative Pinkerton to move to further amend SB 2199 with .0621 amendments and it was seconded by Representative Kelsh. Any discussion?

Representative Drovdal: I am going to oppose the amendments. The reason is that last winter I went and took some income tax training and I worked at the income tax service filling out income tax for ND citizens. It is absolutely astonishing the number of citizens that do not get one dime of property tax relief bill because they were renting or for whatever reason. (46:26) But a ceiling on income tax does give breaks to those people. By putting it all in property tax, we are missing a lot of North Dakotans who pay tax, who pay sales tax, who pay income tax and they pay property tax through their rent; but they don't get a dime back. I want to see that income tax left in the portion and this takes it out. So I am going to resist the amendment.

Representative Pinkerton: That is an excellent point you brought up. We have more than one set of amendments. One of our other amendments will be a rent rebate amendment to take care of those very people you are concerned about. Could I have a recorded roll call vote?

Representative Weiler: I am going to also resist the motion. I commend you on this; I know you have put a lot of thought into this and there are some things in here that are worthy of further discussion. But if you are going to take businesses out; if you are going to take commercial property out; I spent a lot of time this weekend visiting with people from MDU, from Bobcat, and some other businesses around this state and I don't mean to be bringing bad news, but it is not going to be real pretty over the next two years. If the recession comes to ND—these companies are no raises, no bonuses, no more hiring, hiring freezes, laying people off. This is an attack on businesses and, Mr. Chairman, I can't support it. Some of this stuff is okay; I agree with some of this stuff, but I don't agree with cutting businesses out of this because as we know, businesses are what create jobs in the state. I have some friends who paid $30,000 and $60,000 a year in property taxes. I don't think it is fair that we cut them out of things so I am going to resist the motion.

Representative Pinkerton: I have more commercial property than I do residential property so we took this bill—not tons more, but I think my commercial property tax bill is around $7,000. I called my city assessor and we ran through the numbers and it is about $600 difference in between what the Governor's bill and this bill would do. My house property taxes are $5,000; my business is around $7,000. I ran those numbers through and it is about $600 difference that I would pay more with this bill than I would pay with the Governor's bill without considering income taxes. If you look at the amount of money that I could generate in my community if we saw this kind of tax break come to my city of Minot and people who have that average $115,000 house in Minot. That would be a $900 tax decrease on that $150,000 house. Those kinds of dollars those people are going to take and they are going to spend it locally, where some of the other bills we have seen, the money is going to be shipped out of state and I have no chance to work on their cat and you won't have any chance to sell them real estate.

Representative Weiler: If you want to buy a house in Bismarck because things go so well for you, let me know.

Representative Froseth: Section 10 committing $395 million from the permanent oil and gas trust fund; did you check with the OMB to see if that was feasible because I think back two years ago when I proposed that oil tax bill to put $200 million away each year until we reached the billion dollars, OMB told me two years ago that that wasn't possible—there wouldn't be that much money in the fund. I know the fund has really done well the last year; but with oil triggers going on now in May and oil taxes falling below $10 million a month, I was just wondering if our oil/gas trust fund can sustain $395 million after 2010.

Representative Pinkerton: I think we are using the same numbers as in the original bill if I can refer to John.

John Walstad: That language was moved from a previous version of the bill.

Representative Pinkerton: I believe the sustainability would be the same as we what we currently have with the property tax reduction bills and the income tax reduction bills. I would further say that I think it is more sustainable because that reduction of $300-400 million that we are talking about that is going out would go to ND citizens rather than to the headquarters of the mall or Wal-Mart or the people that own Keystone Pipeline.

Representative Brandenburg: I guess I am going to oppose the amendment, but I really think that I have land in ND, both commercial and farm land and there is a balance. I would like to have it all in ag land; but when you look at businesses, not all businesses are out of state corporations. There are a lot of businesses that are in state that would share in this. We try to find a balance to give everybody a fair shake. I think it is just the right thing to do to resist this. I appreciate your work and I see you are trying to help them more is what you are trying to do, but I still don't think it is fair on an overall basis.

Representative Pinkerton: If you own commercial property and you own residential, because we are not raising taxes on commercial property. They are staying the same. The amount of increase particularly in many districts, most people that own local property also own local residences, maybe cabins too or maybe they own agricultural land for investment. They would gain more with this bill than they would with the current bill plus the dollars savings stay in the state. The other point I would like to make is that in most states, commercial property is taxed at a much higher rate than residential is. In ND those are taxed almost equally; there is only a 10% difference there. I think if you would look at your tax statements and the tax statement of people across the state, you would find that this would be a much better economic development tool particularly for the farmers and ranchers out there. This is double the amount of tax reduction they are going to receive.

Representative Brandenburg: I don't disagree with you, but I cannot walk up and down Main Street and tell all my friends on Main Street that I am going to give more of a tax reduction to my ag land and the people in the businesses are not going to enjoy that. They are going to run me out of town. I won't even be able to have coffee in the C store.

Representative Pinkerton: If you look at commercial values of small town commercial real estate, they are usually very low compared to the value of residential. Most of the folks who own their own homes are getting the tax break.

Representative Drovdal: Going back to Representative Froseth's comment concerning the oil and gas trust fund dollars, under the current bill we have for the $295 million, that was coming out of the oil and gas permanent trust fund, but the $100 million of the Governor's was the income tax reduction, the reduction of revenue, not the oil and gas trust fund, I don't believe. You raised the question of sustainability on the $395.

Representative Pinkerton: Really in truth these funds are shifted around from one to the other and that is an excellent point because with this bill, we are going to have an extra $100 million in revenue that would not exist with the tax cut. It is actually very neutral in many ways. There is another amendment so if we could move on to that.

Representative Grande: Question.

Chairman Belter: You called a question. We will vote on the .0621 amendments. **(A roll call vote on the .0621 amendments resulted in 7 ayes, 4 nays, 2 absent/not voting –Froelich and Wrangham). Motion fails.**

Representative Winrich: I would like to do a **minority report on this amendment.** (58:01)

Representative Winrich: This amendment actually was prepared for Representative Mock dealing with some relief for renters based on the property tax credit. As Representative Drovdal pointed out earlier, with all the emphasis on property tax relief and reform and so on, there is one class of citizen in the state that is not getting very much attention. That is people who rent. Representative Mock had these amendments prepared. With your permission, Mr. Chairman, I would like to have Representative Mock explain them if that is possible.

Chairman Belter: Yes, I will allow that. (59:28)

Representative Cory Mock: Representative Pinkerton and I and Representative Winrich and I spoke a little bit about this; they may be able to answer some of our technical questions. If I am not mistaken, the amendment you have before you is .0623 which gives the renters a tax credit to people who rent as opposed to people who have single, double or a three family dwelling. This was in lieu of Representative Drovdal's concern that renters (approximately one sixth of the state rents property; they don't own property) so when it comes to a property tax reduction, they don't actually receive a direct tax cut. What this would do is this is a simplified version of what the Senate had passed in SB 2369; that was based on income tax, taxable income and the rent. It was a complicated formula. It was a six page bill. (I even had someone compliment me that I was able to take six pages of legislation and simplify it down to a paragraph. I wish we could do everything that simply.) This would give a 3% tax credit on the first $6,500 of rent paid to the landlord. Essentially it would max out at $195 as a tax credit for a taxable year. In citing the fiscal note from SB 2369, Katherine Strombeck from the Tax Commissioner's Office stated that there are between 100,000 and 105,000 renters and approximately 75% may qualify for a refund. We believe that the figures would be consistent with a tax credit. We are looking at a fiscal note that if everybody maxed out, it would be between $10-14 million for the biennium. Quite frankly, you can see it in here at the bottom of the paragraph, that only one person can claim the credit and not everybody would max out. It was estimated by the Tax Commissioner's Office that most people---the average rent is $400 per month—so they would fall below the maximum. That is the amendment, Mr. Chairman. I hope that we can consider it and give some tax breaks to renters.

Chairman Belter: What would the rules be for three or four college students renting? Would they each be eligible?

Representative Mock: If there were multiple tenants, the tax credit would only go to one and the primary contract holder, only one person. It states in the last sentence saying if they had more than one occupant/renter, only one occupant may claim the credit under this. They have to determine if they want to split between renters; that is the responsibility of the occupants.

Chairman Belter: Who would police that?

Representative Mock: It also states that verification of eligibility is provided by the landlord, the lessor, so they would state who occupies each dwelling. That would be in their report.

Representative Weiler: This is for an income tax credit. If the individual that rented did not pay income tax, are they going to get money back anyway or how does that work?

Representative Mock: Exactly. It is an income tax credit. If you pay income taxes, you don't receive the rebate. The thought being there if you are not paying income taxes, you are probably living in subsidized housing and not eligible for this in the first place. That was some of the understanding I have. Representative Pinkerton or Winrich may be able to answer that a little bit more clearly. We even have John Walstad here who may be able to shed some light on that as well.

Representative Winrich: I would move the .0623 amendments.

Chairman Belter: We have a **motion form Representative Winrich to move the .0623 amendments and a second from Representative Kelsh.** Any discussion?

Representative Pinkerton: I think Representative Drovdal had some very good points in the first portion (inaudible). I believe that we are essentially taking the money and giving it out and I believe this money will flow through . They might be some increase in rents so there might be some good things that could happen to owners of large commercial residential properties.

Chairman Belter: Any other discussion? If not, do you want a roll call? **(A roll call vote on the .0623 amendments resulted in 5 ayes, 6 nays, 2 absent/not voting – Froelich and Wrangham)**

Representative Pinkerton: We would like a **minority report.**.

Chairman Belter: Are there any other amendments? If not, we have 2199 before us. We have a **motion for a "do pass as amended" on SB 2199** from Representative Drovdal and a second from Representative Headland. Any discussion?

Representative Pinkerton: I see some advantages in the bill. I am not absolutely opposed to corporate income tax cuts but because of the lack of significant property tax reductions to individual households, I am going to oppose the bill but I might change my vote on the floor.

Chairman Belter: Any other discussion? I guess my response, Representative Pinkerton, is that I think we have got a pretty balanced bill where we are covering all classes of property. Yes, there may be some inequities and I understand the feelings about the out of state corporations (inaudible) but there are a lot small businesses and commercial property owners that own property in this state and I just think they should be included. (67:11) I think the proportion of corporate income tax relief versus personal is a pretty, 80-20, is a pretty fair balance. From that perspective, I feel very comfortable supporting the bill as we have got it.

Representative Pinkerton: I had a lot of thoughts about the bill. I would tend to support the corporate income tax over the personal income tax. (Inaudible). I will not support the bill in the committee, but maybe I will support it on the floor.

Chairman Belter: Any other discussion? If not, will the clerk read the roll for a **"do pass as amended" on SB 2199. (A roll call vote resulted in 7 ayes, 2 nays, 4 absent/not voting—Froelich, Wrangham, Schmidt and Winrich.) Representative Drovdal will carry the bill.**

90484.0610
Title.

Prepared by the Legislative Council staff for
House Finance and Taxation
March 11, 2009

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

Page 6, after line 6, insert:

"**57-64-05. Tax increment financing district revenue replacement grants.**

1. A city in which a tax increment financing district was established before January 1, 2009, is entitled to a grant, subject to legislative appropriation, to reimburse the district for the loss of tax increments attributable to the mill levy reduction under this chapter for the school district in which the tax increment financing district property is located. The grant to which a city is entitled under this section is equal to the combined education mill rate reduction under this chapter for the school district for the taxable year times the incremental value of property that had a tax increment value before January 1, 2009, as determined under section 40-58-20, discounted by five percent as allowed for taxpayers under section 57-20-09.

2. Applications for grants under this section must be filed with the tax commissioner by January thirty-first immediately following the taxable year of the combined education mill rate reduction under this chapter. Applications must be filed on a form prescribed by the tax commissioner. The tax commissioner shall audit applications, make corrections as required, and certify grant amounts and recipients to the state treasurer for payment of grants by March thirty-first following receipt of applications."

Page 6, after line 11, insert:

"**SECTION 6. APPROPRIATION.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $1,720,000, or so much of the sum as may be necessary, to the state treasurer for the purpose of allocation of revenue replacement grants to tax increment financing districts under section 57-64-05, for the biennium beginning July 1, 2009, and ending June 30, 2011."

Renumber accordingly

Date: March 16, 2009

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2199

House **FINANCE AND TAXATION** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number .0610

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Grande Seconded By Froseth

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Representative Froelich		
Vice Chairman David Drovdal			Representative Kelsh		
Representative Brandenburg			Representative Pinkerton		
Representative Froseth			Representative Schmidt		
Representative Grande			Representative Winrich		
Representative Headland					
Representative Weiler					
Representative Wrangham					

Total (Yes) ______ No ______

Absent ______

Floor Assignment ______

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

90484.0615
Title.

Prepared by the Legislative Council staff for Representative Winrich
March 16, 2009

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

Page 1, line 3, replace "sections 57-15-14" with "section"

Page 1, line 4, remove "and"

Page 1, remove lines 17 through 23

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 10

Page 5, line 27, after "sought" insert "or that unlimited levy authority is sought"

Page 5, line 28, after "mills" insert "or for unlimited levy authority"

Renumber accordingly

Date: March 16, 2009

Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2199

House **FINANCE AND TAXATION** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Winrich .0615

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Winrich Seconded By Kelsh

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Representative Froelich		
Vice Chairman David Drovdal			Representative Kelsh		
Representative Brandenburg			Representative Pinkerton		
Representative Froseth			Representative Schmidt		
Representative Grande			Representative Winrich		
Representative Headland					
Representative Weiler					
Representative Wrangham					

Total (Yes) ________ No ________

Absent ________

Floor Assignment ________

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

90484.0608
Title.

Prepared by the Legislative Council staff for
Representative Weiler
March 10, 2009

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

Page 2, line 23, replace "2010" with "2018"

Page 2, line 25, replace "2010" with "2018"

Renumber accordingly

Date: March 16, 2009

Roll Call Vote #: 3

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2199

House **FINANCE AND TAXATION** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Weiler .0608

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Weiler Seconded By ~~Grande~~ Winrich

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Representative Froelich		
Vice Chairman David Drovdal			Representative Kelsh		
Representative Brandenburg			Representative Pinkerton		
Representative Froseth			Representative Schmidt		
Representative Grande			Representative Winrich		
Representative Headland					
Representative Weiler					
Representative Wrangham					

Total (Yes) ________ No ________

Absent ________

Floor Assignment ________

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

Date: March 16, 2009

Roll Call Vote #: 4

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2199

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Weiler .0608

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By ______ Seconded By ______

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter		✓	Representative Froelich	✓	
Vice Chairman David Drovdal		✓	Representative Kelsh	✓	
Representative Brandenburg		✓	Representative Pinkerton	✓	
Representative Froseth		✓	Representative Schmidt	✓	
Representative Grande		✓	Representative Winrich	✓	
Representative Headland		✓			
Representative Weiler	✓				
Representative Wrangham	✓				

Total (Yes) 7 No 6

Absent ______

Floor Assignment ______

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

Prepared by the Legislative Council staff for
Representative Headland
March 13, 2009

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

Page 2, line 22, after "4." insert "The authority for a levy of up to a specific number of mills under this section approved by electors of a school district before July 1, 2009, is terminated effective for taxable years after 2012. If the electors of a school district subject to this subsection have not approved a levy for taxable years after 2012 of up to a specific number of mills under this section by December 31, 2012, the school district levy limitation for subsequent years is subject to the limitations under section 57-15-01.1 or this section.

5."

Page 2, line 23, replace "2010" with "2012"

Page 2, line 24, after "of" insert "up to"

Page 2, line 25, replace "2010" with "2012"

Renumber accordingly

Date: March 16, 2009

Roll Call Vote #: 5

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2199

House **FINANCE AND TAXATION** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Headland .0614

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Headland Seconded By Brandenburg

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Representative Froelich		
Vice Chairman David Drovdal			Representative Kelsh		
Representative Brandenburg			Representative Pinkerton		
Representative Froseth			Representative Schmidt		
Representative Grande			Representative Winrich		
Representative Headland					
Representative Weiler					
Representative Wrangham					

Total (Yes) ______ No ______

Absent ______

Floor Assignment ______

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

Sub Headland amendments for .0608

Motion carries

Date: March 16, 2009

Roll Call Vote #: 6

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2197

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Headland .0614 Sub for .0608

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By ______ Seconded By ______

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	✓		Representative Froelich		✓
Vice Chairman David Drovdal	✓		Representative Kelsh		✓
Representative Brandenburg	✓		Representative Pinkerton		✓
Representative Froseth	✓		Representative Schmidt		✓
Representative Grande	✓		Representative Winrich		✓
Representative Headland	✓				
Representative Weiler		✓			
Representative Wrangham	✓				

Total (Yes) 7 No 6

Absent ______

Floor Assignment ______

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

90484.0611
Title.

Prepared by the Legislative Council staff for
Representative Headland
March 11, 2009

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

Page 1, line 22, overstrike "eighteen" and insert immediately thereafter "<u>six</u>"

Renumber accordingly

Date: March 16, 2009

Roll Call Vote #: 7

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2199

House **FINANCE AND TAXATION** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Headland .0611

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Headland Seconded By Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	✓		Representative Froelich		✓
Vice Chairman David Drovdal		✓	Representative Kelsh		✓
Representative Brandenburg	✓		Representative Pinkerton		✓
Representative Froseth		✓	Representative Schmidt		✓
Representative Grande	✓		Representative Winrich		✓
Representative Headland	✓				
Representative Weiler		✓			
Representative Wrangham	✓				

Total (Yes) 5 No 8

Absent 0

Floor Assignment

If the vote is on an amendment, briefly indicate intent: Motion ~~Carries~~ Fails

90484.0607
Title.

Prepared by the Legislative Council staff for
Representative Weiler
March 10, 2009

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

Page 1, line 1, after "enact" insert "a new section to chapter 57-02,"

Page 1, line 2, after "57-15-01.1" insert a comma and after "to" insert "reassessment of certain properties and"

Page 1, after line 6, insert:

"**SECTION 1.** A new section to chapter 57-02 of the North Dakota Century Code is created and enacted as follows:

<u>Reassessment based on sales price.</u> <u>Property that has been sold in an arm's-length transaction for a price less than the true and full value of that property as determined in its most recent preceding assessment must be reassessed by the first assessment date following the sale at a true and full valuation not exceeding the sales price. This section does not apply to property that has changed property classifications or property that has been divided or partitioned since its previous assessment. For purposes of this section, the sales price of the property must be reduced by the amount of any mortgage points or other costs traditionally borne by the purchaser which were paid by the seller as part of the transaction. The purchaser of the property is responsible for providing the assessor with the documentation necessary to determine the sales price of the property for purposes of this section.</u>"

Page 6, line 12, remove "and" and after "3" insert ", and 4"

Renumber accordingly

Date: March 16, 2009

Roll Call Vote #: 8

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2199

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Weiler .0607

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Weiler Seconded By Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter		✓	Representative Froelich		✓
Vice Chairman David Drovdal		✓	Representative Kelsh		✓
Representative Brandenburg	✓		Representative Pinkerton		✓
Representative Froseth	✓		Representative Schmidt		✓
Representative Grande	✓		Representative Winrich		✓
Representative Headland	✓				
Representative Weiler	✓				
Representative Wrangham	✓				

Total (Yes) 6 No 7

Absent 0

Floor Assignment

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

90484.0609
Title.

Prepared by the Legislative Council staff for Representative Kasper
March 10, 2009

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

Page 1, line 2, after "54-15-01.1" insert ", section 57-15-01.2,"

Page 1, line 3, after "grants" insert "and levy limitations for taxing districts", after "sections" insert "57-02-11, 57-12-05, 57-13-04,", and after "57-15-14" insert a comma

Page 1, line 5, after "districts" insert "and property assessment restrictions"

Page 1, after line 6, insert:

"**SECTION 1. AMENDMENT.** Section 57-02-11 of the North Dakota Century Code is amended and reenacted as follows:

57-02-11. Listing of property - Assessment thereof <u>- Limitations</u>. Property must be listed and assessed as follows:

1. All real property subject to taxation must be listed and assessed every year with reference to its value, on February first of that year.

2. <u>Notwithstanding any other provision of law, the taxable valuation of real property may not be increased by more than three and one-half percent from its taxable valuation from the previous taxable year unless:</u>

   <u>a.</u> <u>Improvements have been made on the property which were not subject to assessment in the previous taxable year, in which case the taxable valuation of the property, without the improvements, from the previous taxable year may not be increased by more than three and one-half percent and the taxable valuation of the improvements may be added. For purposes of this subdivision, "taxable valuation of the improvements" means the value determined by comparison with taxable valuation of comparable property; or</u>

   <u>b.</u> <u>The classification of the property has changed from the previous taxable year.</u>

<u>3.</u> Whenever after the first day of February and before the first day of April in any year, it is made to appear to the assessor by the oath of the owner that any building, structure, or other improvement, or tangible personal property, which is listed for taxation for the current year has been destroyed or injured by fire, flood, or tornado, the assessor shall investigate the matter and deduct from the valuation of the property of the owner of such destroyed property an amount which in the assessor's judgment fairly represents such deduction as should be made.

<u>4.</u> <u>The governing body of a city or county may not supersede this section under home rule authority.</u>

SECTION 2. AMENDMENT. Section 57-12-05 of the North Dakota Century Code is amended and reenacted as follows:

57-12-05. Requirements to be followed in equalization of individual assessments. The county board of equalization, when equalizing individual assessments, shall observe the following rules:

1. The valuation of each tract or lot of real property which is returned below its true and full value must be raised to the sum believed by such board to be the true and full value thereof.

2. The valuation of each tract or lot of real property which, in the opinion of the board, is returned above its true and full value must be reduced to such sum as is believed to be the true and full value thereof.

3. The board may not make any adjustment in taxable valuation of property which would exceed the limitations of subsection 2 of section 57-02-11.

SECTION 3. AMENDMENT. Section 57-13-04 of the North Dakota Century Code is amended and reenacted as follows:

57-13-04. General duties and powers of board. The state board of equalization shall equalize the valuation and assessment of property throughout the state, and has power to equalize the assessment of property in this state between assessment districts of the same county, and between the different counties of the state. It shall:

1. Equalize the assessment of real property by adding to the aggregate value thereof in any assessment district in a county and in every county in the state in which the board may believe the valuation too low, such percentage rate as will raise the same to its proper value as provided by law, and by deducting from the aggregate assessed value thereof, in any assessment district in a county and every county in the state in which the board may believe the value too high, such percentage as will reduce the same to its proper value as provided by law. City lots must be equalized in the manner provided for equalizing other real property.

2. In making such equalization, add to or deduct from the aggregate assessed valuation of lands and city lots such percentage as may be deemed by the board to be equitable and just, but in all cases of addition to or deduction from the assessed valuation of any class of property in the several assessment districts in each county and in the several counties of the state, or throughout the state, the percentage rate of addition or deduction must be even and not fractional.

3. In equalizing individual assessments:

   a. If it believes an assessment to be too high, the board may reduce the assessment on any separate piece or parcel of real estate if the taxpayer has appealed such assessment to the board either by appearing personally or by a representative before the board or by mail or other communication to the board in which the taxpayer's reasons for asking for the reduction are made known to the board. The board does not have authority to reduce an assessment until the taxpayer has established to the satisfaction of the board that the taxpayer had first appealed the assessment to the local equalization board of the taxing district in which the property was assessed and to the county board of equalization of the county in which the property was assessed.

   b. If it believes an assessment to be too low, the board may increase the assessment on any separate piece or parcel of real estate. The secretary of the board, by mail sent to the last-known address of the owner to whom the property was assessed, shall notify such person of the amount of increase made by the board in such assessment.

c. The percentage of reduction or increase made by the board under this subsection in any assessment must be a whole-numbered amount and not a fractional amount.

4. The board may not make any adjustment in taxable valuation of property which would exceed the limitations of subsection 2 of section 57-02-11."

Page 1, after line 16, insert:

"**SECTION 5.** Section 57-15-01.2 of the North Dakota Century Code is created and enacted as follows:

57-15-01.2. Limitation on levies by taxing districts.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section limits that authority. This section may not be interpreted as authority to increase any levy limitation otherwise provided by law and may be applied only to limit any unused or excess levy authority that a taxing district may otherwise be entitled to use. Property taxes levied in dollars by a taxing district, other than a township, against a parcel of property may not exceed the amount the taxing district levied in dollars against that parcel of property in the preceding taxable year by more than three and one-half percent, except:

   a. When improvements to property have been made which were not taxable in the previous taxable year, the additional taxable valuation attributable to the improvements is taxable without regard to the limitation under this subsection but the limitation on the taxable valuation of the improvements under subdivision a of subsection 2 of section 57-02-11 applies to those improvements.

   b. When a property tax exemption existed in the previous taxable year which has been reduced or does not exist, the portion of the taxable valuation of the property which is no longer exempt is not subject to the limitation in this subsection.

   c. When temporary mill levy increases authorized by the electors of the taxing district or mill levies authorized by state law existed in the previous taxable year but are no longer applicable or have been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increases and the reduced or eliminated mill levies authorized by state law before the percentage increase allowable under this subsection is applied.

   d. For a school district, the amount levied in dollars in the previous taxable year by the school district must be adjusted to reflect any increase or decrease determined for the school district under section 4 of this Act.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

   a. New or increased mill levies authorized by state law or the electors of the taxing district which did not exist in the previous taxable year.

   b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota.

   c. Levies for a building fund or capital improvements.

d. Levies for fire protection, law enforcement, or emergency services.

e. Budget expenditures for substantial equipment purchases for infrastructure maintenance, repair, or construction such as road equipment, mowers, equipment for collection of solid waste, and similar equipment but not including office or computer equipment.

3. The mill rate applied to property that was not taxed in the previous taxable year may not exceed the mill rate determined by law for the current taxable year for property that was taxed in the previous taxable year.

4. Application of this section may be suspended and additional levy authority approved for a taxing district for up to four taxable years upon approval by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A taxing district may not expend funds of the taxing district to promote voter approval of a ballot measure under this subsection.

5. The governing body of a city or county may not supersede this section under home rule authority."

Page 6, line 12, replace ", 2, and 3" with "through 5"

Renumber accordingly

Date: March 16, 2009

Roll Call Vote #: 9

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2199

House **FINANCE AND TAXATION** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Kasper .0609

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Weiler Seconded By Headland

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Representative Froelich		
Vice Chairman David Drovdal			Representative Kelsh		
Representative Brandenburg			Representative Pinkerton		
Representative Froseth			Representative Schmidt		
Representative Grande			Representative Winrich		
Representative Headland					
Representative Weiler					
Representative Wrangham					

Total (Yes) ________ No ________

Absent ________

Floor Assignment ________

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

Date: March 16, 2009

Roll Call Vote #: 10

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2197

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Kasper .0609

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By ________ Seconded By ________

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter		✓	Representative Froelich		✓
Vice Chairman David Drovdal		✓	Representative Kelsh		✓
Representative Brandenburg	✓		Representative Pinkerton		✓
Representative Froseth	✓		Representative Schmidt		✓
Representative Grande	✓		Representative Winrich		✓
Representative Headland	✓				
Representative Weiler	✓				
Representative Wrangham		✓			

Total (Yes) 8 No 8

Absent 0

Floor Assignment Representative

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

90484.0616
Title.

Prepared by the Legislative Council staff for
Representative Carlson
March 16, 2009

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

Page 1, line 1, after "Act" insert "to create a property tax relief sustainability fund;"

Page 1, line 5, after the second semicolon insert "to provide for transfers;"

Page 6, after line 6, insert:

"**SECTION 5. Property tax relief sustainability fund.** The property tax relief sustainability fund is a special fund in the state treasury. Moneys in the fund may be spent, pursuant to legislative appropriations, for property tax relief programs."

Page 6, line 8, replace "permanent oil tax trust" with "general"

Page 6, after line 11, insert:

"**SECTION 7. TRANSFER - PERMANENT OIL TAX TRUST FUND - GENERAL FUND.** The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the general fund on July 1, 2009.

SECTION 8. TRANSFER - PERMANENT OIL TAX TRUST FUND - PROPERTY TAX RELIEF SUSTAINABILITY FUND. The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the property tax relief sustainability fund on July 1, 2010."

Renumber accordingly

Date: March 16, 2009

Roll Call Vote #: 11

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2199

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Carlson .0616

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Drovdal Seconded By Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Representative Froelich		
Vice Chairman David Drovdal			Representative Kelsh		
Representative Brandenburg			Representative Pinkerton		
Representative Froseth			Representative Schmidt		
Representative Grande			Representative Winrich		
Representative Headland					
Representative Weiler					
Representative Wrangham					

Total (Yes) ____________ No ____________

Absent ____________

Floor Assignment ____________

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

Adopted by the Finance and Taxation Committee
March 16, 2009

VR
3/17/09
1 of 2

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

Page 1, line 1, after "Act" insert "to create a property tax relief sustainability fund;"

Page 1, line 5, after the second semicolon insert "to provide for transfers;"

Page 2, line 22, after "4." insert "The authority for a levy of up to a specific number of mills under this section approved by electors of a school district before July 1, 2009, is terminated effective for taxable years after 2012. If the electors of a school district subject to this subsection have not approved a levy for taxable years after 2012 of up to a specific number of mills under this section by December 31, 2012, the school district levy limitation for subsequent years is subject to the limitations under section 57-15-01.1 or this section.

5."

Page 2, line 23, replace "2010" with "2012"

Page 2, line 24, after "of" insert "up to"

Page 2, line 25, replace "2010" with "2012"

Page 6, after line 6, insert:

"**57-64-05. Tax increment financing district revenue replacement grants.**

1. A city in which a tax increment financing district was established before January 1, 2009, is entitled to a grant, subject to legislative appropriation, to reimburse the district for the loss of tax increments attributable to the mill levy reduction under this chapter for the school district in which the tax increment financing district property is located. The grant to which a city is entitled under this section is equal to the combined education mill rate reduction under this chapter for the school district for the taxable year times the incremental value of property that had a tax increment value before January 1, 2009, as determined under section 40-58-20, discounted by five percent as allowed for taxpayers under section 57-20-09.

2. Applications for grants under this section must be filed with the tax commissioner by January thirty-first immediately following the taxable year of the combined education mill rate reduction under this chapter. Applications must be filed on a form prescribed by the tax commissioner. The tax commissioner shall audit applications, make corrections as required, and certify grant amounts and recipients to the state treasurer for payment of grants by March thirty-first following receipt of applications.

SECTION 5. Property tax relief sustainability fund. The property tax relief sustainability fund is a special fund in the state treasury. Moneys in the fund may be spent, pursuant to legislative appropriations, for property tax relief programs."

Page 6, line 8, replace "permanent oil tax trust" with "general"

2 of 2

Page 6, after line 11, insert:

"**SECTION 7. APPROPRIATION.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $1,720,000, or so much of the sum as may be necessary, to the state treasurer for the purpose of allocation of revenue replacement grants to tax increment financing districts under section 57-64-05, for the biennium beginning July 1, 2009, and ending June 30, 2011.

SECTION 8. TRANSFER - PERMANENT OIL TAX TRUST FUND - GENERAL FUND. The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the general fund on July 1, 2009.

SECTION 9. TRANSFER - PERMANENT OIL TAX TRUST FUND - PROPERTY TAX RELIEF SUSTAINABILITY FUND. The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the property tax relief sustainability fund on July 1, 2010."

Renumber accordingly

Date: March 16, 2009

Roll Call Vote #: 12

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2199

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken ☒ ~~Do Pass~~ ☐ Do Not Pass ☒ Amended .0616 .0614 in place of .0608 ~~.0610 tax increment~~

Motion Made By Drovdal Seconded By

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	✓		Representative Froelich	✓	
Vice Chairman David Drovdal	✓		Representative Kelsh	✓	
Representative Brandenburg	✓		Representative Pinkerton	✓	
Representative Froseth	✓		Representative Schmidt	✓	
Representative Grande	✓		Representative Winrich	✓	
Representative Headland	✓				
Representative Weiler	✓				
Representative Wrangham	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Rep. Drovdal

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

REPORT OF STANDING COMMITTEE

SB 2199, 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, 0 ABSENT AND NOT VOTING). Reengrossed SB 2199 was placed on the Sixth order on the calendar.

Page 1, line 1, after "Act" insert "to create a property tax relief sustainability fund;"

Page 1, line 5, after the second semicolon insert "to provide for transfers;"

Page 2, line 22, after "4." insert "The authority for a levy of up to a specific number of mills under this section approved by electors of a school district before July 1, 2009, is terminated effective for taxable years after 2012. If the electors of a school district subject to this subsection have not approved a levy for taxable years after 2012 of up to a specific number of mills under this section by December 31, 2012, the school district levy limitation for subsequent years is subject to the limitations under section 57-15-01.1 or this section.

5."

Page 2, line 23, replace "2010" with "2012"

Page 2, line 24, after "of" insert "up to"

Page 2, line 25, replace "2010" with "2012"

Page 6, after line 6, insert:

"**57-64-05. Tax increment financing district revenue replacement grants.**

1. A city in which a tax increment financing district was established before January 1, 2009, is entitled to a grant, subject to legislative appropriation, to reimburse the district for the loss of tax increments attributable to the mill levy reduction under this chapter for the school district in which the tax increment financing district property is located. The grant to which a city is entitled under this section is equal to the combined education mill rate reduction under this chapter for the school district for the taxable year times the incremental value of property that had a tax increment value before January 1, 2009, as determined under section 40-58-20, discounted by five percent as allowed for taxpayers under section 57-20-09.

2. Applications for grants under this section must be filed with the tax commissioner by January thirty-first immediately following the taxable year of the combined education mill rate reduction under this chapter. Applications must be filed on a form prescribed by the tax commissioner. The tax commissioner shall audit applications, make corrections as required, and certify grant amounts and recipients to the state treasurer for payment of grants by March thirty-first following receipt of applications.

SECTION 5. Property tax relief sustainability fund. The property tax relief sustainability fund is a special fund in the state treasury. Moneys in the fund may be spent, pursuant to legislative appropriations, for property tax relief programs."

Page 6, line 8, replace "permanent oil tax trust" with "general"

Page 6, after line 11, insert:

"**SECTION 7. APPROPRIATION.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $1,720,000, or so much of the sum as may be necessary, to the state treasurer for the purpose of allocation of revenue replacement grants to tax increment financing districts under section 57-64-05, for the biennium beginning July 1, 2009, and ending June 30, 2011.

SECTION 8. TRANSFER - PERMANENT OIL TAX TRUST FUND - GENERAL FUND. The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the general fund on July 1, 2009.

SECTION 9. TRANSFER - PERMANENT OIL TAX TRUST FUND - PROPERTY TAX RELIEF SUSTAINABILITY FUND. The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the property tax relief sustainability fund on July 1, 2010."

Renumber accordingly

Date: April 7, 2009

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2199

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Reconsider .0700

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Drovdal Seconded By Headland

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Representative Froelich		
Vice Chairman David Drovdal			Representative Kelsh		
Representative Brandenburg			Representative Pinkerton		
Representative Froseth			Representative Schmidt		
Representative Grande			Representative Winrich		
Representative Headland					
Representative Weiler					
Representative Wrangham					

Total (Yes) ____________ No ____________

Absent ____________

Floor Assignment ____________

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

Prepared by the Legislative Council staff for
Representative Belter
April 7, 2009

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

In addition to the amendments adopted by the House as printed on pages 960 and 961 of the House Journal, Reengrossed Senate Bill No. 2199 is further amended as follows:

Page 1, line 4, replace "and" with a comma and after "57-15-31" insert ", and 57-38-30 and subsection 1 of section 57-38-30.3"

Page 1, line 5, after "districts" insert ", corporate income tax rates, and income tax rates for individuals, estates, and trusts"

Page 3, after line 29, insert:

"**SECTION 4. AMENDMENT.** Section 57-38-30 of the North Dakota Century Code is amended and reenacted as follows:

57-38-30. Imposition and rate of tax on corporations. A tax is hereby imposed upon the taxable income of every domestic and foreign corporation which must be levied, collected, and paid annually as in this chapter provided:

1. a. For the first ~~three~~ twenty-five thousand dollars of taxable income, at the rate of two ~~and six-tenths~~ percent.

   b. On all taxable income ~~above three~~ exceeding twenty-five thousand dollars and not ~~in excess of eight~~ exceeding fifty thousand dollars, at the rate of ~~four and one-tenth~~ five percent.

   c. On all taxable income ~~above eight~~ exceeding fifty thousand dollars ~~and not in excess of twenty thousand dollars~~, at the rate of ~~five and six-tenths~~ six and one-tenth percent.

   ~~d. On all taxable income above twenty thousand dollars and not in excess of thirty thousand dollars, at the rate of six and four-tenths percent.~~

   ~~e. On all taxable income above thirty thousand dollars, at the rate of six and one-half percent.~~

2. A corporation that has paid North Dakota alternative minimum tax in years beginning before January 1, 1991, may carry over any alternative minimum tax credit remaining to the extent of the regular income tax liability of the corporation for a period not to exceed four taxable years.

SECTION 5. AMENDMENT. Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has

not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$27,050~~ $33,950	~~2.10%~~ 1.87%
Over ~~$27,050~~ $33,950 but not over ~~$65,550~~ $82,250	~~$568.05~~ $634.87 plus ~~3.92%~~ 3.49% of amount over ~~$27,050~~ $33,950
Over ~~$65,550~~ $82,250 but not over ~~$136,750~~ $171,550	~~$2,077.25~~ $2,320.54 plus ~~4.34%~~ 3.87% of amount over ~~$65,550~~ $82,250
Over ~~$136,750~~ $171,550 but not over ~~$297,350~~ $372,950	~~$5,167.33~~ $5,776.45 plus ~~5.04%~~ 4.49% of amount over ~~$136,750~~ $171,550
Over ~~$297,350~~ $372,950	~~$13,261.57~~ $14,819.31 plus ~~5.54%~~ 4.94% of amount over ~~$297,350~~ $372,950

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$45,200~~ $56,750	~~2.10%~~ 1.87%
Over ~~$45,200~~ $56,750 but not over ~~$109,250~~ $137,050	~~$949.20~~ $1,061.23 plus ~~3.92%~~ 3.49% of amount over ~~$45,200~~ $56,750
Over ~~$109,250~~ $137,050 but not over ~~$166,500~~ $208,850	~~$3,459.96~~ $3,863.70 plus ~~4.34%~~ 3.87% of amount over ~~$109,250~~ $137,050
Over ~~$166,500~~ $208,850 but not over ~~$297,350~~ $372,950	~~$5,944.61~~ $6,642.36 plus ~~5.04%~~ 4.49% of amount over ~~$166,500~~ $208,850
Over ~~$297,350~~ $372,950	~~$12,539.45~~ $14,010.45 plus ~~5.54%~~ 4.94% of amount over ~~$297,350~~ $372,950

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$22,600~~ $28,375	~~2.10%~~ 1.87%
Over ~~$22,600~~ $28,375 but not over ~~$54,625~~ $68,525	~~$474.60~~ $530.61 plus ~~3.92%~~ 3.49% of amount over ~~$22,600~~ $28,375
Over ~~$54,625~~ $68,525 but not over ~~$83,250~~ $104,425	~~$1,729.98~~ $1,931.85 plus ~~4.34%~~ 3.87% of amount over ~~$54,625~~ $68,525
Over ~~$83,250~~ $104,425 but not over ~~$148,675~~ $186,475	~~$2,972.31~~ $3,321.18 plus ~~5.04%~~ 4.49% of amount over ~~$83,250~~ $104,425
Over ~~$148,675~~ $186,475	~~$6,269.73~~ $7,005.22 plus ~~5.54%~~ 4.94% of amount over ~~$148,675~~ $186,475

d. Head of household.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$36,250~~ $45,500	~~2.10%~~ 1.87%
Over ~~$36,250~~ $45,500 but not over ~~$93,650~~ $117,450	~~$761.25~~ $850.85 plus ~~3.92%~~ 3.49% of amount over ~~$36,250~~ $45,500
Over ~~$93,650~~ $117,450 but not over ~~$151,650~~ $190,200	~~$3,011.33~~ $3,361.91 plus ~~4.34%~~ 3.87% of amount over ~~$93,650~~ $117,450
Over ~~$151,650~~ $190,200 but not over ~~$297,350~~ $372,950	~~$5,528.53~~ $6,177.33 plus ~~5.04%~~ 4.49% of amount over ~~$151,650~~ $190,200
Over ~~$297,350~~ $372,950	~~$12,871.81~~ $14,382.81 plus ~~5.54%~~ 4.94% of amount over ~~$297,350~~ $372,950

e. Estates and trusts.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$1,800~~ $2,300	~~2.10%~~ 1.87%

Over ~~$1,800~~ $2,300 but not over ~~$4,250~~ $5,350	~~$37.80~~ $43.01 plus ~~3.92%~~ 3.49% of amount over ~~$1,800~~ $2,300
Over ~~$4,250~~ $5,350 but not over ~~$6,500~~ $8,200	~~$133.84~~ $149.46 plus ~~4.34%~~ 3.87% of amount over ~~$4,250~~ $5,350
Over ~~$6,500~~ $8,200 but not over ~~$8,900~~ $11,150	~~$231.49~~ $259.75 plus ~~5.04%~~ 4.49% of amount over ~~$6,500~~ $8,200
Over ~~$8,900~~ $11,150	~~$352.45~~ $392.21 plus ~~5.54%~~ 4.94% of amount over ~~$8,900~~ $11,150

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

(1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and

(2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. For taxable years beginning after December 31, ~~2001~~ 2009, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes."

Page 6, line 12, remove "and" and after "3" insert ", 4, and 5"

Renumber accordingly

Date: April 7, 2009

Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2199

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Further Adopt 624 amend to 2199.0600 previously amended.

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Drovdal Seconded By Headland

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	✓		Representative Froelich		
Vice Chairman David Drovdal	✓		Representative Kelsh		✓
Representative Brandenburg	✓		Representative Pinkerton		✓
Representative Froseth	✓		Representative Schmidt		✓
Representative Grande	✓		Representative Winrich		✓
Representative Headland	✓				
Representative Weiler	✓				
Representative Wrangham					

Total (Yes) 7 No 4

Absent 2 Froelich / Wrangham

Floor Assignment

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

Motion carries

90484.0620
Title.

Prepared by the Legislative Council staff for
House Appropriations
March 25, 2009

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

In addition to the amendments adopted by the House as printed on pages 960 and 961 of the House Journal, Reengrossed Senate Bill No. 2199 is further amended as follows:

Page 5, after line 2, insert:

"7. For all purposes under law relating to allocation of funds among political subdivisions based on property tax levies, property taxes levied by a school district are the amount that would have been levied without the mill reduction grant provided to the school district under this chapter."

Page 5, line 5, replace "combined education" with "general fund"

Page 5, line 8, replace "combined education" with "general fund"

Page 5, line 19, replace "combined education" with "general fund"

Page 5, line 26, replace "combined" with "general fund"

Page 5, line 27, remove "education"

Page 5, line 30, after "district" insert "general fund"

Renumber accordingly

Date: April 7, 2009

Roll Call Vote #: 3

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2199

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Further am on .0620 amend.

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Drovdal Seconded By Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Representative Froelich		
Vice Chairman David Drovdal			Representative Kelsh		
Representative Brandenburg			Representative Pinkerton		
Representative Froseth			Representative Schmidt		
Representative Grande			Representative Winrich		
Representative Headland					
Representative Weiler					
Representative Wrangham			Voice		

Total (Yes) ______ No ______

Absent ______

Floor Assignment ______

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

Prepared by the Legislative Council staff for Representative Pinkerton
March 27, 2009

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

In lieu of the amendments adopted by the House as printed on pages 960 and 961 of the House Journal, Reengrossed Senate Bill No. 2199 is amended as follows:

Page 1, line 1, after "Act" insert "to create a property tax relief sustainability fund;"

Page 1, line 5, after the second semicolon insert "to provide for transfers;"

Page 2, line 23, replace "2010" with "2018"

Page 2, line 24, after "of" insert "up to"

Page 2, line 25, replace "2010" with "2018"

Page 4, line 17, after "of" insert "residential and agricultural"

Page 4, line 18, replace "one hundred" with "forty"

page 4, line 21, after "of" insert "residential and agricultural"

Page 4, line 22, replace "seventy-five" with "one hundred fifty"

Page 5, after line 2, insert:

"7. For all purposes under law relating to allocation of funds among political subdivisions based on property tax levies, property taxes levied by a school district are the amount that would have been levied without the mill reduction grant provided to the school district under this chapter."

Page 5, line 5, replace "combined education" with "general fund" and after "rate" insert "for residential and agricultural property"

Page 5, line 6, replace "one hundred ten" with "forty"

Page 5, line 8, replace "combined education" with "general fund"

Page 5, line 9, replace "one hundred ten" with "forty" and after "mills" insert "for residential and agricultural property"

Page 5, line 19, replace "combined education" with "general fund", after "rate" insert "for residential and agricultural property", and replace "one hundred ten" with "forty"

Page 5, line 26, replace "combined" with "general fund"

Page 5, line 27, remove "education"

Page 5, line 30, after "district" insert "general fund"

Page 6, line 1, after the second boldfaced underscored period insert "The mill levy reduction grant to a school district under this chapter must be applied to reduce the combined education mill rate of the school district as it applies to residential and agricultural property in the school district. If the combined mill rate of the school district is reduced to zero for residential and agricultural property, any remaining amount of the grant must be applied proportionately to reduction of the combined mill rate for other taxable property in the school district."

Page 6, after line 6, insert:

"**57-64-05. Tax increment financing district revenue replacement grants.**

1. A city in which a tax increment financing district was established before January 1, 2009, is entitled to a grant, subject to legislative appropriation, to reimburse the district for the loss of tax increments attributable to the mill levy reduction under this chapter for the school district in which the tax increment financing district property is located. The grant to which a city is entitled under this section is equal to the combined education mill rate reduction under this chapter for the school district for the taxable year times the incremental value of residential and agricultural property that had a tax increment value before January 1, 2009, as determined under section 40-58-20, discounted by five percent as allowed for taxpayers under section 57-20-09.

2. Applications for grants under this section must be filed with the tax commissioner by January thirty-first immediately following the taxable year of the combined education mill rate reduction under this chapter. Applications must be filed on a form prescribed by the tax commissioner. The tax commissioner shall audit applications, make corrections as required, and certify grant amounts and recipients to the state treasurer for payment of grants by March thirty-first following receipt of applications.

SECTION 5. Property tax relief sustainability fund. The property tax relief sustainability fund is a special fund in the state treasury. Moneys in the fund may be spent, pursuant to legislative appropriations, for property tax relief programs."

Page 6, line 8, replace "permanent oil tax trust" with "general"

Page 6, line 9, replace "$295,000,000" with "$395,000,000"

Page 6, after line 11, insert:

"**SECTION 7. APPROPRIATION.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $1,720,000, or so much of the sum as may be necessary, to the state treasurer for the purpose of allocation of revenue replacement grants to tax increment financing districts under section 57-64-05, for the biennium beginning July 1, 2009, and ending June 30, 2011.

SECTION 8. APPROPRIATION. There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $1,000,000, or so much of the sum as may be necessary, to the information technology department for the purpose of providing grants to counties that demonstrate to the satisfaction of the department that the county has incurred technology-related costs directly related to enactment of this Act.

SECTION 9. TRANSFER - PERMANENT OIL TAX TRUST FUND - GENERAL FUND. The office of management and budget shall transfer the sum of $395,000,000 from the permanent oil tax trust fund to the general fund on July 1, 2009.

SECTION 10. TRANSFER - PERMANENT OIL TAX TRUST FUND - PROPERTY TAX RELIEF SUSTAINABILITY FUND. The office of management and budget shall transfer the sum of $395,000,000 from the permanent oil tax trust fund to the property tax relief sustainability fund on July 1, 2010."

Renumber accordingly

Adopted by the Finance and Taxation
Committee - Minority Report
April 7, 2009

YR
4/9/0
18

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

In lieu of the amendments adopted by the House as printed on pages 960 and 961 of the House Journal, Reengrossed Senate Bill No. 2199 is amended as follows:

Page 1, line 1, after "Act" insert "to create a property tax relief sustainability fund;"

Page 1, line 2, after "57-15-01.1" insert ", a new section to chapter 57-38, a new subdivision to subsection 7 of section 57-38-30.3,"

Page 1, line 3, after "grants" insert "and an income tax credit for renters of residential property"

Page 1, line 5, after the second semicolon insert "to provide for transfers;"

Page 2, line 23, replace "2010" with "2018"

Page 2, line 24, after "of" insert "up to"

Page 2, line 25, replace "2010" with "2018"

Page 3, after line 29, insert:

"**SECTION 4.** A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Renter's credit. A taxpayer is entitled to a tax credit against tax liability as determined under section 57-38-29 or 57-38-30.3 equal to three percent of the first six thousand five hundred dollars of rent paid during the taxable year for the right of occupancy of a dwelling in this state occupied as the taxpayer's primary residence. The claimant of a credit under this section must provide information required by the tax commissioner to verify eligibility for the credit under this section, including a statement from the lessor of the amount of rent paid for the dwelling during the taxable year. Rental of a dwelling in a nursing home, intermediate care facility, long-term care residential facility, or dwelling for which the landlord and tenant have not dealt with each other at arm's length is not eligible for the credit under this section. If a dwelling has more than one occupant renter, only one occupant may claim the credit under this section and how the credit will be apportioned among the occupants is the responsibility of the occupants.

SECTION 5. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Renter's credit under section 4 of this Act."

Page 4, line 17, after "of" insert "residential and agricultural"

Page 4, line 18, replace "one hundred" with "forty"

Page 4, line 21, after "of" insert "residential and agricultural"

Page 4, line 22, replace "seventy-five" with "one hundred fifty"

Page 5, after line 2, insert:

"7. For all purposes under law relating to allocation of funds among political subdivisions based on property tax levies, property taxes levied by a school district are the amount that would have been levied without the mill reduction grant provided to the school district under this chapter."

Page 5, line 5, replace "combined education" with "general fund" and after "rate" insert "for residential and agricultural property"

Page 5, line 6, replace "one hundred ten" with "forty"

Page 5, line 8, replace "combined education" with "general fund"

Page 5, line 9, replace "one hundred ten" with "forty" and after "mills" insert "for residential and agricultural property"

Page 5, line 19, replace "combined education" with "general fund", after "rate" insert "for residential and agricultural property", and replace "one hundred ten" with "forty"

Page 5, line 26, replace "combined" with "general fund"

Page 5, line 27, remove "education"

Page 5, line 30, after "district" insert "general fund"

Page 6, line 1, after the second boldfaced underscored period insert "The mill levy reduction grant to a school district under this chapter must be applied to reduce the combined education mill rate of the school district as it applies to residential and agricultural property in the school district. If the combined mill rate of the school district is reduced to zero for residential and agricultural property, any remaining amount of the grant must be applied proportionately to reduction of the combined mill rate for other taxable property in the school district."

Page 6, after line 6, insert:

"**57-64-05. Tax increment financing district revenue replacement grants.**

1. A city in which a tax increment financing district was established before January 1, 2009, is entitled to a grant, subject to legislative appropriation, to reimburse the district for the loss of tax increments attributable to the mill levy reduction under this chapter for the school district in which the tax increment financing district property is located. The grant to which a city is entitled under this section is equal to the combined education mill rate reduction under this chapter for the school district for the taxable year times the incremental value of residential and agricultural property that had a tax increment value before January 1, 2009, as determined under section 40-58-20, discounted by five percent as allowed for taxpayers under section 57-20-09.

2. Applications for grants under this section must be filed with the tax commissioner by January thirty-first immediately following the taxable year

of the combined education mill rate reduction under this chapter. Applications must be filed on a form prescribed by the tax commissioner. The tax commissioner shall audit applications, make corrections as required, and certify grant amounts and recipients to the state treasurer for payment of grants by March thirty-first following receipt of applications.

SECTION 7. Property tax relief sustainability fund. The property tax relief sustainability fund is a special fund in the state treasury. Moneys in the fund may be spent, pursuant to legislative appropriations, for property tax relief programs."

Page 6, line 8, replace "permanent oil tax trust" with "general"

Page 6, line 9, replace "$295,000,000" with "$395,000,000"

Page 6, after line 11, insert:

"**SECTION 9. APPROPRIATION.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $1,720,000, or so much of the sum as may be necessary, to the state treasurer for the purpose of allocation of revenue replacement grants to tax increment financing districts under section 57-64-05, for the biennium beginning July 1, 2009, and ending June 30, 2011.

SECTION 10. APPROPRIATION. There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $1,000,000, or so much of the sum as may be necessary, to the information technology department for the purpose of providing grants to counties that demonstrate to the satisfaction of the department that the county has incurred technology-related costs directly related to enactment of this Act.

SECTION 11. TRANSFER - PERMANENT OIL TAX TRUST FUND - GENERAL FUND. The office of management and budget shall transfer the sum of $395,000,000 from the permanent oil tax trust fund to the general fund on July 1, 2009.

SECTION 12. TRANSFER - PERMANENT OIL TAX TRUST FUND - PROPERTY TAX RELIEF SUSTAINABILITY FUND. The office of management and budget shall transfer the sum of $395,000,000 from the permanent oil tax trust fund to the property tax relief sustainability fund on July 1, 2010."

Page 6, line 12, remove "and" and after "3" insert ", 4, and 5"

Renumber accordingly

Minority Report

Date: April 7, 2009

Roll Call Vote #: 4

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2199

House **FINANCE AND TAXATION** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number ~~Reconsider~~ Further amend Pinkerton .0621 Amendments

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Pinkerton Seconded By ~~Weiler~~ Kelsh

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter		✓	Representative Froelich		
Vice Chairman David Drovdal		✓	Representative Kelsh	✓	
Representative Brandenburg		✓	Representative Pinkerton	✓	
Representative Froseth		✓	Representative Schmidt	✓	
Representative Grande		✓	Representative Winrich	✓	
Representative Headland		✓			
Representative Weiler		✓			
Representative Wrangham					

Total (Yes) 7 No 4

Absent 2 (Froelich + Wrangham)

Floor Assignment

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

REPORT OF STANDING COMMITTEE (MINORITY)

SB 2199, as reengrossed: Finance and Taxation (Rep. W. Belter, Chairman) A **MINORITY** of your committee (Reps. Pinkerton, S. Kelsh, Winrich) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS.**

In lieu of the amendments adopted by the House as printed on pages 960 and 961 of the House Journal, Reengrossed Senate Bill No. 2199 is amended as follows:

Page 1, line 1, after "Act" insert "to create a property tax relief sustainability fund;"

Page 1, line 2, after "57-15-01.1" insert ", a new section to chapter 57-38, a new subdivision to subsection 7 of section 57-38-30.3,"

Page 1, line 3, after "grants" insert "and an income tax credit for renters of residential property"

Page 1, line 5, after the second semicolon insert "to provide for transfers;"

Page 2, line 23, replace "2010" with "2018"

Page 2, line 24, after "of" insert "up to"

Page 2, line 25, replace "2010" with "2018"

Page 3, after line 29, insert:

"**SECTION 4.** A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Renter's credit. A taxpayer is entitled to a tax credit against tax liability as determined under section 57-38-29 or 57-38-30.3 equal to three percent of the first six thousand five hundred dollars of rent paid during the taxable year for the right of occupancy of a dwelling in this state occupied as the taxpayer's primary residence. The claimant of a credit under this section must provide information required by the tax commissioner to verify eligibility for the credit under this section, including a statement from the lessor of the amount of rent paid for the dwelling during the taxable year. Rental of a dwelling in a nursing home, intermediate care facility, long-term care residential facility, or dwelling for which the landlord and tenant have not dealt with each other at arm's length is not eligible for the credit under this section. If a dwelling has more than one occupant renter, only one occupant may claim the credit under this section and how the credit will be apportioned among the occupants is the responsibility of the occupants.

SECTION 5. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Renter's credit under section 4 of this Act."

Page 4, line 17, after "of" insert "residential and agricultural"

Page 4, line 18, replace "one hundred" with "forty"

Page 4, line 21, after "of" insert "residential and agricultural"

Page 4, line 22, replace "seventy-five" with "one hundred fifty"

Page 5, after line 2, insert:

"7. For all purposes under law relating to allocation of funds among political subdivisions based on property tax levies, property taxes levied by a school district are the amount that would have been levied without the mill reduction grant provided to the school district under this chapter."

Page 5, line 5, replace "combined education" with "general fund" and after "rate" insert "for residential and agricultural property"

Page 5, line 6, replace "one hundred ten" with "forty"

Page 5, line 8, replace "combined education" with "general fund"

Page 5, line 9, replace "one hundred ten" with "forty" and after "mills" insert "for residential and agricultural property"

Page 5, line 19, replace "combined education" with "general fund", after "rate" insert "for residential and agricultural property", and replace "one hundred ten" with "forty"

Page 5, line 26, replace "combined" with "general fund"

Page 5, line 27, remove "education"

Page 5, line 30, after "district" insert "general fund"

Page 6, line 1, after the second boldfaced underscored period insert "The mill levy reduction grant to a school district under this chapter must be applied to reduce the combined education mill rate of the school district as it applies to residential and agricultural property in the school district. If the combined mill rate of the school district is reduced to zero for residential and agricultural property, any remaining amount of the grant must be applied proportionately to reduction of the combined mill rate for other taxable property in the school district."

Page 6, after line 6, insert:

"**57-64-05. Tax increment financing district revenue replacement grants.**

1. A city in which a tax increment financing district was established before January 1, 2009, is entitled to a grant, subject to legislative appropriation, to reimburse the district for the loss of tax increments attributable to the mill levy reduction under this chapter for the school district in which the tax increment financing district property is located. The grant to which a city is entitled under this section is equal to the combined education mill rate reduction under this chapter for the school district for the taxable year times the incremental value of residential and agricultural property that had a tax increment value before January 1, 2009, as determined under section 40-58-20, discounted by five percent as allowed for taxpayers under section 57-20-09.

2. Applications for grants under this section must be filed with the tax commissioner by January thirty-first immediately following the taxable year of the combined education mill rate reduction under this chapter. Applications must be filed on a form prescribed by the tax commissioner. The tax commissioner shall audit applications, make corrections as required, and certify grant amounts and recipients to the state treasurer for payment of grants by March thirty-first following receipt of applications.

SECTION 7. **Property tax relief sustainability fund.** The property tax relief sustainability fund is a special fund in the state treasury. Moneys in the fund may be spent, pursuant to legislative appropriations, for property tax relief programs."

Page 6, line 8, replace "permanent oil tax trust" with "general"

Page 6, line 9, replace "$295,000,000" with "$395,000,000"

Page 6, after line 11, insert:

"**SECTION 9. APPROPRIATION.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $1,720,000, or so much of the sum as may be necessary, to the state treasurer for the purpose of allocation of revenue replacement grants to tax increment financing districts under section 57-64-05, for the biennium beginning July 1, 2009, and ending June 30, 2011.

SECTION 10. APPROPRIATION. There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $1,000,000, or so much of the sum as may be necessary, to the information technology department for the purpose of providing grants to counties that demonstrate to the satisfaction of the department that the county has incurred technology-related costs directly related to enactment of this Act.

SECTION 11. TRANSFER - PERMANENT OIL TAX TRUST FUND - GENERAL FUND. The office of management and budget shall transfer the sum of $395,000,000 from the permanent oil tax trust fund to the general fund on July 1, 2009.

SECTION 12. TRANSFER - PERMANENT OIL TAX TRUST FUND - PROPERTY TAX RELIEF SUSTAINABILITY FUND. The office of management and budget shall transfer the sum of $395,000,000 from the permanent oil tax trust fund to the property tax relief sustainability fund on July 1, 2010."

Page 6, line 12, remove "and" and after "3" insert ", 4, and 5"

Renumber accordingly

The reports of the majority and the minority were placed on the Seventh order of business on the calendar for the succeeding legislative day.

90484.0623
Title.

Prepared by the Legislative Council staff for
Representative Mock
April 2, 2009

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

In addition to the amendments adopted by the House as printed on pages 960 and 961 of the House Journal, Reengrossed Senate Bill No. 2199 is further amended as follows:

Page 1, line 2, after "57-15-01.1" insert ", a new section to chapter 57-38, a new subdivision to subsection 7 of section 57-38-30.3,"

Page 1, line 3, after "grants" insert "and an income tax credit for renters of residential property"

Page 3, after line 29, insert:

"**SECTION 4.** A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Renter's credit. A taxpayer is entitled to a tax credit against tax liability as determined under section 57-38-29 or 57-38-30.3 equal to three percent of the first six thousand five hundred dollars of rent paid during the taxable year for the right of occupancy of a dwelling in this state occupied as the taxpayer's primary residence. The claimant of a credit under this section must provide information required by the tax commissioner to verify eligibility for the credit under this section, including a statement from the lessor of the amount of rent paid for the dwelling during the taxable year. Rental of a dwelling in a nursing home, intermediate care facility, long-term care residential facility, or dwelling for which the landlord and tenant have not dealt with each other at arm's length is not eligible for the credit under this section. If a dwelling has more than one occupant renter, only one occupant may claim the credit under this section and how the credit will be apportioned among the occupants is the responsibility of the occupants.

SECTION 5. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Renter's credit under section 4 of this Act."

Page 6, line 12, remove "and" and after "3" insert ", 4, and 5"

Renumber accordingly

Minority

Date: April 7, 2009

Roll Call Vote #: 5

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2199

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Mock Amendment .0623

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Winrich Seconded By Kelsh

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter		✓	Representative Froelich		
Vice Chairman David Drovdal		✓	Representative Kelsh	✓	
Representative Brandenburg		✓	Representative Pinkerton	✓	
Representative Froseth		✓	Representative Schmidt	✓	
Representative Grande		✓	Representative Winrich	✓	
Representative Headland		✓			
Representative Weiler	✓				
Representative Wrangham					

Total (Yes) 5 No 6

Absent 2 (Froelich Wrangham)

Floor Assignment

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

Motion Fails

Adopted by the Finance and Taxation
Committee - Majority Report
April 7, 2009

VR
4/9/09
1 of 5

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

In lieu of the amendments adopted by the House as printed on pages 960 and 961 of the House Journal, Reengrossed Senate Bill No. 2199 is amended as follows:

Page 1, line 1, after "Act" insert "to create a property tax relief sustainability fund;"

Page 1, line 4, replace "and" with a comma and after "57-15-31" insert ", and 57-38-30 and subsection 1 of section 57-38-30.3"

Page 1, line 5, after "districts" insert ", corporate income tax rates, and income tax rates for individuals, estates, and trusts" and after the second semicolon insert "to provide for transfers;"

Page 2, line 22, after "4." insert "The authority for a levy of up to a specific number of mills under this section approved by electors of a school district before July 1, 2009, is terminated effective for taxable years after 2012. If the electors of a school district subject to this subsection have not approved a levy for taxable years after 2012 of up to a specific number of mills under this section by December 31, 2012, the school district levy limitation for subsequent years is subject to the limitations under section 57-15-01.1 or this section.

5."

Page 2, line 23, replace "2010" with "2012"

Page 2, line 24, after "of" insert "up to"

Page 2, line 25, replace "2010" with "2012"

Page 3, after line 29, insert:

"**SECTION 4. AMENDMENT.** Section 57-38-30 of the North Dakota Century Code is amended and reenacted as follows:

57-38-30. Imposition and rate of tax on corporations. A tax is hereby imposed upon the taxable income of every domestic and foreign corporation which must be levied, collected, and paid annually as in this chapter provided:

1. a. For the first ~~three~~ twenty-five thousand dollars of taxable income, at the rate of two ~~and six-tenths~~ percent.

   b. On all taxable income ~~above three~~ exceeding twenty-five thousand dollars and not ~~in excess of eight~~ exceeding fifty thousand dollars, at the rate of ~~four and one-tenth~~ five percent.

   c. On all taxable income ~~above eight~~ exceeding fifty thousand dollars ~~and not in excess of twenty thousand dollars~~, at the rate of ~~five and six-tenths~~ six and one-tenth percent.

~~d. On all taxable income above twenty thousand dollars and not in excess of thirty thousand dollars, at the rate of six and four-tenths percent.~~

~~e. On all taxable income above thirty thousand dollars, at the rate of six and one-half percent.~~

2. A corporation that has paid North Dakota alternative minimum tax in years beginning before January 1, 1991, may carry over any alternative minimum tax credit remaining to the extent of the regular income tax liability of the corporation for a period not to exceed four taxable years.

SECTION 5. AMENDMENT. Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$27,050~~ $33,950	~~2.10%~~ 1.87%
Over ~~$27,050~~ $33,950 but not over ~~$65,550~~ $82,250	~~$568.05~~ $634.87 plus ~~3.92%~~ 3.49% of amount over ~~$27,050~~ $33,950
Over ~~$65,550~~ $82,250 but not over ~~$136,750~~ $171,550	~~$2,077.25~~ $2,320.54 plus ~~4.34%~~ 3.87% of amount over ~~$65,550~~ $82,250
Over ~~$136,750~~ $171,550 but not over ~~$297,350~~ $372,950	~~$5,167.33~~ $5,776.45 plus ~~5.04%~~ 4.49% of amount over ~~$136,750~~ $171,550
Over ~~$297,350~~ $372,950	~~$13,261.57~~ $14,819.31 plus ~~5.54%~~ 4.94% of amount over ~~$297,350~~ $372,950

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$45,200~~ $56,750	~~2.10%~~ 1.87%
Over ~~$45,200~~ $56,750 but not over ~~$109,250~~ $137,050	~~$949.20~~ $1,061.23 plus ~~3.92%~~ 3.49% of amount over ~~$45,200~~ $56,750
Over ~~$109,250~~ $137,050 but not over ~~$166,500~~ $208,850	~~$3,459.96~~ $3,863.70 plus ~~4.34%~~ 3.87% of amount over ~~$109,250~~ $137,050
Over ~~$166,500~~ $208,850 but not over ~~$297,350~~ $372,950	~~$5,944.61~~ $6,642.36 plus ~~5.04%~~ 4.49% of amount over ~~$166,500~~ $208,850
Over ~~$297,350~~ $372,950	~~$12,539.45~~ $14,010.45 plus ~~5.54%~~ 4.94% of amount over ~~$297,350~~ $372,950

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$22,600~~ $28,375	~~2.10%~~ 1.87%
Over ~~$22,600~~ $28,375 but not over ~~$54,625~~ $68,525	~~$474.60~~ $530.61 plus ~~3.92%~~ 3.49% of amount over ~~$22,600~~ $28,375
Over ~~$54,625~~ $68,525 but not	~~$1,729.98~~ $1,931.85 plus ~~4.34%~~ 3.87%

385

over ~~$83,250~~ $104,425	of amount over ~~$64,625~~ $68,525
Over ~~$83,250~~ $104,425 but not over ~~$148,675~~ $186,475	~~$2,072.31~~ $3,321.18 plus ~~5.04%~~ 4.49% of amount over ~~$83,250~~ $104,425
Over ~~$148,675~~ $186,475	~~$6,269.73~~ $7,005.22 plus ~~5.54%~~ 4.94% of amount over ~~$148,675~~ $186,475

d. Head of household.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$36,250~~ $45,500	~~2.10%~~ 1.87%
Over ~~$36,250~~ $45,500 but not over ~~$93,650~~ $117,450	~~$761.25~~ $850.85 plus ~~3.92%~~ 3.49% of amount over ~~$36,250~~ $45,500
Over ~~$93,650~~ $117,450 but not over ~~$151,650~~ $190,200	~~$3,011.33~~ $3,361.91 plus ~~4.34%~~ 3.87% of amount over ~~$93,650~~ $117,450
Over ~~$151,650~~ $190,200 but not over ~~$297,350~~ $372,950	~~$5,528.53~~ $6,177.33 plus ~~5.04%~~ 4.49% of amount over ~~$151,650~~ $190,200
Over ~~$297,350~~ $372,950	~~$12,871.81~~ $14,382.81 plus ~~5.54%~~ 4.94% of amount over ~~$297,350~~ $372,950

e. Estates and trusts.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$1,800~~ $2,300	~~2.10%~~ 1.87%
Over ~~$1,800~~ $2,300 but not over ~~$4,250~~ $5,350	~~$37.80~~ $43.01 plus ~~3.92%~~ 3.49% of amount over ~~$1,800~~ $2,300
Over ~~$4,250~~ $5,350 but not over ~~$6,500~~ $8,200	~~$133.84~~ $149.46 plus ~~4.34%~~ 3.87% of amount over ~~$4,250~~ $5,350
Over ~~$6,500~~ $8,200 but not over ~~$8,900~~ $11,150	~~$231.49~~ $259.75 plus ~~5.04%~~ 4.49% of amount over ~~$6,500~~ $8,200
Over ~~$8,900~~ $11,150	~~$352.45~~ $392.21 plus ~~5.54%~~ 4.94% of amount over ~~$8,900~~ $11,150

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

(1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and

(2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. For taxable years beginning after December 31, ~~2001~~ 2009, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes."

Page 5, after line 2, insert:

"7. For all purposes under law relating to allocation of funds among political subdivisions based on property tax levies, property taxes levied by a school district are the amount that would have been levied without the mill reduction grant provided to the school district under this chapter."

Page 5, line 5, replace "combined education" with "general fund"

Page 5, line 8, replace "combined education" with "general fund"

Page 5, line 19, replace "combined education" with "general fund"

Page 5, line 26, replace "combined" with "general fund"

Page 5, line 27, remove "education"

Page 5, line 30, after "district" insert "general fund"

Page 6, after line 6, insert:

"**57-64-05. Tax increment financing district revenue replacement grants.**

1. A city in which a tax increment financing district was established before January 1, 2009, is entitled to a grant, subject to legislative appropriation, to reimburse the district for the loss of tax increments attributable to the mill levy reduction under this chapter for the school district in which the tax increment financing district property is located. The grant to which a city is entitled under this section is equal to the combined education mill rate reduction under this chapter for the school district for the taxable year times the incremental value of property that had a tax increment value before January 1, 2009, as determined under section 40-58-20, discounted by five percent as allowed for taxpayers under section 57-20-09.

2. Applications for grants under this section must be filed with the tax commissioner by January thirty-first immediately following the taxable year of the combined education mill rate reduction under this chapter. Applications must be filed on a form prescribed by the tax commissioner. The tax commissioner shall audit applications, make corrections as required, and certify grant amounts and recipients to the state treasurer for payment of grants by March thirty-first following receipt of applications.

SECTION 7. Property tax relief sustainability fund. The property tax relief sustainability fund is a special fund in the state treasury. Moneys in the fund may be spent, pursuant to legislative appropriations, for property tax relief programs."

Page 6, line 8, replace "permanent oil tax trust" with "general"

Page 6, after line 11, insert:

"**SECTION 9. APPROPRIATION.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $1,720,000, or so much of the sum as may be necessary, to the state treasurer for the purpose of allocation of revenue replacement grants to tax increment financing districts under section 57-64-05, for the biennium beginning July 1, 2009, and ending June 30, 2011.

SECTION 10. TRANSFER - PERMANENT OIL TAX TRUST FUND - GENERAL FUND. The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the general fund on July 1, 2009.

SECTION 11. TRANSFER - PERMANENT OIL TAX TRUST FUND - PROPERTY TAX RELIEF SUSTAINABILITY FUND. The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the property tax relief sustainability fund on July 1, 2010."

Page 6, line 12, remove "and" and after "3" insert ", 4, and 5"

Renumber accordingly

Date: April 7, 2009

Roll Call Vote #: 6

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2199

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number ______

Action Taken ☒ Do Pass ☐ Do Not Pass ☒ Amended

Motion Made By ______ Seconded By ______

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	✓		Representative Froelich		
Vice Chairman David Drovdal	✓		Representative Kelsh		✓
Representative Brandenburg	✓		Representative Pinkerton		✓
Representative Froseth	✓		Representative Schmidt		
Representative Grande	✓		Representative Winrich		
Representative Headland	✓				
Representative Weiler	✓				
Representative Wrangham					

Total (Yes) 7 No 2

Absent 4 (Froelich + Wrangham + Schmidt + Winrich)

Floor Assignment Rep. Drovdal

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

On roll call 6 Schmidt + Winrich Voted yes, Cannot do that because they voted for minority amendments.

Jay Buringrud L/C advised that no one could vote both for the majority and the minority report. The decision was made to have Schmidt + Winrich not vote on the majority report by (Belter/Pinkerton/Winrich.

REPORT OF STANDING COMMITTEE (MAJORITY)

SB 2199, as reengrossed: Finance and Taxation (Rep. W. Belter, Chairman) A **MAJORITY** of your committee (Reps. Belter, Drovdal, Brandenburg, Froseth, Grande, Headland, Weiler) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS.**

In lieu of the amendments adopted by the House as printed on pages 960 and 961 of the House Journal, Reengrossed Senate Bill No. 2199 is amended as follows:

Page 1, line 1, after "Act" insert "to create a property tax relief sustainability fund;"

Page 1, line 4, replace "and" with a comma and after "57-15-31" insert ", and 57-38-30 and subsection 1 of section 57-38-30.3"

Page 1, line 5, after "districts" insert ", corporate income tax rates, and income tax rates for individuals, estates, and trusts" and after the second semicolon insert "to provide for transfers;"

Page 2, line 22, after "4." insert "The authority for a levy of up to a specific number of mills under this section approved by electors of a school district before July 1, 2009, is terminated effective for taxable years after 2012. If the electors of a school district subject to this subsection have not approved a levy for taxable years after 2012 of up to a specific number of mills under this section by December 31, 2012, the school district levy limitation for subsequent years is subject to the limitations under section 57-15-01.1 or this section.

5."

Page 2, line 23, replace "2010" with "2012"

Page 2, line 24, after "of" insert "up to"

Page 2, line 25, replace "2010" with "2012"

Page 3, after line 29, insert:

"**SECTION 4. AMENDMENT.** Section 57-38-30 of the North Dakota Century Code is amended and reenacted as follows:

57-38-30. Imposition and rate of tax on corporations. A tax is hereby imposed upon the taxable income of every domestic and foreign corporation which must be levied, collected, and paid annually as in this chapter provided:

1. a. For the first ~~three~~ twenty-five thousand dollars of taxable income, at the rate of two ~~and six-tenths~~ percent.

   b. On all taxable income ~~above three~~ exceeding twenty-five thousand dollars and not ~~in excess of eight~~ exceeding fifty thousand dollars, at the rate of ~~four and one-tenth~~ five percent.

   c. On all taxable income ~~above eight~~ exceeding fifty thousand dollars ~~and not in excess of twenty thousand dollars~~, at the rate of ~~five and six-tenths~~ six and one-tenth percent.

   ~~d. On all taxable income above twenty thousand dollars and not in excess of thirty thousand dollars, at the rate of six and four-tenths percent.~~

~~e. On all taxable income above thirty thousand dollars, at the rate of six and one-half percent.~~

2. A corporation that has paid North Dakota alternative minimum tax in years beginning before January 1, 1991, may carry over any alternative minimum tax credit remaining to the extent of the regular income tax liability of the corporation for a period not to exceed four taxable years.

SECTION 5. AMENDMENT. Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$27,050~~ $33,950	~~2.10%~~ 1.87%
Over ~~$27,050~~ $33,950 but not over ~~$65,550~~ $82,250	~~$568.05~~ $634.87 plus ~~3.92%~~ 3.49% of amount over ~~$27,050~~ $33,950
Over ~~$65,550~~ $82,250 but not over ~~$136,750~~ $171,550	~~$2,077.25~~ $2,320.54 plus ~~4.34%~~ 3.87% of amount over ~~$65,550~~ $82,250
Over ~~$136,750~~ $171,550 but not over ~~$297,350~~ $372,950	~~$5,167.33~~ $5,776.45 plus ~~5.04%~~ 4.49% of amount over ~~$136,750~~ $171,550
Over ~~$297,350~~ $372,950	~~$13,261.57~~ $14,819.31 plus ~~5.54%~~ 4.94% of amount over ~~$297,350~~ $372,950

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$45,200~~ $56,750	~~2.10%~~ 1.87%
Over ~~$45,200~~ $56,750 but not over ~~$109,250~~ $137,050	~~$949.20~~ $1,061.23 plus ~~3.92%~~ 3.49% of amount over ~~$45,200~~ $56,750
Over ~~$109,250~~ $137,050 but not over ~~$166,500~~ $208,850	~~$3,459.96~~ $3,863.70 plus ~~4.34%~~ 3.87% of amount over ~~$109,250~~ $137,050
Over ~~$166,500~~ $208,850 but not over ~~$297,350~~ $372,950	~~$5,944.61~~ $6,642.36 plus ~~5.04%~~ 4.49% of amount over ~~$166,500~~ $208,850
Over ~~$297,350~~ $372,950	~~$12,539.45~~ $14,010.45 plus ~~5.54%~~ 4.94% of amount over ~~$297,350~~ $372,950

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$22,600~~ $28,375	~~2.10%~~ 1.87%
Over ~~$22,600~~ $28,375 but not over ~~$54,625~~ $68,525	~~$474.60~~ $530.61 plus ~~3.92%~~ 3.49% of amount over ~~$22,600~~ $28,375
Over ~~$54,625~~ $68,525 but not	~~$1,729.98~~ $1,931.85 plus ~~4.34%~~ 3.87%

over ~~$83,250~~ $104,425	of amount over ~~$54,625~~ $68,525
Over ~~$83,250~~ $104,425 but not over ~~$148,675~~ $186,475	~~$2,972.31~~ $3,321.18 plus ~~5.04%~~ 4.49% of amount over ~~$83,250~~ $104,425
Over ~~$148,675~~ $186,475	~~$6,269.73~~ $7,005.22 plus ~~5.54%~~ 4.94% of amount over ~~$148,675~~ $186,475

d. Head of household.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$36,250~~ $45,500	~~2.10%~~ 1.87%
Over ~~$36,250~~ $45,500 but not over ~~$93,650~~ $117,450	~~$761.25~~ $850.85 plus ~~3.92%~~ 3.49% of amount over ~~$36,250~~ $45,500
Over ~~$93,650~~ $117,450 but not over ~~$151,650~~ $190,200	~~$3,011.33~~ $3,361.91 plus ~~4.34%~~ 3.87% of amount over ~~$93,650~~ $117,450
Over ~~$151,650~~ $190,200 but not over ~~$297,350~~ $372,950	~~$5,528.53~~ $6,177.33 plus ~~5.04%~~ 4.49% of amount over ~~$151,650~~ $190,200
Over ~~$297,350~~ $372,950	~~$12,871.81~~ $14,382.81 plus ~~5.54%~~ 4.94% of amount over ~~$297,350~~ $372,950

e. Estates and trusts.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$1,800~~ $2,300	~~2.10%~~ 1.87%
Over ~~$1,800~~ $2,300 but not over ~~$4,250~~ $5,350	~~$37.80~~ $43.01 plus ~~3.92%~~ 3.49% of amount over ~~$1,800~~ $2,300
Over ~~$4,250~~ $5,350 but not over ~~$6,500~~ $8,200	~~$133.84~~ $149.46 plus ~~4.34%~~ 3.87% of amount over ~~$4,250~~ $5,350
Over ~~$6,500~~ $8,200 but not over ~~$8,900~~ $11,150	~~$231.49~~ $259.75 plus ~~5.04%~~ 4.49% of amount over ~~$6,500~~ $8,200
Over ~~$8,900~~ $11,150	~~$352.45~~ $392.21 plus ~~5.54%~~ 4.94% of amount over ~~$8,900~~ $11,150

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

(1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and

(2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. For taxable years beginning after December 31, ~~2001~~ 2009, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes."

Page 5, after line 2, insert:

"7. For all purposes under law relating to allocation of funds among political subdivisions based on property tax levies, property taxes levied by a school district are the amount that would have been levied without the mill reduction grant provided to the school district under this chapter."

Page 5, line 5, replace "combined education" with "general fund"

Page 5, line 8, replace "combined education" with "general fund"

Page 5, line 19, replace "combined education" with "general fund"

Page 5, line 26, replace "combined" with "general fund"

Page 5, line 27, remove "education"

Page 5, line 30, after "district" insert "general fund"

Page 6, after line 6, insert:

"**57-64-05. Tax increment financing district revenue replacement grants.**

1. A city in which a tax increment financing district was established before January 1, 2009, is entitled to a grant, subject to legislative appropriation, to reimburse the district for the loss of tax increments attributable to the mill levy reduction under this chapter for the school district in which the tax increment financing district property is located. The grant to which a city is entitled under this section is equal to the combined education mill rate reduction under this chapter for the school district for the taxable year times the incremental value of property that had a tax increment value before January 1, 2009, as determined under section 40-58-20, discounted by five percent as allowed for taxpayers under section 57-20-09.

2. Applications for grants under this section must be filed with the tax commissioner by January thirty-first immediately following the taxable year of the combined education mill rate reduction under this chapter. Applications must be filed on a form prescribed by the tax commissioner. The tax commissioner shall audit applications, make corrections as required, and certify grant amounts and recipients to the state treasurer for payment of grants by March thirty-first following receipt of applications.

SECTION 7. Property tax relief sustainability fund. The property tax relief sustainability fund is a special fund in the state treasury. Moneys in the fund may be spent, pursuant to legislative appropriations, for property tax relief programs."

Page 6, line 8, replace "permanent oil tax trust" with "general"

Page 6, after line 11, insert:

"**SECTION 9. APPROPRIATION.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $1,720,000, or so much of the sum as may be necessary, to the state treasurer for the purpose of allocation of revenue replacement grants to tax increment financing districts under section 57-64-05, for the biennium beginning July 1, 2009, and ending June 30, 2011.

SECTION 10. TRANSFER - PERMANENT OIL TAX TRUST FUND - GENERAL FUND. The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the general fund on July 1, 2009.

SECTION 11. TRANSFER - PERMANENT OIL TAX TRUST FUND - PROPERTY TAX RELIEF SUSTAINABILITY FUND. The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the property tax relief sustainability fund on July 1, 2010."

Page 6, line 12, remove "and" and after "3" insert ", 4, and 5"

Renumber accordingly

2009 SENATE FINANCE AND TAXATION

CONFERENCE COMMITTEE

SB 2199

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2199

Senate Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: 04/21/2009

Recorder Job Number: 12076

Committee Clerk Signature

Minutes:

Senator Cook: Opened the conference committee on SB 2199.

Rep. Belter: Give explanation of the amendments done by the House. Asks John Walstad to come up and explain the more technical amendments.

Senator Hogue: I have a question on the state individual income tax. You have $80 million and I am wondering if there was a reason for that figure?

Rep. Belter: We wanted a tax reduction that did not exceed $100 million, and the concept of the $100 million came from the fact the Governor proposed $100 of personal income tax during the campaign. Part of the campaign was to have $100 million in income tax relief and the House felt that the $100 million was a number we could live with, but we had decided that we would reduce the personal to $80 million and add $20 million of corporate.

Chairman Cook: I think maybe for today we will focus most of our conversation on the educational part of this bill.

John Walstad, Legislative Council: Walks through version 900 and the technical changes that were made.

8.56 **Chairman Cook:** Asks John Walstad to repeat something. Are you talking REC's?

John Walstad: REC's and telecommunications taxes. Telecommunications taxes were crafted about 10 years ago or so.

Chairman Cook: They are not ad valorem?

John Walstad: No. It is a gross receipts tax. The revenue gets allocated sort of like property tax. Part of it used to be property tax but, US West sold a whole bunch of exchanges to REC's about 10 years ago and we had to rewrite the tax law for telecommunications. At that time all of the telecommunications companies were put under one tax type. The revenue gets allocated among counties and then the county treasurer makes the allocation among all the taxing districts in the county on the basis of comparing their tax levies. So a school district levying 175 mills got for the last 10 years a share of those revenues based on a 175 mill levy. If now that school district's levy is 100 mills they would then get that much of a smaller share of those revenues. It was never intended as a consequence of any of this, that the telecommunications tax revenues would be impacted.

Chairman Cook: The telecommunication and the REC's are going to pay the same amount of taxes?

John Walstad: Yes. Their tax is figured without any reference to property value.

Chairman Cook: SB 2097 where we changed the REC tax structure and also changed the way it was distributed.

John Walstad: There is still a component in there that gets allocated that same way; where the money gets allocated on the basis of tax levies among subdivisions, and the school would take a hit there as well without this kind of adjustment.

Chairman Cook: This is an oversight that you noticed?

John Walstad: Yes. (11.43 Continues with the changes, page 9 57-64.03, line 9, 12; page 10, page 11)(Asks Marcy Dickerson if the tax increment districts give the school levy against that increment value)

Marcy Dickerson, State Supervisor of Assessments: Right, all of the levies by any of the political subdivisions go into the pot.

John Walstad: It is not just the city taxes; it is all of them that get set off into that separate pot. When the school mill rate gets bought down, those tax increment districts come up short by that much revenue in that pot that is used to pay for the bond that set up and keep the district functioning. So, there is a shortfall for tax increment districts. A provision is put in here to reimburse for the loss and an appropriation is added that is now section 9 in this draft. It is about $1.7 million dollars to the state treasurer for revenue replacement grants for tax increment financing districts from the buy down on the school district property tax rate.

16.48 **Chairman Cook:** Do we have to have an appropriation for that every biennium?

John Walstad: I guess it would be necessary. It would be necessary to provide it separately as it is done here or included in the grand total which is in Section 8. One way or the other the state, to avoid a shortfall for those tax increment districts, the revenue has to come from somewhere.

17.16 **Chairman Cook:** So you have been able to go through and identify all of the existing tax increment financing districts in the state, and you have been able to determine out pretty much exactly how much revenue would be lost in those political subdivisions?

John Walstad: I think Marcy went through that and that is pretty much down to the dollar.

Chairman Cook: So you are able to take a look and see the point in each one of these in the future where they are done and what it would cost, correct?

John Walstad: I guess I would anticipate the way that would have to be done is every biennium when appropriations are determined. That decision would have to be made for the next two years what we are looking at for tax increment obligations.

Chairman Cook: Are you saying you cannot look ahead right now and tell us what every biennium would cost?

Marcy Dickerson, State Supervisor of Assessments: I don't think that information is available yes. This is set up to apply it only to those that had a tax incremental value before January 1st, 2009. So no new increment projects would be subject to an appropriation. This would only be to pay off the old ones that are already in existence. I suppose we could probably contact each tax increment financing district and get their projection of how long they think each project that meets this criteria will go on but we have not done that.

Chairman Cook: I would think you could if you did it for this biennium.

John Walstad: I would imagine because it does not allow new tax increment property to come on line and get funding. I would think that it would be possible to see how long the existing ones would run. (19.28 goes back to explanation of changes)

20.15 **Senator Anderson:** I just noticed that the first transfer is on July 1, 2009 and the sustainability one is for 2010. Why wouldn't it be 2011?

John Walstad: I did not pick the date, the 2009 transfer is necessary for the appropriation that is made for the upcoming biennium. The second transfer on 2010, I am not sure if that is based on when the revenue is anticipated to be available that can be transferred. The money won't be needed at that point. I think the idea was just to set it aside and to isolate it from other spending.

Senator Hogue: Who would manage that property tax relief sustainability fund?

John Walstad: I don't believe it is specified in the provision. I don't know who manages money if it is not specified. I will have to find out.

Chairman Cook: I asked you about the 155 minimum school district levy, and you said that was in HB 1400 the repealer of that?

John Walstad: Correct.

Chairman Cook: Adjourns.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2199

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 04/23/09

Recorder Job Number: 12167

Committee Clerk Signature	

Minutes:

Chairman Cook: Reopened the conference committee on SB 2199. (Continues on explanation of amendments focusing on tax increment finance districts – on page 10 of the bill) Asks Marcy Dickerson to show how the appropriation of $1,720,000 came about.

Marcy Dickerson, State Supervisor of Assessments: See Attachment #1 for additional information to the bill. That figure was based on the 2007 abstracts from the counties. We now have all but one of the county abstracts in and complete. The updated total is $2,086,000.

2.55 **Chairman Cook:** We have an appropriation in this bill for the following biennium also; transferring money from the oil and gas trust fund another $295 million for the next biennium. If we continue this in the next biennium, could you tell us what that figure would be?

Marcy Dickerson: For the one biennium I estimated another 17.65% growth each year; the following biennium I have less idea what the percentage of growth would be.

Chairman Cook: Are you saying that the only thing that causes this to grow is increase in property value?

Marcy Dickerson: Increase and incremental value in the (inaudible) district - the value that 75 mills would be applying to except if it is not levied they won't get there.

3.45 **Chairman Cook:** That increase in value in the TIF district, is it because of increase in the value of existing property or is it increase in projects that are going into that district?

Marcy Dickerson: It could be the increase in the value of the projects that are under construction. They might be partially done one year; they might be further done or completed the next year and worth more. It could also be newly started projects. The first thing you have is a tax loss if they tear down any old property and then start something new. It could be a combination of additional value added to existing projects or it could be the start of new projects in the district. The districts have to keep going until everything in the district is done. You don't pull out of one project and work on the next.

Representative Belter: Are you estimating some new projects or is it just the existing?

Marcy Dickerson: I don't know. We would have to know every project what the value of each individual one is now and what the estimated value of it would be in subsequent years and have an idea of what they are planning to do. That would take some pretty good research.

Rep. Belter: Your current estimate is based entirely on existing projects?

Marcy Dickerson: That is correct.

5.40 **Chairman Cook:** Do I understand this as any city that has a TIF district is going to ask for a grant and then they are going to ask for who? Who is going to send them the check?

Marcy Dickerson: I believe it is set up that we will certify to the State Treasurer and the State Treasurer will pay the grant.

Chairman Cook: What if we run out of money?

Marcy Dickerson: I don't know. We get asked that about a lot of proposed grants and payments. Pro rating would work in a case like this because they would all be paid at approximately the same time but they wouldn't get what they anticipated. They would lose some money if we had to prorate it.

Chairman Cook: There is nothing in there that would stop that district from adding more projects that would continue to escalate the cost of this?

Marcy Dickerson: As it is written, I don't think that there is some that could be written in to do that. To cap it at the 2008 level or the 2009 level or whatever you chose, it could be added.

7.16 **John Walstad, Legislative council:** (appears before the committee for questions)

Chairman Cook: How would we cap them?

John Walstad: There are a number of ways to do that. There is a cap of sorts that is written in here. If you look on page 10 lines 19 and 20, reads from bill that is a cap of sorts. The incremental value is the value of property as a result of improvements in access of that frozen value when the property goes into a tax increment district. If we are talking about vacant land, the tax value is the vacant land value the incremental value is when you put a structure on that property, that value is incremental. The tax on the structure part ends up into that separate flow that goes to pay off the tax increment financing. The way this is worded, only the property that had incremental value before 2009 is going to be included however the incremental value of that property can continue to grow after 2009. Just a slight tweak of the wording here could lock in that the state would reimburse only the incremental value that existed before 2009. At the point of improvements at the beginning of this year could be the point at which a lock down could be provided or whatever anyone else can dream up. I can figure out how to write it. When I saw the information from Marcy on the growth of value in these properties I was kind of surprised. Then I stopped and thought, oh, that is what these districts are for. That is why they are doing it.

Chairman Cook: What happens if a political subdivision raises their mill rate? How does it affect the cities tax increment finance district?

John Walstad: The increased mill rate of the city would apply to that incremental value of that property. That revenue would go off into that tax increment district fund to take care of tax increment financing expenses. The non incremental value of the property, the base level would also be subject to that higher mill rate but the additional revenue there would just follow the property tax stream.

Chairman Cook: When you said the expenses of the district, aren't we talking about just bond payment?

John Walstad: Yes, bond payment.

Chairman Cook: So if mill rates went up then the amount of money that is available to pay off the bond would go up also?

John Walstad: True enough.

Chairman Cook: Then the bond should get paid off earlier, or do they keep refinancing the bond? I don't know how they work.

John Walstad: I am not a bond expert, but that makes sense to me.

Senator Anderson: Normally you cannot pay the bonds off too quickly but if you have two or three years left to pay on the bonds and you have a sufficient amount in that bond payment fund you are not supposed to be collecting any more funding after that and then you can pay off the bond. So tax increment financing would be done quicker.

11.55 **Representative Belter:** If the value of the property goes up, so that portion that pays the bonds, then the city could do things with that, they could either pay off the bond with that additional money or they could just pocket it if they wanted to couldn't they?

13.32 **John Walstad:** The tax increment financing law requires the tax collections on that incremental value to be dedicated to the fund that is used to retire those bonds. I don't think it can be drawn out of there until the bonds are retired. If there is an excess at that point, I am not sure what the law says. There is usually a provision at that point that the city can transfer it into their general revenues.

Chairman Cook: We need to have a discussion on what direction we are going to take with this particular issue.

Senator Hogue: My thought is that if we change that appropriation up to the $2.086 million and made a similar provision for the transfer for the next biennium, wouldn't we be pretty safe? This is a drastic change to what we have done in the past. I am quite certain that we are going to have to tweak this in future legislative assembly. It seems to me if we have to tweak the tax increment financing portion of the bill we will do that. The way to make sure the cities are kept whole is to put that money aside in the appropriation and deal with it if we have to in next biennium.

15.10 **Senator Anderson:** I think what we are talking about is we are talking about tax increment financing districts that are in effect right now. If there are any new tax increment financing districts formed after the 75 mill would be reduced then that is the base line. So you wouldn't have to worry about those. So we are talking about the districts that are in effect right now.

Representative Drovdahl: I am not familiar with increment financing districts and how they are set up. My question is when they are set up do they look at the current value and determine the financing based on that or do they look at the current value and do the financing based on growth in that value?

Senator Anderson: this is when the gambling takes place by the political subdivision. They will put in let's say a million dollars worth of improvements in a tax increment financing district anticipating that with those improvements there will be new growth in that area. So they sell bonds for a million dollars and if the overall valuation was a million dollars in that district to start with and now it becomes two million dollars that means you are going to collect twice as much tax. The original taxes that were always being collected will still go to the school, and the county and the city, but everything over that, none of that will go to them, it has to be put in that special fund and that is used to pay the bonds off.

Representative Drovdahl: It is based on growth.

Senator Anderson: Yes, that is the increment.

Chairman Cook: Are we not paying the 75 mills twice? If Mandan had a tax increment finance district we send the dollars to the school to reduce the school mill levy by 75 mills and then we have to send the dollars to the city also. It seems to me that that is what we are doing. Are we paying it twice? This could just be an unintended consequence.

17.35 **John Walstad:** I don't believe so. The reason would be that the 75 mills buy down for the school is based on taxable value and incremental value is not part of that.

Chairman Cook: We are spending 295 million dollars to reduce property tax. How is this $2 million going to reduce anyone's property tax?

John Walstad: I won't reduce anyone's property tax, but to the extent the tax increment finance district comes up short of money they are going to have to get it from somebody.

Chairman Cook: And yet we are not paying it twice?

John Walstad: I do not believe so.

Chairman Cook: I just don't understand how it is raising 75 mills of tax and yet we still have to pay this extra $2 million dollars and we get no tax relief.

Senator Anderson: Let me take a stab at it. Let's say the increment that is in that district amounts to whatever that city would collect for 75 mills. So that amount then would go into that fund to pay the bonds, now that is gone and the city does not have any money to pay the bonds so they would have to levy a share of specials. But this bill would take and get those 75 mills and pay back to the city. So, I think it would only be one.

John Walstad: It just occurred to me where the relief is. The tax payers of that school district instead of paying a tax at 185 mills, they are going to pay a tax at110 mills. They would have paid 185 mills of which 75 mills against that incremental value would have gone off to that increment financing district; so the taxpayers at 110 mills are getting the full amount of relief including the taxpayers residing and owning property in that financing district. There is a measure of relief there.

21.28 **Representative Belter:** Then in a sense the state is picking up the tab for that increment financing. The people that live in an area that does not have increment financing, are they not then subsequently paying the bill for this TIF?

John Walstad: It is hard to argue with that philosophically. I don't know how to answer that.

Representative Drovdahl: I am still fuzzy on this increment financing district. What I am hearing you explain is that when you have an increment financing district established, any growth in that district, the value of that growth doesn't go to the school districts. So the school district is frozen, am I reading that right?

John Walstad: That is exactly right and that has caused some friction between schools and cities in some parts of the state.

Rep. Belter: The schools would get that portion that does not go to the TIF.

John Walstad: On the baseline value they would continue to get that, but what is irritating them is that is all they get. And if a bunch if apartment building is built there and they get another 200 children that they have to deal with in the school, they don't get a nickel more of property tax revenue to do it. All of that extra revenue from the structure goes to pay the bonds, and the city gets all of that including the 185 mill levy of the school district above that baseline value.

Chairman Cook: Suspended the conference committee.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2199

Senate Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: 04-24-09

Recorder Job Number: 12210

Committee Clerk Signature	Carie Winings

Minutes:

Chairman Cook: Reopened.

Senator Anderson: See Attachment #1 for additional information to the bill.

4.02 **Chairman Cook:** The first question that I have is the word ends and if this is a tax increment financing district does it truly end or could it continue to go on? Could there be more projects that are added that would allow this just to continue to expand?

Senator Anderson: This project itself would end but other projects could go on.

Chairman Cook: Is there not some mill levy reduction for the part of the taxes that are collected below this horizontal line; the taxes that actually go to the school, county, city, and the park?

Senator Anderson: That is a very good question. I don't know how that works with this bill as it is.

Chairman Cook: The 75 mills, the money we are sending to a school district that has a tax increment financing district within its district, do they even get the 75 mills that they are not getting right now because it is above that horizontal line?

Senator Anderson: I do not know how that works with this bill.

Chairman Cook: We send money to the schools to reduce their mill levy by 75 mills. They are not getting those 75 mills right now anyway. Why would we sending them money for those mills that they are not getting now? Are we truly doing that the way the bill is written?

John Walstad, Legislative council: As the bill is written we would send 75 mills to the city for the incremental value.

Chairman Cook: Forget about that section of the bill that says we sent money to the city, if we took that out, would the school district even get the money for the 75 mills that are in the incremental value.

John Walstad: No and they don't get it now.

Chairman Cook: So then how does it affect the TIF?

John Walstad: The TIF, if the school is levying 185 mills, get 185 mills against that incremental value. The school does not get that money. The TIF does. If the school levy is reduced to 110 then the TIF will only get that much revenue off that property and to the extent that they have committed themselves to paying bonds from that revenue, they will be short.

Chairman Cook: (Asks if John Walstad has a copy of attachment #1) On this part of the property value that is below the horizontal line, let's say that is 185 mills times whatever property value that is that generates that much money, that is going to get a 75 mill reduction. So this amount of money that is generated, this $100,000, is going to go down by approximately 15%?

John Walstad: Yes and that revenue is revenue the school receives.

Chairman Cook: They are not going to receive it anymore but they are going to get money from the state for that amount of money?

John Walstad: Yes.

Chairman Cook: Now we go to the incremental value above the horizontal line. There is value there. It is being assessed 185 mills. Is the school district going to get that money?

John Walstad: Not a penny. They don't now and they wouldn't if the legislation provided or reimbursing the loss of the above the line amount; what the state would reimburse would go to the city. The above the line number.

Chairman Cook: This whole (inaudible) is based on taxable value of a school district, right?

John Walstad: Yes.

Chairman Cook: Is this incremental value included in that value?

John Walstad: It is excluded specifically. It is not part of taxable value to the school.

Chairman Cook: Then I don't understand.

9.18 **Representative Belter:** So the payment we are making is paying the bond?

John Walstad: Correct.

Representative Belter: The state is picking up the bond for the TIF?

John Walstad: Correct.

Representative Belter: The question is how do we fix that? I don't think the state has an obligation to pay off the TIF.

John Walstad: So you question is if the state doesn't pay it, then where does the city get the money. Specials?

Marcy Dickerson, State Supervisor of Assessments: The city has the ongoing money from the projects that have been completed, which undoubtedly is a large part of their funding. I was reading through the Attorney General's opinion from 1994 refreshing my memory with it. So when they complete a project, that project is still cannot come out of the TIF district until everything in the TIF district is closed out. If they have half a dozen completed projects there, none of the revenue from the incremental value of those projects goes to any taxing districts. It continues to go to the TIF district. Even after the bonds for the original project is paid off. So that additional revenue going to the TIF district is then used toward projects further down the road. So there are constantly taxes that are coming in every year that are not being distributed to the school the county and everybody. They are going strictly into that TIF fund and will continue to go there until the entire TIF is (inaudible) so that does provide a certain amount of funding. It doesn't take away the fact they may have been expecting more property tax than they would get under this bill but it isn't the only source of funding.

11.08 **Chairman Cook:** If we took the section out that would reimburse the cities, ultimately all it is going to do is possibly extend the time before that bond is paid off.

Marcy Dickerson: In effect that is probably true, but I don't know what the problems would be if they could not make payments in the time frame that they had originally contracted to do so. There might be some issue that I am not aware of due to that. They are going to keep getting money assuming there are any projects in there that are done and are continuing to bring in revenue because of whatever. All the taxes will continue to go to the TIF district on all the incremental value until the entire district is closed out and then any money remaining in that district would be sent back to the political subs on the basis of the way they had been paid back for their losses earlier.

12.10 **Representative Belter:** So there could be certainly a big difference between one particular city that a TIF could be paid off and there would be no revenue, where the next on could have an ongoing TIF?

Marcy Dickerson: I don't know if any TIF districts have been completed and paid off. We have them in different size cities and a new TIF district that is working on its first or second project probably wouldn't have spare funding like a district that has had a whole bunch of projects that have been completed. I am sure there would be a big difference among the individual districts and their financial situations.

12.57 **Representative Drovdahl:** I was going to as Senator Anderson a question on the chart. After 5 years you level it out, is it not true that that level could continue to rise as values inflate and as new construction is built so that it could continue to grow on up.

Senator Anderson: That is exactly correct. You would hope that is what happens and you will have enough money collected. The county auditor keeps track of it and let's says you have enough money collected after year 12, then the tax increment dissolves at the county and it goes into this revised amount.

John Walstad: (See Attachment #2 for an Attorney General's opinion regarding the TIF law)

16.07 **Representative Belter:** Once the TIF reaches that stage where they paid off the bond but the assessment is still taking place. That money that has been going to pay off the bond is the city then just holding/taking that money in as revenue.

John Walstad: The city continues to collect it until the whole thing is over and done and that point the law says that the money is to be refunded to the political subdivisions that have been losing their levy on that property, but the language is very strange. I can't put my fingers on it. The statute indicates that at some point if there is money left over it goes back to the school or whoever lost revenue. The city does not absorb all of it. Whatever the city's share of that in levy that was lost by the city, the city would keep; otherwise they would have to share it. It is not clear to me that there is going to be money left over in the end.

Chairman Cook: No.

Senator Anderson: It does happen. Usually the city auditor works in cahoots with the county auditor and when you get down towards the end it will say we need $5000. So that is what the first $5000 comes to the city and the rest of it is distributed according to the percentages of the other subdivisions.

John Walstad: The way that Senator Anderson describes it I think how it is supposed to work as the thing is winding down and you are getting to the payoff point. You reduce the levies accordingly so that you are not collecting an excess amount of money, just enough to finish off the payments and not end up with a lot left over.

Chairman Cook: Any other questions on this in the property tax section of this bill? I would like for us to come to an agreement on that part of the bill by tomorrow morning.

Representative Belter: We will make an attempt to do that.

Chairman Cook: Adjourned.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2199

Senate Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: 04/25/09

Recorder Job Number: 12246

Committee Clerk Signature

Minutes:

Chairman Cook: Reopened the conference committee on SB 2199. Reminds committee where we are at.

Representative Belter: I would hope that the committee could agree on removing the TIF portion out of the bill. Can we move forward on that?

Chairman Cook: I agree with you on that for the final action. Let's find out what the rest of the committee members are thinking on that.

Senator Anderson: It is $2,086,000 that would be the total amount in the bill. I cannot speak for other districts. My city will receive $13,763,000 less per year to pay the bonds off. It amounts to about 1 mill. Of course then I am not in favor of it.

Chairman Cook: Does your city tax increment financing district have a balance right now?

Senator Anderson: I cannot answer that. All that I can tell you is that I contacted the city auditor early on and she informed me that they would be short. She did say that it would be right around $10,000. So if they are going to be short $10,000, I guess we could reason that that they have a balance.

Chairman Cook: From what I have been learning about these districts, of course everyone is different; I think there is a certain degree of reserve balances out there. I think some of them have a pretty (inaudible) balance. I think if we ever were to go down this road and try to make the decisions to do this right there is a whole lot more information that we would need. I would need to have some sort of information on every TIF district that we have.

Senator Anderson: I do not want to jeopardize this bill over 1 mill in the city of Whapeton. It is not fair for me to agree when there are other ones out there that I don't know how they are affected. I do know that in Whapeton's case we have always met with the school district before proceeding with these things because it has an adverse affect on them. However they see the light at the end of the tunnel and in Whapeton's case again the TIF districts life is short so they know they are going to get it. As Mr. Walstad said the other day, that wouldn't necessarily be the case everywhere. So that is where the gray area is. I am not sure if the state law says – I don't know why something is ringing in the back of my head that the law was changed that you did have to meet with the school districts. I am not sure.

Chairman Cook: Other comments?

Rep. Drovdahl: I am alright with taking it out.

Senator Hogue: I am ok with it.

Chairman Cook: Anything else in the property tax side of SB 2199 that we need to address?

Rep. Boucher: When I was going through and doing some background on this this morning, as I start to look at the numbers and I start to look at various mechanisms that are being put in place, and one of the things I hear a lot coming into the session are cost to continue and also what we have now found out has been created a property tax relief stabilization fund. Those dollars show up on the budget summaries. As I read these things, are we already projecting that the stabilization fund that was created is going to be deficient by $36 million. When I look at the fiscal note, we have $295 million being appropriated and moving forward with a direction to do the same equivalent exercise it is going to be $331 million. How are we factoring these things in as we start to move forward? The concern of this legislative assembly has become this whole cost to continue factor that we talk about. Can someone explain that to me?

Chairman Cook: What fiscal note are you looking at?

Rep. Boucher: This one is an older one. I see now on the newest one it is corrected. I see some numbers simply go away. Is this whole effort a biennial effort?

Rep. Drovdahl: I do not know why it went away. We did discuss the valuation. The $295 is based on the current valuation. We are all aware that valuations have been going up in the past. We are not positive what the future is to bring; whether they are going up or not. The committee made the decision to leave it at $295 million. We felt that for one thing the money has gone away, there would be some kind of growth in that fund, and the second thing it would make a major commitment, even though it may not be perfect, to encourage the next legislature to continue the program. There is no guarantee that the next legislature has to approve continuing another two years. Having $295,000 set aside, we felt very comfortable with that. We could guarantee it just as much as this legislature could. We were aware of the fact that there may be some shortfall in that amount. There is no way to predict values.

Rep. Boucher: (question directed at Senator Anderson) Looking at the numbers regarding TIF, here I see a number of $1.72 million and then you talked about $2,086,000, has that been corrected for inflation?

Senator Anderson: It was recomputed. The tax department said that is what it would be.

Chairman Cook: Based on that previous discussion that we just had, that number will be coming out of there I think on the final amendments. Also on the question of the extra $295 million, that of course was put in on the House side and I have not heard any discussion on the Senate side as to any desire to take that out. I suspect that is going to stay.

Chairman Cook: Let's start with the income tax side of the bill.

Senator Hogue: I was wondering if you wanted a motion to remove that TIF now.

Chairman Cook: No, we will do that in our final motion at the end.

Senator Anderson: Sooner or later I am going to move to remove the income tax part of the bill. There is another bill out there with income tax. I would like to see this bill go back to being only about the reduction in property taxes and that the other bill get the full time of the committee to discuss that. I think I will leave it at that for now.

Senator Hogue: I was going to ask if we want to talk about the personal income tax and corporate income tax together or separately.

Chairman Cook: I was assuming that we would move forward with them separately. I am comfortable with leaving them in the bill.

Rep. Belter: From the House majority perspective, we feel they should be left in the bill. What we have here is a very good balanced package of tax reductions for the people of North Dakota. I do not see why we should separate them out.

Rep. Drovdahl: In doing individual income taxes for individuals, I was proud that we were sending money back to property tax owners last time but what surprised me was that there were many that did not receive anything out of last session's property tax relief because they didn't have any property. Their landlords did. The income tax reduction says to the rest of North Dakota that they matter. I felt they certainly deserve it. I would resist taking it out of the bill. It is part of the relief to the citizens of North Dakota.

Chairman Cook: (To Representative Belter) do you want to discuss briefly the tax policy that you do have in here as far as what we are doing with the personal income tax and the corporate tax?

Rep. Belter: What this package has is a $20 million reduction in corporate income tax and an $80 million reduction in personal income tax. I think that there are two aspect of this. One is I think there is a need for some tax relief. We are in a situation where tax relief, if we budget properly during this session, that we can afford to give money back on the personal income tax. I think it is also important from an economic development side that we also reduce our corporate tax. If North Dakota wants to create jobs and attract business, I think that reducing our corporate tax is an important component of attracting businesses to North Dakota and so I think it is important to keep both of these elements in this bill.

Chairman Cook: I think that there is some desire on the Senate side to propose some amendments that might change the brackets and the rates that you have in your income tax bill. Are you going to be amenable to discussing some of them?

Rep. Belter: We certainly could. I guess my thought has been that it was in 2001 session that we decoupled and we set up those brackets and to the best of my knowledge I do not think they have been changed since.

John Walstad: No we have not. In fact the statutory numbers are still show the dollar amounts from the 2001 tax year. That is why there is all the over striking of the bracket numbers.

Rep. Belter: The basis of when we decoupled was that it has been in place since 2001. From my perspective I think that these brackets have withstood the test of time. We have not had, from a taxpayer's perspective, any complaint about how the brackets were set up. We felt making an even change in all brackets was appropriate.

17.36 **Chairman Cook:** I think what I am hearing from my colleagues in the Senate side is the issue of the brackets. I think it will be both the personal and the corporate. I think there is a, I believe you with your corporate tax, you went down to three brackets. I think you might see something that takes it to two. I think those are the discussions we need to have. I think we need to try to bring this to an end as we move forward. That is where we need to finish our work. I know Senator Hogue will have some amendments and I think there are some more that might be offered to us as well. I hope to start that discussion on Monday.

Rep. Boucher: I am reluctant to put both tax issues into one bill. The issues and the mechanics of each situation are significantly different. I think it really is incumbent upon us to give each situation, I do not oppose the debate or the discussion on the income tax side or the property tax side, but I do believe they are two separate issues when it comes to tax policy. I am very reluctant to put this bill to a vote in a combined package. I think the people of North Dakota and the legislature should have the opportunity to review and debate each of these separately. I would hope as these deliberations go forward, that that is a serious consideration.

Chairman Cook: You have been here longer than I have. I know that sooner or later we are going to bring this bill out and we are going to find out just what direction it is going to go. I think I can make an argument on either side as to the wisdom of separating it or keeping it together. I understand that when it comes to tax policy the key word is balance. The best way to look at a balanced plan is to look at them all together. I have seen that in some other pieces of legislation that we have had that the most difficult challenge was to get all the issues that pertain to the issue at hand into the one bill that you needed to do to balance everything out. We will find out. I think 1304 and the money to the oil counties was a perfect example.

Senator Anderson: I was hoping you would be giving the argument the other way.

Chairman Cook: Hope is eternal.

20.57 **Senator Hogue:** I was hoping that we could discuss corporate income tax. ....I guess I am not sure that North Dakota has ever treated corporations differently based on whether they are incorporated in the state of North Dakota or whether they have a principle office in North Dakota, whether they have employees in North Dakota. One of the things I have thought about is why we don't tax them differently. Why don't we – the corporations that don't have property in North Dakota don't have employees. Why do we tax them the same as we tax the corporations that are incorporated in North Dakota, have their principle place of business here, pay property taxes, and have employees here. It seems to me if we are trying to, as part of the policy of the corporate income tax is to stimulate some sort of economic activity, why can't we tax them differently? I think we get much more benefit from the corporations that are here employing people and paying property taxes than we do the companies that have economic activity here only because they are selling goods into the state.

Chairman Cook: You I think that you touched on an issue that might be discussed in another aspect of corporate income tax and that is the Uniform Division of Income for Tax Purposes and we have three weigh in factors that certainly weigh and give benefit then to a company that has a lot of property, but it is an issue we need to look at. It is Saturday and I think we need to get our amendments drafted and come back on Monday to deal with the income tax side.

Senator Anderson: I would like to say one more thing if I may. I don't think we are talking about income tax relief; I think we are talking about income tax reduction. We had a vote last November and overwhelmingly the people said that they didn't go for that proposal. I have had a lot of people come up to me and ask to not have income tax changed. I cannot go against the people in my district. I just want you to know that is how I feel about it. In my own personal opinion, I think when the people voted last November; they did not care if it was 50% or 50 cents or anything. I think they said that our income tax for our individuals is not oppressive and we would like you to concentrate on the property tax.

Chairman Cook: We also had a governor candidate last election that campaigned, and a big part of his whole campaign platform was a tax relief proposal that dealt with $295 million worth of property tax and $100 million worth of income tax reduction. All of that was bundled together as he campaigned. Do you remember what percentage of the vote he got in your district?

Senator Anderson: I cannot deny that at all. If you recall I did say in my personal opinion. No reflection on anyone else.

Chairman Cook: I hear your side and think the people have spoken and they didn't say no to changing income tax, they said no to that particular tax proposal that was on the ballot. They said no to change income tax policy through the initiated measure process. I think they left it up to the legislature.

Rep. Belter: As you have stated, both gubernatorial candidates were in support o a $100 decrease in personal income tax for the people. I also opposed the measure and from the perspective that I wanted to leave the control of the tax in the hands of the legislature. I think really that is the most important message that the people gave. Not so much that they were concerned about us reducing the taxes is that I think the people of North Dakota entrusted the legislature to determine what tax policy should be. I think by the strong vote that was given to the governor as well as the results of the legislative raises is an indication to me that the people basically have a pretty strong support of what the legislature has been doing. I don't think that we are not fulfilling or violating what the people want by making a reduction in income tax. They have entrusted us and if they don't like what we are doing, there is an election coming up.

Chairman Cook: I would say that when we go before the people in the next election we are going to be judged on how we handled their money by three different ways; by how much spent, how much we put away, and how much we kept in their pockets.

Rep. Belter: Currently, at this time, this legislature on ongoing expenditures we are at a 29% increase in spending. From my perspective it is not sustainable. We need to figure out how to pare it down. One way to pare it down is to give money back to the people.

Rep. Boucher: There is a lot of interesting discussion here on the tax situation. I think you give ambivalent feelings from the population in general as to how they feel about it. It all depends in most cases how much they benefited from it as individuals from how you structure it. I will give a very powerful word of caution. We have a national situation we are dealing with and struggling with where there were significant increases in spending and there were major reductions in taxes and major give backs of money. I think we should learn from that experience that we have to be very cautious to not give away more than we take in. Obviously our national experience is that we paid out a lot more than we took in. I think we have to be ever cautious of keeping a balance on both sides; the revenue and also the expenditures. Our propensity is to do things that are popular in terms of political things get us into a lot of trouble.

Chairman Cook: I could agree with you. I hope the work we do here is not confused with the federal legislation.

Rep Drovdahl: I don't know if it is a complement to be compared to the federal government on our spending. I think we are blessed to have money and have a balanced budget.

Chairman Cook: Adjourned.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2199

Senate Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: 04/27/09

Recorder Job Number: 12284

Committee Clerk Signature	

Minutes:

Chairman Cook: Reopened the conference committee on SB 2199. (See Attachment #1 for amendment proposed on the income tax) I tried to find something that would pass both houses and the governor. I think the magic number is $100 million of personal income tax. What I have tried to do here is offer some amendments on the House version. I am staying at $100 million, but instead of an 80/20 split I went to a 90/10 split. I believe I am prepared to get that through in our chamber. I basically just asked council to work some amendments to keep corporate income tax in three rate brackets. The income tax would come to $90 million. The rest that is in this bill are items that the House had in their bill except the issue of TIF districts, they will be out of the bill. I have added a repealer for the schools that have a minimum school district levy.

4.47 **Representative Drovdahl:** In the original amends that the House proposed we added a section 5, is it not necessary in here to have it in here?

Chairman Cook: Mr. Walstad can answer that.

Representative Kelsh: That was my question. So you are still requiring the school districts to have an election regardless of whether it is unlimited?

Chairman Cook: That is my intent. I do not want to change that.

Senator Anderson: One more question about the mill levies and elections. When this first came about we were talking about that they would have until 2018. That included unlimited. I think what the bill says now is 2012. Is that correct?

Chairman Cook: My memory is that when we passed out the bill out of here, there are various reasons why schools would still be over the new cap of 110 mills. There are various reasons that got them into that situation. One of them is the fact that they had unlimited mill levy. I think when we passed the bill out of here those three school districts that had unlimited mill levy were at 2010 and the rest were at 2018. My understanding is that the House version changes that 2010 to 2012. We could have Mr. Walstad can clarify to what degree both bills effected the one school district to the east of us. For Fargo, in 2010 they can take it to the voters and if they keep it. If it comes to 2012 and they have not gotten voter approval to stay at least 295 mills then the one option that they would still have is their budget and dollars based on their highest year. It is not a whole lot that they would lose.

8.05 **Representative Drovdahl:** Isn't it that the 295 you subtract the 75 mills?

Chairman Cook: Yes.

Senator Anderson: I just noticed on the amendment, Page 1 line1, it says to insert tax relief sustainability fund, I am just wondering by taking $590 out rather than the $295, and then creating the new fund. Is it possible that would make the projections in the next biennium out of whack?

Chairman Cook: No.

Senator Anderson: the original bill said that $295 would be taken out for use and then the House put in a $295 million more to be placed into this relief sustainability fund. You are just taking the jewelry box from the dining room table to the kitchen table, I understand that, but what will that do for projections from OMB and whatnot?

Representative Belter: The projections are that there should be enough money in the oil trust fund to make sure that we have sufficient funds in order that we can put this money in for the next biennium to assure that this is more than just a one biennium program. That is why the House went ahead and did that.

Senator Anderson: I understand that, and I hope it is sustained forever. I was just wondering on a bookkeeping reporting basis if it might screw something up?

Chairman Cook: Asks Mr. Walstad to come up and explain any further questions.

10.40 **John Walstad, Legislative Council:** (Answering Rep. Drovdahl's question) Halfway down page 1, the number 5 is inserted there. That section would remain.

Representative Drovdahl: On Page 4, that number 7 would still remain in there? That was new language we put into House version.

Chairman Cook: Clarifies that the 600 version is the one being amended.

John Walstad: I do not believe the amendments have any effect on that language. I am reminded that I was having a discussion about page 2, subsection 4, reads from bill referencing 2012, and on page 9, line 22, and reads from bill referencing ten years after 2008. The subdivision A is the approval of the voters for a higher levy. If you look at the two provisions, one says only through 2012 and the other says the authority for voter approval is not good for any more than ten years after 2008. There is a bit of a conflict there and the next sentence on page 9 says the approval for not more than 10 tax years at a time. As I understand it we want both of these to happen. To fix that, on Page 9, line 22, I would suggest the "a or" be eliminated. So that it would only apply to subdivision D which is a higher levy because of reorganization. That would be grandfathered for 10 years.

15.50 **Senator Anderson:** That is what I was alluding to. I thought that when it came out of the Senate before that both of those would be ten years. It was a good idea and I think it should still be.

John Walstad: What came from the Senate was unlimited levy districts would have to reapprove a specific number of mills by the end of 2010, and districts having an expanded levy authority to a specific number of mills would have had to approve extension of that within 10 years. So there was a difference whether it was unlimited or a higher number of mills. The house put both of them on the same timeline, which the voters have to reconsider by the end of 2012.

Chairman Cook: No one had until 2018 in the House version.

John Walstad: I believe you are correct.

Representative Belter: Of the 4 districts, it is the way I understood it.

18.06 **John Walstad:** On page 2 of the 900 version, line 24, the authority to levy up to a specific number of mills is terminated effective after 2012. So the specific number of mills ends 2012 without voter extension and then over on the next page, this is the unlimited levy districts also with a deadline of 2012. The House matched them up.

Chairman Cook: So the amendment you are saying by taking a "and or" out of here?

John Walstad: That would make clear those districts with enhanced levy authority from prior to this year are not grandfathered in for ten years. That going forward, voter approvals are only good ten years, but all districts would be subject to submitting to the voters again before the end of 2012.

Chairman Cook: All districts who are over 110 mills?

John Walstad: Correct, with voter approval.

Chairman Cook: Are they required to do that every 10 years?

John Walstad: They would have to do it in 2012 and if the voters approve it in 2012, or 2011, or 2010, those votes are only good for ten years.

Chairman Cook: So these amendments will become .0636?

John Walstad: Yes.

20.28 **Representative Kelsh:** What happens if the state decides to discontinue if they don't have the money? Can they raise the mill levy without a vote?

John Walstad: The protection that is built in, in the event that happens, is in section 1, page 1 of the bill. That section provides that any taxing district can levy the same number of dollars for the year it is doing a budget that it levied in the highest of the last three years, and there is an increased factor and a reduction factor being added. The increase factor says that the amount that school districts mill levy reduction grants under 57-64-02 exceeds the amount that it will receive in the budget year. If less state money will be coming to that district, the number of dollars of reduction in state money gets added on to their property taxing authority so that is the safety net where no school district will be forced to eat the laws and have to go to the voters and have to go to the voters for enhanced authority. Now they may wish to do that if they get put on a dollar amount limit because on a dollar amount limit you get growth from new property in the district but you don't get growth from assessment increases. But it won't cause a rush to the ballot box instantly.

23.00 **Chairman Cook:** Can we move these amendments with that one change?

Representative Drovdahl: Clarifies what page 5 line 18 would say.

Chairman Cook: On the 600 version.

Senator Hogue: Moved that the House recede from the House Amendments and amend with amendments proposed .0636.

Representative Belter: Seconded.

Rep. Kelsh: I am going to resist the motion simply because – if the income tax reduction has merit, it should be able to stand on its own as a separate bill and it should be voted on that way.

Senator Anderson: I would like to echo that. I think we should also take into consideration the changes with the corporate tax or vote on that one separately.

Chairman Cook: Noted. It is a long process.

Representative Belter: What we as a legislature have put together here is a good overall tax policy. From my personal perspective the one I question the most is the property tax relief since we as a legislature are getting into a business of making property tax relief on an area that we don't set the rates on, but regardless, we have substantial property tax relief here and we are also giving income tax relief to the people of North Dakota, and we also opened the door to some corporate tax relief which I think is long overdue. We have been very successful here in North Dakota at moving our economy and diversifying it from purely agriculture to an economy that is now heavily led by businesses other than energy and agriculture. I think it is very important that we send a signal to the corporate community that the state of North Dakota is interested in doing business and opening the door to more business opportunities here in the state. I think this is a good package we put together here and I would hope that we could have bipartisan support in getting this passed.

Representative Kelsh: In light of those comments, I agree we have done very well in diversifying our economy but we have done it under our existing corporate tax rates and I don't think we need to change or fix what is not broken. We have done well with the system that we have and I think we are going down a road that we don't need to go down in light of the fact that we are doing quite well as it.

Chairman Cook: We have a $1.2 billion budget surplus. I would encourage all of us to go look and see how much corporate North Dakota has contributed to that surplus. How much they have contributed in excess of what they were projected to contribute during this biennium. I think it is something like 85% this biennium to date.

27.30 **Representative Drovdahl:** The fact is that North Dakota collected more money than (inaudible). The fact is that they shared back with the tax payers and I think that is great. We didn't collect it for property tax, but it is a very high tax out there. By broadening it, including the income tax, we are sharing it with a lot more North Dakota taxpayers. This way we are getting it back to the highest number of people. I support it. I would like to see the 80/20, but 90/10 means we are moving in the right direction.

Senator Hogue: I think we are shortchanging the taxpayers by at least another $100 million. I think this is inadequate in my mind. It just seems to me you should give back the amount of money that you don't need. That is just a fundamental principle of taxation that I think this legislature should be observing. We are not, we are giving back a fraction of what we over taxed the corporate income tax payers and individual income tax payers. I understand that we have to pass something that will be acceptable to both houses and so I think this is just a good start to where we need to be.

Chairman Cook: We will take the roll.

A Roll Call Vote was taken: Yea 4, Nay 2, Absent 0.

Senator Cook and Representative Belter will carry the bill.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2199

Senate Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: 04/28/09

Recorder Job Number: 12360

Committee Clerk Signature	Carie Winings

Minutes:

Chairman Cook: Reopened conference committee on SB 2199. (See Attachment #1 for amendments proposed) One of the changes made had to do with the date for elections for schools. When we passed 2199 out of the Senate we had a date for requirement of 2010 for the three school districts that presently have unlimited mill levy authority and for all of the other that would still be over the new school district cap they had 10 years until 2018. One of the amendments that the House did to 2199 made everyone have an election by 2012. You helped 3 school districts and the majority was shortened by 6 years. That is one of the areas that have some concern amongst some of the Senators over there that voted against this. The amendments that are before you make that one change. Simply, the date of 2012 changes to 2015.

3.15 **Representative Belter:** I guess from the House perspective we were disappointed that the bill didn't pass. I think the important part from the House perspective is that we would like to keep all aspects of the tax reductions intact. During this legislative session we are not having a problem with reduction in taxes, we are having a problem with over spending. That is my concern. I think that the changes that you propose here are something that I could accept. I hope that other members on this committee from the House can as well. I would like to make it very clear that this is something we can accept, but anything else we would draw a deep line in the sand.

Senator Anderson: Earlier I did state that I feel the income and property taxes should remain separate. At this point I still feel that way.

Rep. Kelsh: I echo that sentiment as well. I think that if the income tax cuts have merit, they should be able to stand on their own.

Rep. Drovdahl: I see the state of North Dakota ranks 35 in individual income tax and we rank 30th in corporate tax which is an industry that is helping to bring new jobs into North Dakota. We can do a lot better than 30. The standing figure that stands in my mind is that the state ranks 12th, one being the worst, in tax collection per capita. We are really capitalizing our citizens considerable if we rank 12th. We don't have a lot of control in a lot of those taxes but the one we do have is income tax. If we are talking property tax relief, I think property and income tax do go hand in hand. From the House's perspective, we have acted on the income tax separately and we passed it, we also acted on the property tax separately and passed it. I think from our perspective it is a package deal. I stand strong with my chairman on that issue. I think that 2015 will make it a little harder to sell in the House but if it makes it easier for the Senate, I am willing to support it.

6.59 **Senator Hogue:** I am not sure I support the amendment. I don't understand why they need until 2015. I don't think it is good policy to defer this decision that long. It has to go to the voters at some point. The longer they wait the more risk they build into their budget. I do not agree with the decision to put it out to 2015. Maybe they have a good reason for deferring the decision. It seems to me like they are building risk into their budget unnecessarily.

Chairman Cook: It is that time in the session that as we try to find balance for things to be signed by the Governor that sometimes we have to overlook some of the things that we believe in very strongly and listen to others that we need to come and support the big picture of the tax relief package. It is a time of compromise and I tend to agree with you, although I do agree that the bill that we passed out, those people that are in those school districts, all but 3 have lost 6 years. You and I have both supported a bill that 2018 for the vast majority of the school district, all of them except 3, took them down to 2012. It took the 3 that were at 2010 and put them at 2012. So, I probably think this is certainly the best place to start compromising. I hope you would consider supporting it. I am going to swallow it too.

Rep. Belter: I think that so often we as legislators forget that we are representatives of the people and sometimes we get dominated by the interest groups and in a sense here we have school boards that are concerned about the operation of their school and not giving the people of their districts to vote, but in the spirit of compromise here if this date will make a difference in the Senate I am willing to compromise on it. I think this bill is extremely important to the taxpayers of North Dakota. We certainly have the funds available to offer the taxpayers the type of relief that is in 2199. All we have to do as legislators is do a responsible job of spending and the money will be available to return to the taxpayers. I would hope we can support this amendment.

Chairman Cook: Any other discussion?

10.47 **Representative Belter: Moved that the House recedes from the House amendments and amend with 90484.0639.**

Representative Drovdahl: Seconded.

A Roll Call vote was taken: Yea 5, Nay 1, Absent 0.

Senator Cook and Representative Belter will carry the bill.

Date: 4/23/09

Roll Call Vote #: ______________

2009 SENATE CONFERENCE COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2199 as (re) engrossed

Senate

☒ Check here for **Conference Committee**

Action Taken

☐ SENATE accede to House Amendments

☐ SENATE accede to House Amendments and further amend

☐ HOUSE recede from House Amendments

☐ HOUSE recede from House amendments and amend as follows

Senate/House Amendments on SJ/HJ pages(s) ________--________

☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed.

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

Motion Made By ____________________ Seconded By ____________________

Senators	Attend			Yes	No		Representatives	Attend			Yes	No
Senator Cook	✓						Representative Belter	✓				
Senator Hogue	✓						RepresentativeDrovdal	✓				
Senator Anderson	✓						Representative Kelsh	✓				

Vote Count ________Yes ________No ________Absent

Senate Carrier ____________________ **House Carrier** ____________________

LC NO. ____________.____________ of amendment

LC NO. ____________.____________ of engrossment

Emergency clause added or deleted ______________________________

Statement of purpose of amendment ______________________________

Date: 4/25/09

Roll Call Vote #: ______________

2009 SENATE CONFERENCE COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. **2199** as (re) engrossed

Senate

☒ Check here for **Conference Committee**

Action Taken
- ☐ SENATE accede to House Amendments
- ☐ SENATE accede to House Amendments and further amend
- ☐ HOUSE recede from House Amendments
- ☐ HOUSE recede from House amendments and amend as follows

Senate/House Amendments on SJ/HJ pages(s) ________--________

☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed.

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

Motion Made By ______________________ Seconded By ______________________

Senators	Attend			Yes	No		Representatives	Attend			Yes	No
Senator Cook	✓						Representative Belter	✓				
Senator Hogue	✓						RepresentativeDrovdal	✓				
Senator Anderson	✓						Representative ~~Kelsh~~ Boucher	✓				

Vote Count ________Yes ________No ________Absent

Senate Carrier ______________________ **House Carrier** ______________________

LC NO.____________.____________ of amendment

LC NO.____________.____________ of engrossment

Emergency clause added or deleted______________________________

Statement of purpose of amendment______________________________

#\

90484.0635
Title.

Prepared by the Legislative Council staff for
Senator Cook
April 27, 2009

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

That the House recede from its amendments as printed on pages 1281-1284 of the Senate Journal and pages 1357-1360 of the House Journal and that Reengrossed Senate Bill No. 2199 be amended as follows:

Page 1, line 1, after "Act" insert "to create a property tax relief sustainability fund;"

Page 1, line 4, replace "and" with a comma and after "57-15-31" insert ", and 57-38-30 and subsection 1 of section 57-38-30.3"

Page 1, line 5, after "districts" insert ", corporate income tax rates, and income tax rates for individuals, estates, and trusts", after the first semicolon insert "to repeal section 15.1-27-20.1 of the North Dakota Century Code, relating to the effect of the general fund levy of school districts on state aid allocations;", and after the second semicolon insert "to provide for transfers;"

Page 2, line 22, after "4." insert "The authority for a levy of up to a specific number of mills under this section approved by electors of a school district before July 1, 2009, is terminated effective for taxable years after 2012. If the electors of a school district subject to this subsection have not approved a levy for taxable years after 2012 of up to a specific number of mills under this section by December 31, 2012, the school district levy limitation for subsequent years is subject to the limitations under section 57-15-01.1 or this section.

5."

Page 2, line 23, replace "2010" with "2012"

Page 2, line 24, after "of" insert "up to"

Page 2, line 25, replace "2010" with "2012"

Page 3, after line 29, insert:

"**SECTION 4. AMENDMENT.** Section 57-38-30 of the North Dakota Century Code is amended and reenacted as follows:

57-38-30. Imposition and rate of tax on corporations. A tax is hereby imposed upon the taxable income of every domestic and foreign corporation which must be levied, collected, and paid annually as in this chapter provided:

1. a. For the first ~~three~~ twenty-five thousand dollars of taxable income, at the rate of two and ~~six-tenths~~ one-tenth percent.

   b. On all taxable income ~~above three~~ exceeding twenty-five thousand dollars and not ~~in excess of eight~~ exceeding fifty thousand dollars, at the rate of ~~four and one-tenth~~ five and twenty-five hundredths percent.

c. On all taxable income ~~above eight~~ exceeding fifty thousand dollars ~~and not in excess of twenty thousand dollars~~, at the rate of ~~five and six-tenths~~ six and four-tenths percent.

~~d. On all taxable income above twenty thousand dollars and not in excess of thirty thousand dollars, at the rate of six and four-tenths percent.~~

~~e. On all taxable income above thirty thousand dollars, at the rate of six and one-half percent.~~

2. A corporation that has paid North Dakota alternative minimum tax in years beginning before January 1, 1991, may carry over any alternative minimum tax credit remaining to the extent of the regular income tax liability of the corporation for a period not to exceed four taxable years.

SECTION 5. AMENDMENT. Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$27,050~~ $33,950	~~2.10%~~ 1.84%
Over ~~$27,050~~ $33,950 but not over ~~$65,550~~ $82,250	~~$568.05~~ $624.68 plus ~~3.92%~~ 3.44% of amount over ~~$27,050~~ $33,950
Over ~~$65,550~~ $82,250 but not over ~~$136,750~~ $171,550	~~$2,077.25~~ $2,286.20 plus ~~4.34%~~ 3.81% of amount over ~~$65,550~~ $82,250
Over ~~$136,750~~ $171,550 but not over ~~$297,350~~ $372,950	~~$5,167.33~~ $5,688.53 plus ~~5.04%~~ 4.42% of amount over ~~$136,750~~ $171,550
Over ~~$297,350~~ $372,950	~~$13,261.57~~ $14,590.41 plus ~~5.54%~~ 4.86% of amount over ~~$297,350~~ $372,950

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$45,200~~ $56,750	~~2.10%~~ 1.84%
Over ~~$45,200~~ $56,750 but not over ~~$109,250~~ $137,050	~~$949.20~~ $1,044.20 plus ~~3.92%~~ 3.44% of amount over ~~$45,200~~ $56,750
Over ~~$109,250~~ $137,050 but not over ~~$166,500~~ $208,850	~~$3,459.96~~ $3,806.52 plus ~~4.34%~~ 3.81% of amount over ~~$109,250~~ $137,050
Over ~~$166,500~~ $208,850 but not over ~~$297,350~~ $372,950	~~$5,944.61~~ $6,542.10 plus ~~5.04%~~ 4.42% of amount over ~~$166,500~~ $208,850
Over ~~$297,350~~ $372,950	~~$12,539.45~~ $13,795.32 plus ~~5.54%~~ 4.86% of amount over ~~$297,350~~ $372,950

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$22,600~~ $28,375	~~2.10%~~ 1.84%
Over ~~$22,600~~ $28,375 but not over ~~$54,625~~ $68,525	~~$474.60~~ $522.10 plus ~~3.92%~~ 3.44% of amount over ~~$22,600~~ $28,375
Over ~~$54,625~~ $68,525 but not over ~~$83,250~~ $104,425	~~$1,729.98~~ $1,903.26 plus ~~4.34%~~ 3.81% of amount over ~~$54,625~~ $68,525
Over ~~$83,250~~ $104,425 but not over ~~$148,675~~ $186,475	~~$2,972.31~~ $3,271.05 plus ~~5.04%~~ 4.42% of amount over ~~$83,250~~ $104,425
Over ~~$148,675~~ $186,475	~~$6,269.73~~ $6,897.66 plus ~~5.54%~~ 4.86% of amount over ~~$148,675~~ $186,475

d. Head of household.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$36,250~~ $45,500	~~2.10%~~ 1.84%
Over ~~$36,250~~ $45,500 but not over ~~$93,650~~ $117,450	~~$761.25~~ $837.20 plus ~~3.92%~~ 3.44% of amount over ~~$36,250~~ $45,500
Over ~~$93,650~~ $117,450 but not over ~~$151,650~~ $190,200	~~$3,011.33~~ $3,312.28 plus ~~4.34%~~ 3.81% of amount over ~~$93,650~~ $117,450
Over ~~$151,650~~ $190,200 but not over ~~$297,350~~ $372,950	~~$5,528.53~~ $6,084.06 plus ~~5.04%~~ 4.42% of amount over ~~$151,650~~ $190,200
Over ~~$297,350~~ $372,950	~~$12,871.81~~ $14,161.61 plus ~~5.54%~~ 4.86% of amount over ~~$297,350~~ $372,950

e. Estates and trusts.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$1,800~~ $2,300	~~2.10%~~ 1.84%
Over ~~$1,800~~ $2,300 but not over ~~$4,250~~ $5,350	~~$37.80~~ $42.32 plus ~~3.92%~~ 3.44% of amount over ~~$1,800~~ $2,300
Over ~~$4,250~~ $5,350 but not over ~~$6,500~~ $8,200	~~$133.84~~ $147.24 plus ~~4.34%~~ 3.81% of amount over ~~$4,250~~ $5,350
Over ~~$6,500~~ $8,200 but not over ~~$8,900~~ $11,150	~~$231.49~~ $255.83 plus ~~5.04%~~ 4.42% of amount over ~~$6,500~~ $8,200
Over ~~$8,900~~ $11,150	~~$352.45~~ $386.22 plus ~~5.54%~~ 4.86% of amount over ~~$8,900~~ $11,150

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

(1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and

(2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. For taxable years beginning after December 31, ~~2001~~ 2009, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes."

Page 5, after line 2, insert:

"7. For all purposes under law relating to allocation of funds among political subdivisions based on property tax levies, property taxes levied by a school district are the amount that would have been levied without the mill reduction grant provided to the school district under this chapter."

Page 5, line 5, replace "combined education" with "general fund"

Page 5, line 8, replace "combined education" with "general fund"

Page 5, line 19, replace "combined education" with "general fund"

Page 5, line 26, replace "combined" with "general fund"

Page 5, line 27, remove "education"

Page 5, line 30, after "district" insert "general fund"

Page 6, after line 6, insert:

"**SECTION 7. Property tax relief sustainability fund.** The property tax relief sustainability fund is a special fund in the state treasury. Moneys in the fund may be spent, pursuant to legislative appropriations, for property tax relief programs.

SECTION 8. REPEAL. Section 15.1-27-20.1 of the North Dakota Century Code is repealed."

Page 6, line 8, replace "permanent oil tax trust" with "general"

Page 6, after line 11, insert:

"**SECTION 10. TRANSFER - PERMANENT OIL TAX TRUST FUND - GENERAL FUND.** The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the general fund on July 1, 2009.

SECTION 11. TRANSFER - PERMANENT OIL TAX TRUST FUND - PROPERTY TAX RELIEF SUSTAINABILITY FUND. The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the property tax relief sustainability fund on July 1, 2010."

Page 6, line 12, remove "and" and after "3" insert ", 4, and 5"

Renumber accordingly

Date: 4/27/09

Roll Call Vote #: 1

2009 SENATE CONFERENCE COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2199 as (re) engrossed

Senate

☒ Check here for **Conference Committee**

Action Taken
- ☐ SENATE accede to House Amendments
- ☐ SENATE accede to House Amendments and further amend
- ☐ HOUSE recede from House Amendments
- ☒ HOUSE recede from House amendments and amend as follows

Senate/House Amendments on SJ/HJ pages(s) ________--________

☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed.

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

Motion Made By Senator Hogue Seconded By Representative Belter

Senators	Attend			Yes	No		Representatives	Attend			Yes	No
Senator Cook	✓			✓			**Representative Belter**	✓			✓	
Senator Hogue	✓			✓			**RepresentativeDrovdal**	✓			✓	
Senator Anderson	✓				✓		**Representative Kelsh**	✓				✓

Vote Count 4 Yes 2 No 0 Absent

Senate Carrier Senator Cook **House Carrier** Representative Belter

LC NO. 90484 . 0636 of amendment

LC NO. ________ . ________ of engrossment

Emergency clause added or deleted ________________________

Statement of purpose of amendment ________________________

REPORT OF CONFERENCE COMMITTEE

SB 2199, as reengrossed: Your conference committee (Sens. Cook, Hogue, Anderson and Reps. Belter, Drovdal, J. Kelsh) recommends that the **HOUSE RECEDE** from the House amendments on SJ pages 1281-1284, adopt amendments as follows, and place SB 2199 on the Seventh order:

That the House recede from its amendments as printed on pages 1281-1284 of the Senate Journal and pages 1357-1360 of the House Journal and that Reengrossed Senate Bill No. 2199 be amended as follows:

Page 1, line 1, after "Act" insert "to create a property tax relief sustainability fund;"

Page 1, line 4, replace "and" with a comma and after "57-15-31" insert ", and 57-38-30 and subsection 1 of section 57-38-30.3"

Page 1, line 5, after "districts" insert ", corporate income tax rates, and income tax rates for individuals, estates, and trusts", after the first semicolon insert "to repeal section 15.1-27-20.1 of the North Dakota Century Code, relating to the effect of the general fund levy of school districts on state aid allocations;", and after the second semicolon insert "to provide for transfers;"

Page 2, line 22, after "4." insert "The authority for a levy of up to a specific number of mills under this section approved by electors of a school district before July 1, 2009, is terminated effective for taxable years after 2012. If the electors of a school district subject to this subsection have not approved a levy for taxable years after 2012 of up to a specific number of mills under this section by December 31, 2012, the school district levy limitation for subsequent years is subject to the limitations under section 57-15-01.1 or this section.

5."

Page 2, line 23, replace "2010" with "2012"

Page 2, line 24, after "of" insert "up to"

Page 2, line 25, replace "2010" with "2012"

Page 3, after line 29, insert:

"**SECTION 4. AMENDMENT.** Section 57-38-30 of the North Dakota Century Code is amended and reenacted as follows:

57-38-30. Imposition and rate of tax on corporations. A tax is hereby imposed upon the taxable income of every domestic and foreign corporation which must be levied, collected, and paid annually as in this chapter provided:

1. a. For the first ~~three~~ twenty-five thousand dollars of taxable income, at the rate of two and ~~six-tenths~~ one-tenth percent.

   b. On all taxable income ~~above three~~ exceeding twenty-five thousand dollars and not ~~in excess of eight~~ exceeding fifty thousand dollars, at the rate of ~~four and one-tenth~~ five and twenty-five hundredths percent.

   c. On all taxable income ~~above eight~~ exceeding fifty thousand dollars ~~and not in excess of twenty thousand dollars~~, at the rate of ~~five and six-tenths~~ six and four-tenths percent.

~~d. On all taxable income above twenty thousand dollars and not in excess of thirty thousand dollars, at the rate of six and four-tenths percent.~~

~~e. On all taxable income above thirty thousand dollars, at the rate of six and one-half percent.~~

2. A corporation that has paid North Dakota alternative minimum tax in years beginning before January 1, 1991, may carry over any alternative minimum tax credit remaining to the extent of the regular income tax liability of the corporation for a period not to exceed four taxable years.

SECTION 5. AMENDMENT. Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$27,050~~ $33,950	~~2.10%~~ 1.84%
Over ~~$27,050~~ $33,950 but not over ~~$65,550~~ $82,250	~~$568.05~~ $624.68 plus ~~3.92%~~ 3.44% of amount over ~~$27,050~~ $33,950
Over ~~$65,550~~ $82,250 but not over ~~$136,750~~ $171,550	~~$2,077.25~~ $2,286.20 plus ~~4.34%~~ 3.81% of amount over ~~$65,550~~ $82,250
Over ~~$136,750~~ $171,550 but not over ~~$297,350~~ $372,950	~~$5,167.33~~ $5,688.53 plus ~~5.04%~~ 4.42% of amount over ~~$136,750~~ $171,550
Over ~~$297,350~~ $372,950	~~$13,261.57~~ $14,590.41 plus ~~5.54%~~ 4.86% of amount over ~~$297,350~~ $372,950

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$45,200~~ $56,750	~~2.10%~~ 1.84%
Over ~~$45,200~~ $56,750 but not over ~~$109,250~~ $137,050	~~$949.20~~ $1,044.20 plus ~~3.92%~~ 3.44% of amount over ~~$45,200~~ $56,750
Over ~~$109,250~~ $137,050 but not over ~~$166,500~~ $208,850	~~$3,459.96~~ $3,806.52 plus ~~4.34%~~ 3.81% of amount over ~~$109,250~~ $137,050
Over ~~$166,500~~ $208,850 but not over ~~$297,350~~ $372,950	~~$5,944.61~~ $6,542.10 plus ~~5.04%~~ 4.42% of amount over ~~$166,500~~ $208,850
Over ~~$297,350~~ $372,950	~~$12,539.45~~ $13,795.32 plus ~~5.54%~~ 4.86% of amount over ~~$297,350~~ $372,950

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$22,600~~ $28,375	~~2.10%~~ 1.84%
Over ~~$22,600~~ $28,375 but not over ~~$54,625~~ $68,525	~~$474.60~~ $522.10 plus ~~3.92%~~ 3.44% of amount over ~~$22,600~~ $28,375
Over ~~$54,625~~ $68,525 but not over ~~$83,250~~ $104,425	~~$1,729.98~~ $1,903.26 plus ~~4.34%~~ 3.81% of amount over ~~$54,625~~ $68,525
Over ~~$83,250~~ $104,425 but not over ~~$148,675~~ $186,475	~~$2,972.31~~ $3,271.05 plus ~~5.04%~~ 4.42% of amount over ~~$83,250~~ $104,425
Over ~~$148,675~~ $186,475	~~$6,269.73~~ $6,897.66 plus ~~5.54%~~ 4.86% of amount over ~~$148,675~~ $186,475

d. Head of household.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$36,250~~ $45,500	~~2.10%~~ 1.84%
Over ~~$36,250~~ $45,500 but not over ~~$93,650~~ $117,450	~~$761.25~~ $837.20 plus ~~3.92%~~ 3.44% of amount over ~~$36,250~~ $45,500
Over ~~$93,650~~ $117,450 but not over ~~$151,650~~ $190,200	~~$3,011.33~~ $3,312.28 plus ~~4.34%~~ 3.81% of amount over ~~$93,650~~ $117,450
Over ~~$151,650~~ $190,200 but not over ~~$297,350~~ $372,950	~~$5,528.53~~ $6,084.06 plus ~~5.04%~~ 4.42% of amount over ~~$151,650~~ $190,200
Over ~~$297,350~~ $372,950	~~$12,871.81~~ $14,161.61 plus ~~5.54%~~ 4.86% of amount over ~~$297,350~~ $372,950

e. Estates and trusts.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$1,800~~ $2,300	~~2.10%~~ 1.84%
Over ~~$1,800~~ $2,300 but not over ~~$4,250~~ $5,350	~~$37.80~~ $42.32 plus ~~3.92%~~ 3.44% of amount over ~~$1,800~~ $2,300
Over ~~$4,250~~ $5,350 but not over ~~$6,500~~ $8,200	~~$133.84~~ $147.24 plus ~~4.34%~~ 3.81% of amount over ~~$4,250~~ $5,350
Over ~~$6,500~~ $8,200 but not over ~~$8,900~~ $11,150	~~$231.49~~ $255.83 plus ~~5.04%~~ 4.42% of amount over ~~$6,500~~ $8,200
Over ~~$8,900~~ $11,150	~~$352.45~~ $386.22 plus ~~5.54%~~ 4.86% of amount over ~~$8,900~~ $11,150

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

(1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and

(2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. For taxable years beginning after December 31, ~~2001~~ 2009, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes."

Page 5, after line 2, insert:

"7. For all purposes under law relating to allocation of funds among political subdivisions based on property tax levies, property taxes levied by a school district are the amount that would have been levied without the mill reduction grant provided to the school district under this chapter."

Page 5, line 5, replace "combined education" with "general fund"

Page 5, line 8, replace "combined education" with "general fund"

Page 5, line 18, remove "a or"

Page 5, line 19, replace "combined education" with "general fund"

Page 5, line 26, replace "combined" with "general fund"

Page 5, line 27, remove "education"

Page 5, line 30, after "district" insert "general fund"

Page 6, after line 6, insert:

"**SECTION 7. Property tax relief sustainability fund.** The property tax relief sustainability fund is a special fund in the state treasury. Moneys in the fund may be spent, pursuant to legislative appropriations, for property tax relief programs.

SECTION 8. REPEAL. Section 15.1-27-20.1 of the North Dakota Century Code is repealed."

Page 6, line 8, replace "permanent oil tax trust" with "general"

Page 6, after line 11, insert:

"**SECTION 10. TRANSFER - PERMANENT OIL TAX TRUST FUND - GENERAL FUND.** The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the general fund on July 1, 2009.

SECTION 11. TRANSFER - PERMANENT OIL TAX TRUST FUND - PROPERTY TAX RELIEF SUSTAINABILITY FUND. The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the property tax relief sustainability fund on July 1, 2010."

Page 6, line 12, remove "and" and after "3" insert ", 4, and 5"

Renumber accordingly

Reengrossed SB 2199 was placed on the Seventh order of business on the calendar.

90484.0639
Title.

Prepared by the Legislative Council staff for Senator Cook
April 28, 2009

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

That the House recede from its amendments as printed on pages 1281-1284 of the Senate Journal and pages 1357-1360 of the House Journal and that Reengrossed Senate Bill No. 2199 be amended as follows:

Page 1, line 1, after "Act" insert "to create a property tax relief sustainability fund;"

Page 1, line 4, replace "and" with a comma and after "57-15-31" insert ", and 57-38-30 and subsection 1 of section 57-38-30.3"

Page 1, line 5, after "districts" insert ", corporate income tax rates, and income tax rates for individuals, estates, and trusts", after the first semicolon insert "to repeal section 15.1-27-20.1 of the North Dakota Century Code, relating to the effect of the general fund levy of school districts on state aid allocations;", and after the second semicolon insert "to provide for transfers;"

Page 2, line 22, after "4." insert "The authority for a levy of up to a specific number of mills under this section approved by electors of a school district before July 1, 2009, is terminated effective for taxable years after 2015. If the electors of a school district subject to this subsection have not approved a levy for taxable years after 2015 of up to a specific number of mills under this section by December 31, 2015, the school district levy limitation for subsequent years is subject to the limitations under section 57-15-01.1 or this section.

5."

Page 2, line 23, replace "2010" with "2015"

Page 2, line 24, after "of" insert "up to"

Page 2, line 25, replace "2010" with "2015"

Page 3, after line 29, insert:

"**SECTION 4. AMENDMENT.** Section 57-38-30 of the North Dakota Century Code is amended and reenacted as follows:

57-38-30. Imposition and rate of tax on corporations. A tax is hereby imposed upon the taxable income of every domestic and foreign corporation which must be levied, collected, and paid annually as in this chapter provided:

1. a. For the first ~~three~~ twenty-five thousand dollars of taxable income, at the rate of two and ~~six-tenths~~ one-tenth percent.

   b. On all taxable income ~~above three~~ exceeding twenty-five thousand dollars and not ~~in excess of eight~~ exceeding fifty thousand dollars, at the rate of ~~four and one-tenth~~ five and twenty-five hundredths percent.

c. On all taxable income ~~above eight~~ exceeding fifty thousand dollars ~~and not in excess of twenty thousand dollars~~, at the rate of ~~five and six-tenths~~ six and four-tenths percent.

~~d. On all taxable income above twenty thousand dollars and not in excess of thirty thousand dollars, at the rate of six and four-tenths percent.~~

~~e. On all taxable income above thirty thousand dollars, at the rate of six and one-half percent.~~

2. A corporation that has paid North Dakota alternative minimum tax in years beginning before January 1, 1991, may carry over any alternative minimum tax credit remaining to the extent of the regular income tax liability of the corporation for a period not to exceed four taxable years.

SECTION 5. AMENDMENT. Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$27,050~~ $33,950	~~2.10%~~ 1.84%
Over ~~$27,050~~ $33,950 but not over ~~$65,550~~ $82,250	~~$568.05~~ $624.68 plus ~~3.92%~~ 3.44% of amount over ~~$27,050~~ $33,950
Over ~~$65,550~~ $82,250 but not over ~~$136,750~~ $171,550	~~$2,077.25~~ $2,286.20 plus ~~4.34%~~ 3.81% of amount over ~~$65,550~~ $82,250
Over ~~$136,750~~ $171,550 but not over ~~$297,350~~ $372,950	~~$5,167.33~~ $5,688.53 plus ~~5.04%~~ 4.42% of amount over ~~$136,750~~ $171,550
Over ~~$297,350~~ $372,950	~~$13,261.57~~ $14,590.41 plus ~~5.54%~~ 4.86% of amount over ~~$297,350~~ $372,950

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$45,200~~ $56,750	~~2.10%~~ 1.84%
Over ~~$45,200~~ $56,750 but not over ~~$109,250~~ $137,050	~~$949.20~~ $1,044.20 plus ~~3.92%~~ 3.44% of amount over ~~$45,200~~ $56,750
Over ~~$109,250~~ $137,050 but not over ~~$166,500~~ $208,850	~~$3,459.96~~ $3,806.52 plus ~~4.34%~~ 3.81% of amount over ~~$109,250~~ $137,050
Over ~~$166,500~~ $208,850 but not over ~~$297,350~~ $372,950	~~$5,944.61~~ $6,542.10 plus ~~5.04%~~ 4.42% of amount over ~~$166,500~~ $208,850
Over ~~$297,350~~ $372,950	~~$12,539.45~~ $13,795.32 plus ~~5.54%~~ 4.86% of amount over ~~$297,350~~ $372,950

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$22,600~~ $28,375	~~2.10%~~ 1.84%
Over ~~$22,600~~ $28,375 but not over ~~$54,625~~ $68,525	~~$474.60~~ $522.10 plus ~~3.92%~~ 3.44% of amount over ~~$22,600~~ $28,375
Over ~~$54,625~~ $68,525 but not over ~~$83,250~~ $104,425	~~$1,729.98~~ $1,903.26 plus ~~4.34%~~ 3.81% of amount over ~~$54,625~~ $68,525
Over ~~$83,250~~ $104,425 but not over ~~$148,675~~ $186,475	~~$2,972.31~~ $3,271.05 plus ~~5.04%~~ 4.42% of amount over ~~$83,250~~ $104,425
Over ~~$148,675~~ $186,475	~~$6,269.73~~ $6,897.66 plus ~~5.54%~~ 4.86% of amount over ~~$148,675~~ $186,475

d. Head of household.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$36,250~~ $45,500	~~2.10%~~ 1.84%
Over ~~$36,250~~ $45,500 but not over ~~$93,650~~ $117,450	~~$761.25~~ $837.20 plus ~~3.92%~~ 3.44% of amount over ~~$36,250~~ $45,500
Over ~~$93,650~~ $117,450 but not over ~~$151,650~~ $190,200	~~$3,011.33~~ $3,312.28 plus ~~4.34%~~ 3.81% of amount over ~~$93,650~~ $117,450
Over ~~$151,650~~ $190,200 but not over ~~$297,350~~ $372,950	~~$5,528.53~~ $6,084.06 plus ~~5.04%~~ 4.42% of amount over ~~$151,650~~ $190,200
Over ~~$297,350~~ $372,950	~~$12,871.81~~ $14,161.61 plus ~~5.54%~~ 4.86% of amount over ~~$297,350~~ $372,950

e. Estates and trusts.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$1,800~~ $2,300	~~2.10%~~ 1.84%
Over ~~$1,800~~ $2,300 but not over ~~$4,250~~ $5,350	~~$37.80~~ $42.32 plus ~~3.92%~~ 3.44% of amount over ~~$1,800~~ $2,300
Over ~~$4,250~~ $5,350 but not over ~~$6,500~~ $8,200	~~$133.84~~ $147.24 plus ~~4.34%~~ 3.81% of amount over ~~$4,250~~ $5,350
Over ~~$6,500~~ $8,200 but not over ~~$8,900~~ $11,150	~~$231.49~~ $255.83 plus ~~5.04%~~ 4.42% of amount over ~~$6,500~~ $8,200
Over ~~$8,900~~ $11,150	~~$352.45~~ $386.22 plus ~~5.54%~~ 4.86% of amount over ~~$8,900~~ $11,150

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

(1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and

(2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. For taxable years beginning after December 31, ~~2001~~ 2009, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes."

Page 5, after line 2, insert:

"7. For all purposes under law relating to allocation of funds among political subdivisions based on property tax levies, property taxes levied by a school district are the amount that would have been levied without the mill reduction grant provided to the school district under this chapter."

Page 5, line 5, replace "combined education" with "general fund"

Page 5, line 8, replace "combined education" with "general fund"

Page 5, line 18, remove "a or"

Page 5, line 19, replace "combined education" with "general fund"

Page 5, line 26, replace "combined" with "general fund"

Page 5, line 27, remove "education"

Page 5, line 30, after "district" insert "general fund"

Page 6, after line 6, insert:

"**SECTION 7. Property tax relief sustainability fund.** The property tax relief sustainability fund is a special fund in the state treasury. Moneys in the fund may be spent, pursuant to legislative appropriations, for property tax relief programs.

SECTION 8. REPEAL. Section 15.1-27-20.1 of the North Dakota Century Code is repealed."

Page 6, line 8, replace "permanent oil tax trust" with "general"

Page 6, after line 11, insert:

"**SECTION 10. TRANSFER - PERMANENT OIL TAX TRUST FUND - GENERAL FUND.** The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the general fund on July 1, 2009.

SECTION 11. TRANSFER - PERMANENT OIL TAX TRUST FUND - PROPERTY TAX RELIEF SUSTAINABILITY FUND. The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the property tax relief sustainability fund on July 1, 2010."

Page 6, line 12, remove "and" and after "3" insert ", 4, and 5"

Renumber accordingly

Date: 4/28/09

Roll Call Vote #: 1

2009 SENATE CONFERENCE COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. **2199** as (re) engrossed

Senate

☒ Check here for **Conference Committee**

Action Taken
- ☐ SENATE accede to House Amendments
- ☐ SENATE accede to House Amendments and further amend
- ☐ HOUSE recede from House Amendments
- ☒ HOUSE recede from House amendments and amend as follows

Senate/House Amendments on SJ/HJ pages(s) ________--________

- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed.

90484 .0639

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

Motion Made By Representative Belter Seconded By Representative Drovdal

Senators	Attend			Yes	No		Representatives	Attend			Yes	No
Senator Cook	✓			✓			Representative Belter	✓			✓	
Senator Hogue	✓			✓			RepresentativeDrovdal	✓			✓	
Senator Anderson	✓			✓			Representative Kelsh (S.)	✓				✓

Vote Count 5 Yes 1 No 0 Absent

Senate Carrier Senator Cook **House Carrier** Representative Belter

LC NO. 90484 . 0639 of amendment

LC NO. ________ . ________ of engrossment

Emergency clause added or deleted ____________________

Statement of purpose of amendment ____________________

REPORT OF CONFERENCE COMMITTEE

SB 2199, as reengrossed: Your conference committee (Sens. Cook, Hogue, Anderson and Reps. Belter, Drovdal, S. Kelsh) recommends that the **HOUSE RECEDE** from the House amendments on SJ pages 1281-1284, adopt amendments as follows, and place SB 2199 on the Seventh order:

That the House recede from its amendments as printed on pages 1281-1284 of the Senate Journal and pages 1357-1360 of the House Journal and that Reengrossed Senate Bill No. 2199 be amended as follows:

Page 1, line 1, after "Act" insert "to create a property tax relief sustainability fund;"

Page 1, line 4, replace "and" with a comma and after "57-15-31" insert ", and 57-38-30 and subsection 1 of section 57-38-30.3"

Page 1, line 5, after "districts" insert ", corporate income tax rates, and income tax rates for individuals, estates, and trusts", after the first semicolon insert "to repeal section 15.1-27-20.1 of the North Dakota Century Code, relating to the effect of the general fund levy of school districts on state aid allocations;", and after the second semicolon insert "to provide for transfers;"

Page 2, line 22, after "4." insert "The authority for a levy of up to a specific number of mills under this section approved by electors of a school district before July 1, 2009, is terminated effective for taxable years after 2015. If the electors of a school district subject to this subsection have not approved a levy for taxable years after 2015 of up to a specific number of mills under this section by December 31, 2015, the school district levy limitation for subsequent years is subject to the limitations under section 57-15-01.1 or this section.

5."

Page 2, line 23, replace "2010" with "2015"

Page 2, line 24, after "of" insert "up to"

Page 2, line 25, replace "2010" with "2015"

Page 3, after line 29, insert:

"**SECTION 4. AMENDMENT.** Section 57-38-30 of the North Dakota Century Code is amended and reenacted as follows:

57-38-30. Imposition and rate of tax on corporations. A tax is hereby imposed upon the taxable income of every domestic and foreign corporation which must be levied, collected, and paid annually as in this chapter provided:

1. a. For the first ~~three~~ twenty-five thousand dollars of taxable income, at the rate of two and ~~six-tenths~~ one-tenth percent.

   b. On all taxable income ~~above three~~ exceeding twenty-five thousand dollars and not ~~in excess of eight~~ exceeding fifty thousand dollars, at the rate of ~~four and one-tenth~~ five and twenty-five hundredths percent.

   c. On all taxable income ~~above eight~~ exceeding fifty thousand dollars ~~and not in excess of twenty thousand dollars~~, at the rate of ~~five and six-tenths~~ six and four-tenths percent.

~~d. On all taxable income above twenty thousand dollars and not in excess of thirty thousand dollars, at the rate of six and four-tenths percent.~~

~~e. On all taxable income above thirty thousand dollars, at the rate of six and one-half percent.~~

2. A corporation that has paid North Dakota alternative minimum tax in years beginning before January 1, 1991, may carry over any alternative minimum tax credit remaining to the extent of the regular income tax liability of the corporation for a period not to exceed four taxable years.

SECTION 5. AMENDMENT. Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$27,050~~ $33,950	~~2.10%~~ 1.84%
Over ~~$27,050~~ $33,950 but not over ~~$65,550~~ $82,250	~~$568.05~~ $624.68 plus ~~3.92%~~ 3.44% of amount over ~~$27,050~~ $33,950
Over ~~$65,550~~ $82,250 but not over ~~$136,750~~ $171,550	~~$2,077.25~~ $2,286.20 plus ~~4.34%~~ 3.81% of amount over ~~$65,550~~ $82,250
Over ~~$136,750~~ $171,550 but not over ~~$297,350~~ $372,950	~~$5,167.33~~ $5,688.53 plus ~~5.04%~~ 4.42% of amount over ~~$136,750~~ $171,550
Over ~~$297,350~~ $372,950	~~$13,261.57~~ $14,590.41 plus ~~5.54%~~ 4.86% of amount over ~~$297,350~~ $372,950

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$45,200~~ $56,750	~~2.10%~~ 1.84%
Over ~~$45,200~~ $56,750 but not over ~~$109,250~~ $137,050	~~$949.20~~ $1,044.20 plus ~~3.92%~~ 3.44% of amount over ~~$45,200~~ $56,750
Over ~~$109,250~~ $137,050 but not over ~~$166,500~~ $208,850	~~$3,459.96~~ $3,806.52 plus ~~4.34%~~ 3.81% of amount over ~~$109,250~~ $137,050
Over ~~$166,500~~ $208,850 but not over ~~$297,350~~ $372,950	~~$5,944.61~~ $6,542.10 plus ~~5.04%~~ 4.42% of amount over ~~$166,500~~ $208,850
Over ~~$297,350~~ $372,950	~~$12,539.45~~ $13,795.32 plus ~~5.54%~~ 4.86% of amount over ~~$297,350~~ $372,950

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$22,600~~ $28,375	~~2.10%~~ 1.84%
Over ~~$22,600~~ $28,375 but not over ~~$54,625~~ $68,525	~~$474.60~~ $522.10 plus ~~3.92%~~ 3.44% of amount over ~~$22,600~~ $28,375
Over ~~$54,625~~ $68,525 but not over ~~$83,250~~ $104,425	~~$1,729.98~~ $1,903.26 plus ~~4.34%~~ 3.81% of amount over ~~$54,625~~ $68,525
Over ~~$83,250~~ $104,425 but not over ~~$148,675~~ $186,475	~~$2,972.31~~ $3,271.05 plus ~~5.04%~~ 4.42% of amount over ~~$83,250~~ $104,425
Over ~~$148,675~~ $186,475	~~$6,269.73~~ $6,897.66 plus ~~5.54%~~ 4.86% of amount over ~~$148,675~~ $186,475

d. Head of household.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$36,250~~ $45,500	~~2.10%~~ 1.84%
Over ~~$36,250~~ $45,500 but not over ~~$93,650~~ $117,450	~~$761.25~~ $837.20 plus ~~3.92%~~ 3.44% of amount over ~~$36,250~~ $45,500
Over ~~$93,650~~ $117,450 but not over ~~$151,650~~ $190,200	~~$3,011.33~~ $3,312.28 plus ~~4.34%~~ 3.81% of amount over ~~$93,650~~ $117,450
Over ~~$151,650~~ $190,200 but not over ~~$297,350~~ $372,950	~~$5,528.53~~ $6,084.06 plus ~~5.04%~~ 4.42% of amount over ~~$151,650~~ $190,200
Over ~~$297,350~~ $372,950	~~$12,871.81~~ $14,161.61 plus ~~5.54%~~ 4.86% of amount over ~~$297,350~~ $372,950

e. Estates and trusts.

If North Dakota taxable income is:	The tax is equal to:
Not over ~~$1,800~~ $2,300	~~2.10%~~ 1.84%
Over ~~$1,800~~ $2,300 but not over ~~$4,250~~ $5,350	~~$37.80~~ $42.32 plus ~~3.92%~~ 3.44% of amount over ~~$1,800~~ $2,300
Over ~~$4,250~~ $5,350 but not over ~~$6,500~~ $8,200	~~$133.84~~ $147.24 plus ~~4.34%~~ 3.81% of amount over ~~$4,250~~ $5,350
Over ~~$6,500~~ $8,200 but not over ~~$8,900~~ $11,150	~~$231.49~~ $255.83 plus ~~5.04%~~ 4.42% of amount over ~~$6,500~~ $8,200
Over ~~$8,900~~ $11,150	~~$352.45~~ $386.22 plus ~~5.54%~~ 4.86% of amount over ~~$8,900~~ $11,150

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

(1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and

(2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. For taxable years beginning after December 31, ~~2001~~ 2009, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes."

Page 5, after line 2, insert:

"7. For all purposes under law relating to allocation of funds among political subdivisions based on property tax levies, property taxes levied by a school district are the amount that would have been levied without the mill reduction grant provided to the school district under this chapter."

Page 5, line 5, replace "combined education" with "general fund"

Page 5, line 8, replace "combined education" with "general fund"

Page 5, line 18, remove "a or"

Page 5, line 19, replace "combined education" with "general fund"

Page 5, line 26, replace "combined" with "general fund"

Page 5, line 27, remove "education"

Page 5, line 30, after "district" insert "general fund"

Page 6, after line 6, insert:

"**SECTION 7. Property tax relief sustainability fund.** The property tax relief sustainability fund is a special fund in the state treasury. Moneys in the fund may be spent, pursuant to legislative appropriations, for property tax relief programs.

SECTION 8. REPEAL. Section 15.1-27-20.1 of the North Dakota Century Code is repealed."

Page 6, line 8, replace "permanent oil tax trust" with "general"

Page 6, after line 11, insert:

"**SECTION 10. TRANSFER - PERMANENT OIL TAX TRUST FUND - GENERAL FUND.** The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the general fund on July 1, 2009.

SECTION 11. TRANSFER - PERMANENT OIL TAX TRUST FUND - PROPERTY TAX RELIEF SUSTAINABILITY FUND. The office of management and budget shall transfer the sum of $295,000,000 from the permanent oil tax trust fund to the property tax relief sustainability fund on July 1, 2010."

Page 6, line 12, remove "and" and after "3" insert ", 4, and 5"

Renumber accordingly

Reengrossed SB 2199 was placed on the Seventh order of business on the calendar.

2009 TESTIMONY

SB 2199

#1

Same given to House.

Bill Summary
SB 2199

Introduction: SB 2199 provides a workable mechanism to deliver approximately $300,000,000 of property tax relief to the taxpayers of North Dakota in the coming biennium. It delivers the relief in the form of grants to school districts for the specific purpose of mill levy reductions. This occurs when the school district reports the state grant amount on their Certificate of Levy, which is filed each year in August. The state grant produces a dollar for dollar reduction in the amount of funds that would have been raised from the district's taxable valuation and the mill levy to which they were entitled. The mill levy to which they were initially entitled is considered to be the combined education mill rate for taxable year 2008.

Determination of the grant amount:

The mill levy reduction grant for each school district is the smallest of the following three amounts:

1) The district's weighted student units times the per student payment for that year; or
2) The taxable valuation of property in the school district times the mills levied in 2008 in excess of 100 mills for general fund, high school tuition, and high school transportation (GF^3 levy); or
3) Taxable valuation in the district times 75 mills.

In other words, the maximum mill levy reduction is 75 mills, and a district may not have its GF^3 levy bought down below a floor of 100 mills.

Eligibility for grants: A school district may not establish a spending level that results in a GF[3] levy over 110 mills unless:

1) The district has approval of a majority of the electors in the district for a higher levy;
2) The district obtained the higher levy as a result of a reorganization as allowed in the century code;
3) The district obtained the higher levy as allowed under section 57-15-01.1 and subsequent session laws, which allow districts to maintain a spending level equal to the prior year and in certain biennium a higher spending level as enacted in session law.

In addition a school district levying more that 110 mills under exemptions 1 or 2 must receive extended approval from the electors within 10 years.

Other provisions: The mill levy reduction grant may not be less than the grant received the previous year. This mirrors 57-15-01.1 which assures that the revenue received from local taxation does not decrease year to year.

The cost of the mill levy reduction program is expected to be $142,325,000 in 2009-10. The cost in year two is estimated to be $150 mm - $155 mm.

#2

Fund Our Priorities

On-going Revenues Exceed On-going Expenditures

2009-11 General Fund Revenue Forecast (After $100 Million Income Tax Relief)	$2.784 Billion
2009-11 Recommended Ongoing Expenditures	$2.754 Billion

Chart 1

Fund Our Priorities

One-time Capital Investments
Limited to June 30, 2009 Cash Balance

Cash Balance June 30, 2009	$391.8 Million
One-time Capital Investments	$357.2 Million

Chart 2

Permanent Tax Relief

Same handout given to House.

Property Tax Relief	$300.0 Million
Individual Income Tax Relief	$100.0 Million
Total Permanent Tax Relief	$400.0 Million

Build Our Reserves

July 1, 2009

General Fund Cash Balance	$	392		
Less: 2009-11 Capital Investments		(357)		
			$	35
Budget Stabilization Fund	$	200		
Addition to Budget Stabilization Fund		111		
				311
Permanent Oil Tax Trust Fund	$	562		
Reserved for 09-11 Property Tax Relief		(300)		
				262
Total (Beginning 2009-2011 Biennium)			**$**	**608**

* In Millions

Chart 4

Projected Reserves

Executive Budget Forecast –Economy.com
June 30, 2011

Oil Tax Trust Fund Beginning Balance	$	262		
Oil Tax Trust Fund Projected Revenues		567		
Total Oil Tax Trust Fund			$	829
Budget Stabilization Fund				311
Projected General Fund Ending Balance				65
Total Reserves (End 2009–2011 Biennium)			$	1,205

* In Millions

Chart 5

Projected Reserves

Based on Current Oil Price

June 30, 2011

Oil Tax Trust Fund Beginning Balance	$ 224	
Oil Tax Trust Fund Projected Revenues	204	
Total Oil Tax Trust Fund		$ 428
Budget Stabilization Fund		311
Projected General Fund Ending Balance		65
Total Reserves (End 2009-2011 Biennium)		$ 804

* In Millions

Chart 6

#3

PER STUDENT PAYMENTS FOR MILL LEVY REDUCTION

Also given to Senate Approp

Same given to House.

BACKGROUND

Since 2006 there has been strong interest by the Governor and the Legislative Assembly in providing property tax relief to the citizens of North Dakota. In the 2007 legislative session several different approaches to property tax relief were presented, and there were great difficulties in arriving at a consensus about the best overall method. Eventually Senate Bill 2032 was passed and provided a credit against state income tax for a percentage of property taxes paid. The bill, despite providing substantial financial benefit to property tax payers, was viewed as having some weaknesses, the greatest of which was that the actual property taxes assessed were not reduced in any way.

Both political parties have voiced interest in a plan whereby state funds would be distributed to school districts in the normal fashion, with all or a portion of those funds for the exclusive purpose of reducing school mill levies on a dollar for dollar basis. This would in fact result in actual reductions in local property taxes and increase the state's overall share of the cost of education.

If the Legislative Assembly decides it wishes to provide property tax relief delivered through the school funding formula, they can consider the Commission's preferred plan which would achieve the stated goal of actual mill levy reductions in a structure that would provide optimal equity and workability. This plan would function completely separate from the rest of the K-12 funding formula, although it is designed to be compatible with the main formula and ready for full integration into the K-12 funding formula in the future, if the state's policy makers so desire.

RECOMMENDATIONS

1) Provide to every school district in the state an allocation of state funds for the sole purpose of reducing the amount of money that the school district would need to raise from general fund levying authority or, secondarily, from tuition levying authority if the allocation allows. The allocation should be determined by multiplying the district's weighted student units by the per student payment, which is limited by several parameters. In order to achieve an ongoing distribution rate of approximately $150,000,000 in property tax relief by Year 2 of the biennium, the net per student amount would need to average approximately $1,600 per ADM. The distribution of the funds is according to the size of the education mission, or according to the number of weighted student units, just as all other school funding is distributed. In order to net this amount after all minimum levy requirements and maximum levy reductions are taken into account, the gross distribution per weighted student should be equal to the per student payment for the main funding formulas.
2) Require each school district to include on its certificate of levy form, which must be filed with the county auditor each year by August 15, the state revenue distribution to be received from the state mill levy reduction measure. The Department of Public Instruction should be required to report to each school district, by July 15 of each year, the amount of dollars available from the state for mill levy reduction. Many people do

not realize that a school board does not actually set the general fund mill levy. The school board merely determines the amount of general funds needed to operate the district and the county auditor establishes the appropriate general fund levy. The mill levy reduction program is based on the taxable valuations established for the prior tax year, and further adjustments to the district's taxable valuation are disregarded until the following tax year.

3) The amount of mill levy reduction should be limited in three ways:

   a) No district is eligible if it levies fewer than 100 mills combined for general fund, tuition, and transportation purposes for the 2008-2009 school year;

   b) The number of mills eligible for reduction is the number of mills levied over 100 mills for general fund, tuition, and transportation purposes; and

   c) The number of total mills eligible for reduction may not exceed 75 mills.

   For formula purposes the school district will receive the smallest of the following three computations:

   a) Weighted student units multiplied by maximum dollars allowed per student (full amount);

   b) Combined levies for general fund, tuition, and transportation purposes less 100 mills, multiplied by the total taxable valuation;

   c) 75 mills multiplied by the total taxable valuation.

4) In order to be eligible for state funds for mill levy reduction, the school district must also agree to establish a spending level that does not result in a general fund mill levy over

110 mills. Any district with an adjusted mill levy higher than 110 mills may retain the higher levy if it qualifies under one of the following three exceptions:

a) The district has received the approval of a majority of the patrons as provided under state law, either for the historic general fund levy or for a new levy higher than 110 mills;

b) The higher mill levy is the result of a school district reorganization in compliance with chapter 15.1-12; or

c) The higher levy does not produce an amount in dollars exceeding the amount allowed under section 57-15-01.1 for tax year 2008.

If the school district does not meet these requirements and does not achieve the required general fund levy, it is not eligible for the mill levy reduction grant for that year.

5) In establishing mill levies under the certificate of levy process, the county auditor shall apply the allocated state funds for mill levy reduction first to the computation of the general fund levy and then, if allocation funds remain, the balance may be applied to the reduction of the tuition levy.

6) Section 57-15-01.1 of state law, which allows the amount of dollars generated from the general fund mill levy to remain the same from one year to the next, should be amended to clarify that this law's calculation in the future is: 1) based on the "Base Year Mill Levy," which is the mill levy established for school year 2008-2009; 2) must include as revenue any funds received from the state "Mill Levy Reduction Program"; and 3) applies only to sustainability of revenue from one year to the next. The state program of funding for mill levy reduction must also include a provision that the payment will be no

less than the amount paid the prior year unless the property boundaries of the school district change from year to year.

7) The grant funds for mill levy reduction must be distributed in four equal installment payments, after the Superintendent has verified that the district's Certificate of Levy has established a general fund levy in compliance with the program's requirements, and should be paid in December, January, February, and March.

#4

Senate Finance and Taxation Committee

Re: SB 2199 Property Tax Relief

Date: January 21, 2009

The Honorable Dwight C. Cook
State Senator
State Capitol Building
600 East Boulevard
Bismarck, ND 58505-0360

Mr. Chairman and Members of the Senate Finance and Taxation Committee:

My name is Paul Stremick, Superintendent of Dickinson Public Schools. I am here to testify in favor of the property tax relief as outlined in SB 2199.

SB 2199 provides for fair and equitable tax relief to taxpayers through school districts. It is widely known that school districts are the largest taxing entities in North Dakota. I believe much of this has to do with the fact that school districts need more funding than what is provided to them by the State. This bill increases the state share to around 70% which was the intended target set by the legislature in 1983. I believe this bill can not only accomplish that goal, but can also provide taxpayer equity in regard to school district taxation.

If this bill were to pass:

8 districts = zero tax relief
7 districts = 22 up to 50 mills of tax relief
21 districts = 50 up to 60 mills of tax relief
37 districts = 60 up to 70 mills of tax relief
11 districts = 70 up to 75 mills of tax relief
100 districts = 75 mills of tax relief

Overall in the Adjusted GF Levy:

33 districts < 100 mills
125 districts = 100 – 110 mills
15 districts = 110 – 118 mills
11 districts > 122 mills

Overall, the large majority of school districts would be levying between 100 to 110 mills for K-12 public education. Now that's taxpayer equity!

Please keep in mind as you look at the numbers, this is about taxpayer equity not about dollars to school districts. For example:

	ADM	GF Levy3	Tax Relief	Mill Reduction	Adjusted GF Levy
Langdon Area	467.93	155.00	989,958	55.00	100.00
Thompson 61	442.88	184.81	547,427	75.00	109.81

As illustrated above, both districts have approximately the same number of students (ADM). Langdon Area receives 55 mills in tax relief and Thompson receives 75 mills in tax relief. Some may argue that this is not fair, but keep in mind the 55 mills cost $989,959 to buy down while the 75 mills only cost $547,427. If Langdon Area were to be bought down 75 mills it would cost $1,349,925. However, on the other hand, if Langdon Area were to receive the same dollar amount as Thompson ($547,427), they would only receive approximately 30 mills in tax relief.

In closing, I would like to remind you this bill does not give school districts any new dollars and therefore, does not create any more equity in the school funding formula. This bill is about tax relief and taxes are measured through taxable valuation and taxpayer effort or the number of mills assessed. In the end, there is little to argue if the large majority of taxpayers across the state are paying between 100 to 110 mills for K-12 public education.

Thank you for the opportunity to submit this testimony. I would be happy to answer any questions or provide more information if you would like.

#5

North Dakota Farm Bureau®
Bringing ag home

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North Dakota Farm Bureau
Testimony on Senate Bill 2199
Presented by
Eric Aasmundstad, president

Good morning Chairman Cook. My name is Eric Aasmundstad. I am the president of North Dakota Farm Bureau, and I am here this morning representing the policies of our membership.

We all remember as children being told how important the three R's were to our future. Reading, writing, and arithmetic were the basic fundamentals to our education and advancement in life. Just as the educational R's provided a solid foundation for our individual futures another trio of R's can build a solid foundation for the future of North Dakota.

Relief
Reform
Restraint

Tax **RELIEF** has been a popular subject for some time and rightfully so. I am hearing consistently from members across the state that taxes, especially property taxes, are too high. This proposed legislation will offer up $295 million dollars of property tax relief for the 2009-2011 biennium through an increase in state funding for education. I still have many questions regarding the sustainability of this commitment and if in fact the education component of property tax is the proper venue for relief as it is just over half of the property tax problem on a state wide basis. Farm Bureau is supporting SB 2199 because we believe, to date, it is the best opportunity for relief we have seen this session. We believe this because we have been assured that the relief offered in this bill is replacement funding on a dollar for dollar basis. Dollar for dollar replacement is the only way we believe replacement funding can achieve tax relief. One major sticking point of this bill has been that it offers only the relief R while true relief can only come via the second R.

Tax **REFORM.** Reform is integral to lasting meaningful tax relief. Without reform to the tax system, relief can be nothing more than a band-aid. That includes this bill. The legislature has said time and again that property tax is a local tax and issues of reform should be dealt with on the local level. While I can agree that property tax is a local tax that is where my agreement ends. The legislature grants local political subdivisions the ability to levy taxes and determines how the tax is to be levied. Therefore it is only the legislature that can affect substantive change to the property tax system for lasting property tax relief. Some of those changes need to address the ability of local governing boards to levy the highest dollar value levied in the last three years as a base line as it seems to me this only perpetuates tax increases. Another area of the code we feel needs scrutiny is the ability given school boards to increase taxes in dollars by 18% just because they can. Another component of lasting property tax relief is incumbent on us, the taxpayers, and is the third R.

RESTRAINT. As citizens we have an obligation to help control our property tax burden by restraining ourselves and encouraging our elected leaders to restrain themselves. As we continue to demand and expect more services from local government the cost and size of government increases which in turn grows our tax burden. We have to begin to ask ourselves what it is we can afford and what it is in the way of government services we can live without. Restraint also applies to our elected leaders from our local governing boards to the state legislature and governor. When requested to grow government they to have hard choices to make and need to start resisting continued growth in government. Here again as taxpayers we have duty to support our elected leaders in making the hard decisions to not grow government and consequently our tax burden.

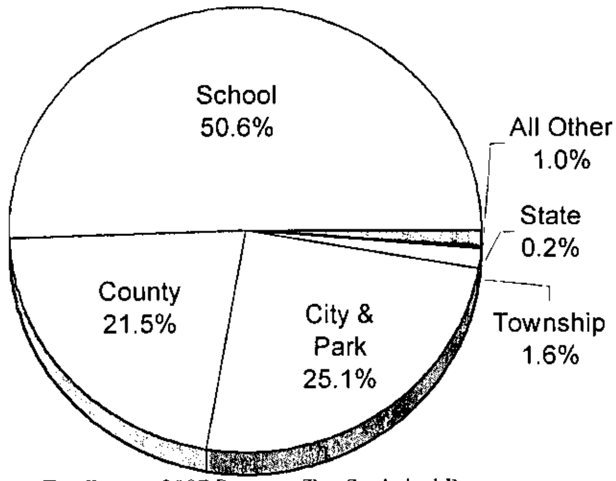
Learning the three R's as children laid the ground work for a solid future as individuals a solid sustainable future can be laid out for North Dakota not by growing government and further burdening the citizenry with increased taxes by implementing the R's of tax **RELIEF**, tax **REFORM**, and spending **RESTRAINT**.

#6

Testimony To
THE SENATE FINANCE & TAXATION COMMITTEE
Prepared Wednesday, January 21, 2009 by
Mark A. Johnson, CAE - Executive Director
North Dakota Association of Counties

REGARDING SENATE BILL No. 2199

Chairman Cook and members of the Senate Finance & Taxation Committee; as administrators of the property tax system, counties are acutely aware of the concern our citizens have for the burden of property tax – and county officials share that concern. In fact, at our Association's annual convention, our members approved a resolution specifically supporting this mechanism of property tax relief. We are therefore in support of Senate Bill 2199.



Source: Tax Dept. – 2007 Property Tax Statistical Report

As this committee is likely aware, last year about $752 million in ad valorem taxes were collected. Clearly a reduction of $300 million per year would have a significant impact on everyone's tax bill.

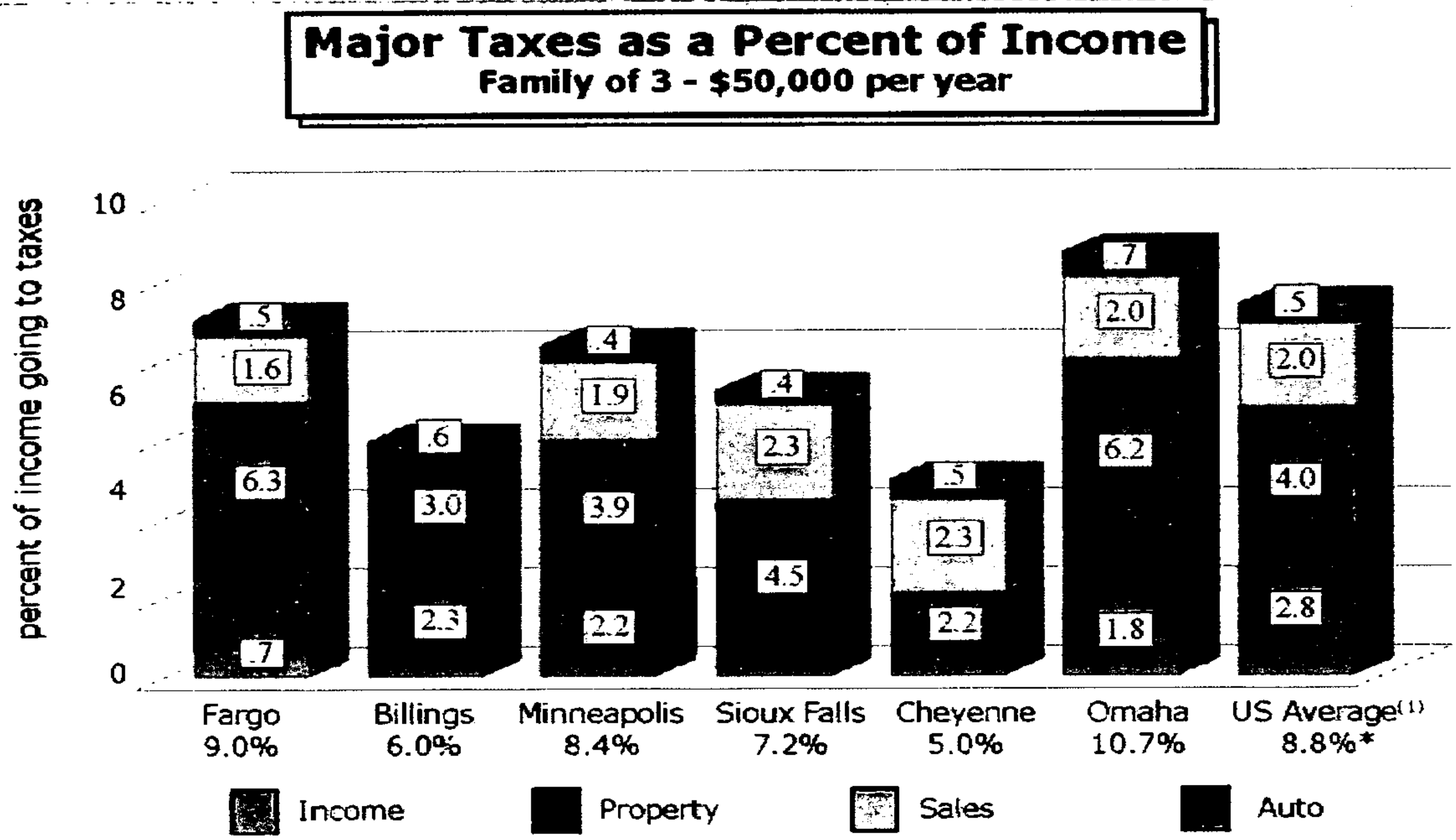
The chart on this testimony shows that statewide, school districts collect the largest share of the tax – in some areas this share can approach 70%. A "write-down" of this portion of the tax therefore seems most appropriate.

As counties are charged with the administration of the property tax system, our members are keenly interested in the methodology chosen to deliver property tax relief. The method in place at this time does deliver property tax relief, however it has challenged county officials and increased the costs and staff time involved in reproducing tax statements, answering questions, instructing software vendors, testing systems, and the like. We believe that the more direct approach taken by SB2199 will reduce this administrative burden and further save the costs involved in delivering much desired property tax relief.

County government therefore urges a "Do Pass" recommendation of SB2199.

#7

Regional Comparison



SOURCE: Tax Rates and Tax Burdens in the District of Columbia - A Nationwide Comparison 2007, Government of the District of Columbia

#8

AARP

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Testimony on Senate Bill 2199
Senate Finance and Taxation Committee
January 21, 2009

Presented by Janis Cheney
State Director AARP ND

Chairman Cook, Members of the Senate Finance and Taxation Committee:

AARP policy regarding state and local real property taxation states, "The property tax is the single most burdensome tax for many low-income and older people. It affects older people directly as homeowners but also indirectly as renters, because landlords pass on at least part of any property tax increases in higher rents."

While this perspective – the need for property tax relief – is reflected in our on-going communication with our members, many are also sensitive to the educational needs of their children and grandchildren.

We commend this effort to fulfill the promise to the citizen's of our state to share in the good fortune our state has experienced and encourage you to pass legislation that will ease this particular tax burden for AARP members and all citizens of our state.

SB 2199

Same handout given to House.

2009-2011 Property Tax Relief Proposal

GF Levy3 = General Fund, Tuition and Transportation Levies.
Tax Relief wsu allocation = district wsu * $3,420.
Limits: Minimum levy effort of 100 mills to qualify for any reduction.
Max mill reduction of 75 mills.

Minimum GF Levy3 Requirement	100
Maximum GF Levy3 Reduction	75
Per wsu rate	3,420

The relief amount is the lesser of the mill levy relief limits or a wsu allocation. The model distributes $142,324,739 million.

source: 2008-09 State Aid Formula Statistics @ November, actual data from 2007-2008.

CoDist	Entity Name	Total Weighted Student Units (wsu)	Taxable Valuation	General Fund Levy	GFLevy3	Maximum Levy Reduction (Max reduction 75 mills, Min Reqmt 100 mills)	Maximum Relief Allowed	Tax Relief wsu allocation	Lesser of wsu allocation or Maximum Relief Allowed	Mill Levy Reduction	**Adjusted GF Levy**	Adjusted GF Levy 3
18-125	Manvel 125	197.43	4,338,706	63.04	190.42	75.00	325,403	675,211	325,403	75.00	**(11.96)**	115.42
04-001	Billings Co 1	58.21	5,865,200	-	34.10	-	-	199,078	-	-	-	34.10
13-037	Twin Buttes 37	53.63	100,961	-	-	-	-	183,415	-	-	-	-
40-007	Belcourt 7	1,664.61	428,221	-	-	-	-	5,692,966	-	-	-	-
27-018	Earl 18	11.09	507,144	16.37	20.31	-	-	37,928	-	-	**16.37**	20.31
08-039	Apple Creek 39	75.60	3,018,037	94.45	214.99	75.00	226,353	258,552	226,353	75.00	**19.45**	139.99
44-012	Marmarth 12	24.06	2,055,512	22.38	49.04	-	-	82,285	-	-	**22.38**	49.04
51-004	Nedrose 4	236.82	7,043,056	97.86	191.97	75.00	528,229	809,924	528,229	75.00	**22.86**	116.97
27-032	Horse Creek 32	7.05	1,719,231	26.17	58.16	-	-	24,111	-	-	**26.17**	58.16
44-032	Central Elementary 32	5.34	1,429,548	27.98	27.98	-	-	18,263	-	-	**27.98**	27.98
17-006	Lone Tree 6	39.41	1,492,382	103.86	232.18	75.00	111,929	134,782	111,929	75.00	**28.86**	157.18
51-019	Eureka 19	10.70	1,126,593	68.86	155.14	55.14	62,120	36,594	36,594	32.48	**36.38**	122.66
30-017	Sweet Briar 17	10.00	475,341	79.40	136.20	36.20	17,207	34,200	17,207	36.20	**43.20**	100.00
51-070	S Prairie 70	187.33	5,677,741	108.98	161.82	61.82	350,998	640,669	350,998	61.82	**47.16**	100.00
53-008	New 8	233.03	9,997,395	116.12	167.94	67.94	679,223	796,963	679,223	67.94	**48.18**	100.00
08-029	Baldwin 29	24.93	985,180	137.03	218.23	75.00	73,889	85,261	73,889	75.00	**62.03**	143.23
03-016	Oberon 16	63.33	1,043,938	146.29	170.24	70.24	73,326	216,589	73,326	70.24	**76.05**	100.00
27-036	Mandaree 36	231.18	91,876	76.19	76.19	-	-	790,636	-	-	**76.19**	76.19
15-010	Bakker 10	9.60	1,170,215	105.00	126.46	26.46	30,964	32,832	30,964	26.46	**78.54**	100.00
27-014	Yellowstone 14	103.01	1,795,798	155.00	181.79	75.00	134,685	352,294	134,685	75.00	**80.00**	106.79
30-004	Little Heart 4	12.00	873,770	133.90	195.70	75.00	65,533	41,040	41,040	46.97	**86.93**	148.73
09-007	Mapleton 7	97.53	3,821,770	164.68	227.48	75.00	286,633	333,553	286,633	75.00	**89.68**	152.48
25-057	Drake 57	136.33	3,891,002	161.91	171.68	71.68	278,907	466,249	278,907	71.68	**90.23**	100.00
01-013	Hettinger 13	353.11	6,892,484.00	159.39	168.82	68.82	474,341	1,207,636	474,341	68.82	**90.57**	100.00
40-001	Dunseith 1	585.24	1,623,789	155.00	162.53	62.53	101,536	2,001,521	101,536	62.53	**92.47**	100.00
26-009	Ashley 9	170.60	4,218,219	168.32	174.25	74.25	313,203	583,452	313,203	74.25	**94.07**	100.00
08-033	Menoken 33	26.31	1,395,381	158.64	200.21	75.00	104,654	89,980	89,980	64.48	**94.16**	135.73

GF Levy3 = General Fund, Tuition and Transportation Levies.
Tax Relief wsu allocation = district wsu * $3,420.
Limits: Minimum levy effort of 100 mills to qualify for any reduction.
Max mill reduction of 75 mills.

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source: 2008-09 State Aid Formula Statistics @ November, actual data from 2007-2008.

CoDist	Entity Name	Total Weighted Student Units (wsu)	Taxable Valuation	General Fund Levy	GFLevy3	Maximum Levy Reduction (Max reduction 75 mills, Min Reqmt 100 mills)	Maximum Relief Allowed	Tax Relief wsu allocation	Lesser of wsu allocation or Maximum Relief Allowed	Mill Levy Reduction	**Adjusted GF Levy**	Adjusted GF Levy 3
28-008	Underwood 8	244.24	5,866,586	169.19	176.01	75.00	439,994	835,301	439,994	75.00	**94.19**	101.01
19-018	Roosevelt 18	149.34	2,448,244	169.89	177.62	75.00	183,618	510,743	183,618	75.00	**94.89**	102.62
48-010	North Star 10	341.67	7,717,636	154.63	157.66	57.66	444,999	1,168,511	444,999	57.66	**96.97**	100.00
41-003	N Sargent 3	300.46	3,207,659	173.49	177.82	75.00	240,574	1,027,573	240,574	75.00	**98.49**	102.82
51-161	Lewis and Clark 161	428.21	10,168,412	173.53	178.74	75.00	762,631	1,464,478	762,631	75.00	**98.53**	103.74
05-054	Newburg-United 54	107.74	5,028,475	167.25	168.26	68.26	343,244	368,471	343,244	68.26	**98.99**	100.00
08-025	Naughton 25	9.03	306,997	166.13	166.13	66.13	20,302	30,883	20,302	66.13	**100.00**	100.00
40-003	St John 3	368.43	867,035	161.47	161.47	61.47	53,297	1,260,031	53,297	61.47	**100.00**	100.00
13-019	Halliday 19	42.89	1,995,491	170.63	170.63	70.63	140,942	146,684	140,942	70.63	**100.00**	100.00
50-005	Fordville-Lankin 5	112.79	3,054,044	166.03	166.03	66.03	201,659	385,742	201,659	66.03	**100.00**	100.00
30-013	Hebron 13	236.43	3,988,094	165.97	165.97	65.97	263,095	808,591	263,095	65.97	**100.00**	100.00
06-033	Scranton 33	196.84	3,920,379	151.21	151.21	51.21	200,763	673,193	200,763	51.21	**100.00**	100.00
28-072	Turtle Lake-Mercer 72	221.06	5,260,069	166.35	166.35	66.35	349,006	756,025	349,006	66.35	**100.00**	100.00
15-036	Linton 36	379.01	5,572,866	168.97	168.97	68.97	384,361	1,296,214	384,361	68.97	**100.00**	100.00
03-009	Maddock 9	243.84	4,384,537	171.74	171.74	71.74	314,547	833,933	314,547	71.74	**100.00**	100.00
07-014	Bowbells 14	83.14	3,046,340	157.57	157.57	57.57	175,378	284,339	175,378	57.57	**100.00**	100.00
07-036	Burke Central 36	123.69	3,616,969	171.41	171.41	71.41	258,288	423,020	258,288	71.41	**100.00**	100.00
50-128	Adams 128	73.30	2,066,679	169.84	169.84	69.84	144,337	250,686	144,337	69.84	**100.00**	100.00
48-028	North Central 28	90.15	3,727,308	165.54	165.54	65.54	244,288	308,313	244,288	65.54	**100.00**	100.00
28-001	Montefiore 1	289.01	4,303,270	164.76	164.76	64.76	278,680	988,414	278,680	64.76	**100.00**	100.00
28-004	Washburn 4	352.08	6,232,630	155.92	155.92	55.92	348,529	1,204,114	348,529	55.92	**100.00**	100.00
49-003	Central Valley 3	309.31	6,717,488	157.05	157.05	57.05	383,233	1,057,840	383,233	57.05	**100.00**	100.00
14-002	New Rockford-Sheyenne 2	441.06	7,204,749	165.00	165.00	65.00	468,309	1,508,425	468,309	65.00	**100.00**	100.00
24-056	Gackle-Streeter 56	138.70	5,183,046	157.05	157.05	57.05	295,693	474,354	295,693	57.05	**100.00**	100.00
25-060	TGU 60	391.58	11,339,961	171.96	171.96	71.96	816,024	1,339,204	816,024	71.96	**100.00**	100.00
10-019	Munich 19	149.06	4,533,167	161.05	161.05	61.05	276,750	509,785	276,750	61.05	**100.00**	100.00
13-016	Killdeer 16	417.99	8,067,281	158.78	158.78	58.78	474,195	1,429,526	474,195	58.78	**100.00**	100.00

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Tax Relief wsu allocation = district wsu * $3,420.
Limits: Minimum levy effort of 100 mills to qualify for any reduction.
Max mill reduction of 75 mills.

Minimum GF Levy3 Requirement	100
Maximum GF Levy3 Reduction	75
Per wsu rate	3,420

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CoDist	Entity Name	Total Weighted Student Units (wsu)	Taxable Valuation	General Fund Levy	GFLevy3	Maximum Levy Reduction (Max reduction 75 mills, Min Reqmt 100 mills)	Maximum Relief Allowed	Tax Relief wsu allocation	Lesser of wsu allocation or Maximum Relief Allowed	Mill Levy Reduction	**Adjusted GF Levy**	Adjusted GF Levy 3
38-001	Mohall-Lansford-Sherwood	431.56	10,178,719	167.02	167.02	67.02	682,178	1,475,935	682,178	67.02	**100.00**	100.00
16-049	Carrington 49	640.52	13,272,805	159.69	159.69	59.69	792,254	2,190,578	792,254	59.69	**100.00**	100.00
36-002	Edmore 2	108.69	4,999,718	150.00	150.00	50.00	249,986	371,720	249,986	50.00	**100.00**	100.00
27-002	Alexander 2	104.10	3,149,208	168.89	168.89	68.89	216,949	356,022	216,949	68.89	**100.00**	100.00
33-001	Center-Stanton 1	294.49	5,622,443	170.04	170.04	70.04	393,796	1,007,156	393,796	70.04	**100.00**	100.00
22-001	Kidder County 10	487.99	9,644,161	155.00	155.00	55.00	530,429	1,668,926	530,429	55.00	**100.00**	100.00
37-024	Enderlin Area 24	389.54	8,034,946	166.07	166.07	66.07	530,869	1,332,227	530,869	66.07	**100.00**	100.00
10-023	Langdon Area 23	467.93	17,999,232	155.00	155.00	55.00	989,958	1,600,321	989,958	55.00	**100.00**	100.00
02-007	Barnes County North 7	410.10	16,078,048	167.93	167.93	67.93	1,092,182	1,402,542	1,092,182	67.93	**100.00**	100.00
05-017	Westhope 17	171.19	3,748,449	165.14	165.14	65.14	244,174	585,470	244,174	65.14	**100.00**	100.00
12-001	Divide County 1	331.09	8,281,915	122.95	122.95	22.95	190,070	1,132,328	190,070	22.95	**100.00**	100.00
30-048	Glen Ullin 48	210.13	4,436,229	169.06	169.06	69.06	306,366	718,645	306,366	69.06	**100.00**	100.00
05-001	Bottineau 1	709.05	15,522,763	155.00	155.00	55.00	853,752	2,424,951	853,752	55.00	**100.00**	100.00
09-080	Page 80	109.38	3,958,798	166.72	166.72	66.72	264,131	374,080	264,131	66.72	**100.00**	100.00
06-001	Bowman County 1	517.21	10,486,620	161.21	161.21	61.21	641,886	1,768,858	641,886	61.21	**100.00**	100.00
25-001	Velva 1	445.15	8,247,340	163.69	163.69	63.69	525,273	1,522,413	525,273	63.69	**100.00**	100.00
09-002	Kindred 2	715.22	14,375,882	166.50	166.50	66.50	955,996	2,446,052	955,996	66.50	**100.00**	100.00
23-008	LaMoure 8	372.17	6,866,714	158.01	158.01	58.01	398,338	1,272,821	398,338	58.01	**100.00**	100.00
28-051	Garrison 51	385.17	8,435,732	163.00	163.00	63.00	531,451	1,317,281	531,451	63.00	**100.00**	100.00
09-017	Central Cass 17	887.32	15,352,871	156.33	156.33	56.33	864,827	3,034,634	864,827	56.33	**100.00**	100.00
53-002	Nesson 2	211.05	4,824,620	172.83	172.83	72.83	351,377	721,791	351,377	72.83	**100.00**	100.00
52-025	Fessenden-Bowdon 25	221.18	8,153,792	156.61	156.61	56.61	461,586	756,436	461,586	56.61	**100.00**	100.00
30-007	New Salem 7	366.95	4,541,332	161.19	161.19	61.19	277,884	1,254,969	277,884	61.19	**100.00**	100.00
39-042	Wyndmere 42	293.08	7,043,705	163.27	163.27	63.27	445,655	1,002,334	445,655	63.27	**100.00**	100.00
45-009	South Heart 9	303.31	3,866,433	159.40	159.40	59.40	229,666	1,037,320	229,666	59.40	**100.00**	100.00
27-001	McKenzie Co 1	577.19	10,874,714	156.38	156.38	56.38	613,116	1,973,990	613,116	56.38	**100.00**	100.00
53-015	Tioga 15	334.38	6,890,074	153.37	153.37	53.37	367,723	1,143,580	367,723	53.37	**100.00**	100.00

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CoDist	Entity Name	Total Weighted Student Units (wsu)	Taxable Valuation	General Fund Levy	GFLevy3	Maximum Levy Reduction (Max reduction 75 mills, Min Reqmt 100 mills)	Maximum Relief Allowed	Tax Relief wsu allocation	Lesser of wsu allocation or Maximum Relief Allowed	Mill Levy Reduction	**Adjusted GF Levy**	Adjusted GF Levy 3
21-001	Mott-Regent 1	306.15	7,509,528	165.00	165.00	65.00	488,119	1,047,033	488,119	65.00	**100.00**	100.00
02-046	Litchville-Marion 46	194.86	7,103,467	162.68	162.68	62.68	445,245	666,421	445,245	62.68	**100.00**	100.00
46-010	Hope 10	148.75	3,926,803	173.17	173.17	73.17	287,324	508,725	287,324	73.17	**100.00**	100.00
15-015	Strasburg 15	203.74	3,309,726	166.54	166.54	66.54	220,229	696,791	220,229	66.54	**100.00**	100.00
15-006	Hazelton-Moffit-Braddock 6	184.14	4,176,781	160.41	160.41	60.41	252,319	629,759	252,319	60.41	**100.00**	100.00
03-006	Leeds 6	208.03	4,834,312	166.52	166.52	66.52	321,578	711,463	321,578	66.52	**100.00**	100.00
17-003	Beach 3	350.61	4,513,532	155.31	155.31	55.31	249,643	1,199,086	249,643	55.31	**100.00**	100.00
53-006	Eight Mile 6	270.65	1,879,326	170.27	170.27	70.27	132,060	925,623	132,060	70.27	**100.00**	100.00
08-028	Wing 28	129.78	2,256,431	160.08	160.08	60.08	135,566	443,848	135,566	60.08	**100.00**	100.00
22-014	Robinson 14	28.26	1,297,774	164.57	164.57	64.57	83,797	96,649	83,797	64.57	**100.00**	100.00
03-029	Warwick 29	298.09	1,284,880	155.66	155.66	55.66	71,516	1,019,468	71,516	55.66	**100.00**	100.00
36-044	Starkweather 44	126.81	2,939,109	175.43	175.43	75.00	220,433	433,690	220,433	75.00	**100.43**	100.43
26-019	Wishek 19	288.04	4,491,552	176.02	176.02	75.00	336,866	985,097	336,866	75.00	**101.02**	101.02
24-002	Napoleon 2	316.79	4,467,212	176.84	176.84	75.00	335,041	1,083,422	335,041	75.00	**101.84**	101.84
26-004	Zeeland 4	73.09	2,776,375	176.98	176.98	75.00	208,228	249,968	208,228	75.00	**101.98**	101.98
47-010	Pingree-Buchanan	202.18	3,492,566	177.00	177.00	75.00	261,942	691,456	261,942	75.00	**102.00**	102.00
09-004	Maple Valley 4	336.23	9,763,214	177.54	177.54	75.00	732,241	1,149,907	732,241	75.00	**102.54**	102.54
28-050	Max 50	219.65	3,241,502	178.46	178.46	75.00	243,113	751,203	243,113	75.00	**103.46**	103.46
08-045	Manning 45	9.34	248,192	178.49	274.97	75.00	18,614	31,943	18,614	75.00	**103.49**	199.97
23-007	Kulm 7	137.21	5,901,489	178.77	178.77	75.00	442,612	469,258	442,612	75.00	**103.77**	103.77
51-007	United 7	617.94	8,493,014	179.08	179.08	75.00	636,976	2,113,355	636,976	75.00	**104.08**	104.08
11-040	Ellendale 40	379.43	8,358,767	179.45	179.45	75.00	626,908	1,297,651	626,908	75.00	**104.45**	104.45
31-003	Parshall 3	348.91	3,787,565	179.70	179.70	75.00	284,067	1,193,272	284,067	75.00	**104.70**	104.70
40-004	Mt Pleasant 4	321.74	4,193,814	180.03	180.03	75.00	314,536	1,100,351	314,536	75.00	**105.03**	105.03
03-005	Minnewaukan 5	282.75	1,634,934	180.17	180.17	75.00	122,620	967,005	122,620	75.00	**105.17**	105.17
23-003	Edgeley 3	280.94	6,242,210	180.71	180.71	75.00	468,166	960,815	468,166	75.00	**105.71**	105.71
39-008	Hankinson 8	376.62	7,024,709	180.87	180.87	75.00	526,853	1,288,040	526,853	75.00	**105.87**	105.87

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CoDist	Entity Name	Total Weighted Student Units (wsu)	Taxable Valuation	General Fund Levy	GFLevy3	Maximum Levy Reduction (Max reduction 75 mills, Min Reqmt 100 mills)	Maximum Relief Allowed	Tax Relief wsu allocation	Lesser of wsu allocation or Maximum Relief Allowed	Mill Levy Reduction	**Adjusted GF Levy**	Adjusted GF Levy 3
31-001	New Town 1	778.64	3,792,083	180.97	180.97	75.00	284,406	2,662,949	284,406	75.00	**105.97**	105.97
51-028	Kenmare 28	347.40	7,549,644	181.47	181.47	75.00	566,223	1,188,108	566,223	75.00	**106.47**	106.47
52-038	Harvey 38	471.74	9,246,383	182.17	182.17	75.00	693,479	1,613,351	693,479	75.00	**107.17**	107.17
41-002	Milnor 2	351.50	3,886,995	183.17	188.22	75.00	291,525	1,202,130	291,525	75.00	**108.17**	113.22
09-097	Northern Cass	562.95	12,001,095	183.85	183.85	75.00	900,082	1,925,289	900,082	75.00	**108.85**	108.85
18-129	Northwood 129	308.39	5,867,561	184.06	184.06	75.00	440,067	1,054,694	440,067	75.00	**109.06**	109.06
43-008	Selfridge 8	66.36	1,415,902	184.27	184.27	75.00	106,193	226,951	106,193	75.00	**109.27**	109.27
18-061	Thompson 61	442.88	7,299,030	184.81	184.81	75.00	547,427	1,514,650	547,427	75.00	**109.81**	109.81
43-004	Ft Yates 4	284.77	511,545	185.00	185.00	75.00	38,366	973,913	38,366	75.00	**110.00**	110.00
45-013	Belfield 13	285.04	2,085,528	185.00	185.00	75.00	156,415	974,837	156,415	75.00	**110.00**	110.00
28-085	White Shield 85	145.06	333,746	185.00	185.00	75.00	25,031	496,105	25,031	75.00	**110.00**	110.00
38-026	Glenburn 26	333.37	4,194,620	185.00	185.00	75.00	314,597	1,140,125	314,597	75.00	**110.00**	110.00
21-009	New England 9	203.64	5,285,474	185.00	185.00	75.00	396,411	696,449	396,411	75.00	**110.00**	110.00
50-020	Minto 20	266.36	4,152,116	185.00	189.01	75.00	311,409	910,951	311,409	75.00	**110.00**	114.01
29-003	Hazen 3	693.59	6,426,102	185.00	185.00	75.00	481,958	2,372,078	481,958	75.00	**110.00**	110.00
50-078	Park River 78	468.46	6,221,449	185.00	188.00	75.00	466,609	1,602,133	466,609	75.00	**110.00**	113.00
35-005	Rugby 5	609.77	11,143,781	185.00	185.00	75.00	835,784	2,085,413	835,784	75.00	**110.00**	110.00
39-044	Richland 44	362.36	6,345,864	185.00	185.00	75.00	475,940	1,239,271	475,940	75.00	**110.00**	110.00
11-041	Oakes 41	547.08	10,153,983	185.00	185.00	75.00	761,549	1,871,014	761,549	75.00	**110.00**	110.00
51-016	Sawyer 16	181.16	3,007,666	185.00	185.00	75.00	225,575	619,567	225,575	75.00	**110.00**	110.00
45-034	Richardton-Taylor 34	307.47	5,474,759	185.00	185.00	75.00	410,607	1,051,547	410,607	75.00	**110.00**	110.00
39-037	Wahpeton 37	1,387.84	22,803,037	185.00	186.65	75.00	1,710,228	4,746,413	1,710,228	75.00	**110.00**	111.65
50-003	Grafton 3	991.71	10,264,692	185.00	185.00	75.00	769,852	3,391,648	769,852	75.00	**110.00**	110.00
41-006	Sargent Central 6	320.92	7,982,999	185.00	189.01	75.00	598,725	1,097,546	598,725	75.00	**110.00**	114.01
47-001	Jamestown 1	2,394.39	36,217,958	185.00	192.03	75.00	2,716,347	8,188,814	2,716,347	75.00	**110.00**	117.03
51-001	Minot 1	7,224.35	103,001,261	185.00	191.99	75.00	7,725,095	24,707,277	7,725,095	75.00	**110.00**	116.99
09-006	West Fargo 6	6,770.67	154,815,661	185.00	188.26	75.00	11,611,175	23,155,691	11,611,175	75.00	**110.00**	113.26

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Maximum GF Levy3 Reduction	75
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CoDist	Entity Name	Total Weighted Student Units (wsu)	Taxable Valuation	General Fund Levy	GFLevy3	Maximum Levy Reduction (Max reduction 75 mills, Min Reqmt 100 mills)	Maximum Relief Allowed	Tax Relief wsu allocation	Lesser of wsu allocation or Maximum Relief Allowed	Mill Levy Reduction	**Adjusted GF Levy**	Adjusted GF Levy 3
36-001	Devils Lake 1	1,854.78	21,383,826	185.00	188.00	75.00	1,603,787	6,343,348	1,603,787	75.00	**110.00**	113.00
29-027	Beulah 27	791.45	11,262,227	185.00	185.00	75.00	844,667	2,706,759	844,667	75.00	**110.00**	110.00
34-100	North Border 100	595.58	12,910,468	185.00	185.00	75.00	968,285	2,036,884	968,285	75.00	**110.00**	110.00
30-001	Mandan 1	3,460.93	55,466,873	185.00	185.00	75.00	4,160,015	11,836,381	4,160,015	75.00	**110.00**	110.00
45-001	Dickinson 1	2,725.91	46,334,099	185.00	185.00	75.00	3,475,057	9,322,612	3,475,057	75.00	**110.00**	110.00
02-002	Valley City 2	1,168.25	18,926,056	185.00	186.32	75.00	1,419,454	3,995,415	1,419,454	75.00	**110.00**	111.32
39-028	Lidgerwood 28	248.55	4,102,014	185.00	190.61	75.00	307,651	850,041	307,651	75.00	**110.00**	115.61
37-019	Lisbon 19	704.14	9,846,535	185.00	185.00	75.00	738,490	2,408,159	738,490	75.00	**110.00**	110.00
32-001	Dakota Prairie 1	335.75	9,865,083	185.00	185.00	75.00	739,881	1,148,265	739,881	75.00	**110.00**	110.00
49-014	May-Port CG 14	600.91	11755737	185.00	185.00	75.00	881,680	2,055,112	881,680	75.00	**110.00**	110.00
20-007	Midkota 7	150.13	6,079,789	185.00	185.00	75.00	455,984	513,445	455,984	75.00	**110.00**	110.00
46-019	Finley-Sharon 19	229.86	4,696,042	185.00	185.00	75.00	352,203	786,121	352,203	75.00	**110.00**	110.00
47-019	Kensal 19	77.93	2,745,788	185.00	185.00	75.00	205,934	266,521	205,934	75.00	**110.00**	110.00
49-009	Hillsboro 9	442.78	10,417,739	185.00	185.00	75.00	781,330	1,514,308	781,330	75.00	**110.00**	110.00
31-002	Stanley 2	422.30	6,876,284	185.00	185.00	75.00	515,721	1,444,266	515,721	75.00	**110.00**	110.00
47-003	Medina 3	208.30	3,731,709	185.00	185.00	75.00	279,878	712,386	279,878	75.00	**110.00**	110.00
18-044	Larimore 44	499.31	8,024,193	185.00	185.00	75.00	601,814	1,707,640	601,814	75.00	**110.00**	110.00
47-014	Montpelier 14	137.08	2,726,909	185.00	185.00	75.00	204,518	468,814	204,518	75.00	**110.00**	110.00
53-099	Grenora 99	117.14	4,165,165	185.00	185.00	75.00	312,387	400,619	312,387	75.00	**110.00**	110.00
32-066	Lakota 66	280.91	4,943,046	185.00	185.00	75.00	370,728	960,712	370,728	75.00	**110.00**	110.00
07-027	Powers Lake 27	139.66	2,062,671	185.00	185.00	75.00	154,700	477,637	154,700	75.00	**110.00**	110.00
43-003	Solen 3	216.40	1,601,125	185.00	185.00	75.00	120,084	740,088	120,084	75.00	**110.00**	110.00
37-006	Ft Ransom 6	32.01	1,065,539	185.00	238.16	75.00	79,915	109,474	79,915	75.00	**110.00**	163.16
18-127	Emerado 127	99.58	2,295,855	185.09	275.13	75.00	172,189	340,564	172,189	75.00	**110.09**	200.13
30-039	Flasher 39	295.53	3,319,195	185.19	185.19	75.00	248,940	1,010,713	248,940	75.00	**110.19**	110.19
34-006	Cavalier 6	504.62	8,935,791	185.96	185.96	75.00	670,184	1,725,800	670,184	75.00	**110.96**	110.96
42-019	McClusky 19	126.39	2,848,157	186.11	186.11	75.00	213,612	432,254	213,612	75.00	**111.11**	111.11

GF Levy3 = General Fund, Tuition and Transportation Levies.
Tax Relief wsu allocation = district wsu * $3,420.
Limits: Minimum levy effort of 100 mills to qualify for any reduction.
Max mill reduction of 75 mills.

Minimum GF Levy3 Requirement	100
Maximum GF Levy3 Reduction	75
Per wsu rate	3,420

The relief amount is the lesser of the mill levy relief limits or a wsu allocation. The model distributes $142,324,739 million.

source: 2008-09 State Aid Formula Statistics @ November, actual data from 2007-2008.

CoDist	Entity Name	Total Weighted Student Units (wsu)	Taxable Valuation	General Fund Levy	GFLevy3	Maximum Levy Reduction (Max reduction 75 mills, Min Reqmt 100 mills)	Maximum Relief Allowed	Tax Relief wsu allocation	Lesser of wsu allocation or Maximum Relief Allowed	Mill Levy Reduction	**Adjusted GF Levy**	Adjusted GF Levy 3
34-012	Valley 12	186.59	3,870,331	186.12	197.49	75.00	290,275	638,138	290,275	75.00	**111.12**	122.49
42-016	Goodrich 16	51.05	1,781,126	186.17	189.26	75.00	133,584	174,591	133,584	75.00	**111.17**	114.26
34-043	St Thomas 43	131.33	3,262,509	186.35	209.34	75.00	244,688	449,149	244,688	75.00	**111.35**	134.34
39-018	Fairmount 18	166.18	4,290,198	188.06	188.06	75.00	321,765	568,336	321,765	75.00	**113.06**	113.06
53-001	Williston 1	2,319.72	26,520,142	188.33	188.33	75.00	1,989,011	7,933,442	1,989,011	75.00	**113.33**	113.33
40-029	Rolette 29	216.56	3,051,452	189.43	192.43	75.00	228,859	740,635	228,859	75.00	**114.43**	117.43
50-106	Edinburg 106	141.15	2,039,272	189.78	189.78	75.00	152,945	482,733	152,945	75.00	**114.78**	114.78
20-018	Griggs County Central 18	361.89	6,411,861	190.00	190.00	75.00	480,890	1,237,664	480,890	75.00	**115.00**	115.00
08-035	Sterling 35	38.40	2,248,672	173.44	244.15	75.00	168,650	131,328	131,328	58.40	**115.04**	185.75
18-128	Midway 128	300.13	6,647,782	191.36	191.36	75.00	498,584	1,026,445	498,584	75.00	**116.36**	116.36
03-030	Ft Totten 30	186.28	115,549	192.90	328.05	75.00	8,666	637,078	8,666	75.00	**117.90**	253.05
51-041	Surrey 41	393.03	3,842,024	197.71	197.71	75.00	288,152	1,344,163	288,152	75.00	**122.71**	122.71
52-035	Pleasant Valley 3	17.34	1,141,084	175.27	186.66	75.00	85,581	59,303	59,303	51.97	**123.30**	134.69
18-001	Grand Forks 1	7,839.36	144,094,077	198.96	198.96	75.00	10,807,056	26,810,611	10,807,056	75.00	**123.96**	123.96
25-014	Anamoose 14	96.44	2,058,677	201.51	201.51	75.00	154,401	329,825	154,401	75.00	**126.51**	126.51
34-019	Drayton 19	175.00	5,642,471	203.48	208.44	75.00	423,185	598,500	423,185	75.00	**128.48**	133.44
49-007	Hatton 7	293.52	4,617,774	203.50	203.50	75.00	346,333	1,003,838	346,333	75.00	**128.50**	128.50
08-001	Bismarck 1	11,717.48	229,643,662	205.71	205.71	75.00	17,223,275	40,073,782	17,223,275	75.00	**130.71**	130.71
19-049	Elgin-New Leipzig 49	218.58	4,466,676	206.50	206.50	75.00	335,001	747,544	335,001	75.00	**131.50**	131.50
50-051	Nash 51	12.00	932,971	177.93	199.47	75.00	69,973	41,040	41,040	43.99	**133.94**	155.48
35-001	Wolford 1	83.04	1,726,343	210.00	210.00	75.00	129,476	283,997	129,476	75.00	**135.00**	135.00
09-001	Fargo 1	11,517.89	241,961,324	266.31	266.31	75.00	18,147,099	39,391,184	18,147,099	75.00	**191.31**	191.31
	Statewide Total	108,041.41	1,987,174,775	190.66	193.79	71.70	142,481,965	369,501,634	142,324,739	71.62	**119.04**	122.17

90484.0401
Title.

#1

Prepared by the Legislative Council staff for
Senator Cook
January 28, 2009

PROPOSED AMENDMENTS TO SENATE BILL NO. 2199

Page 1, line 4, after the semicolon insert "to provide a continuing appropriation;"

Page 3, line 5, after "district" insert "in the previous taxable year"

Page 3, line 29, after "2008" insert "reduced by the amount of the school district's mill levy reduction grant under section 57-64-02 for the budget year"

Page 4, line 4, after the underscored period insert "A ballot measure for approval by electors of extension of levy authority under subdivision a or b of subsection 1 is subject to the following:

a. The ballot measure must specify the number of mills for the combined education mill rate for which approval is sought or that unlimited levy authority is sought.

b. If a ballot measure for approval of authority to levy a specific number of mills or for unlimited levy authority is not approved by a majority of the electors of the school district voting on the question, the school district levy limitation for subsequent years must be determined under section 57-15-01.1."

Page 4, after line 10, insert:

"**57-64-05. Continuing appropriation.** There is appropriated as a continuing appropriation out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, to the superintendent of public instruction the funds necessary for mill levy reduction grants to school districts under section 57-64-02."

Renumber accordingly

#1

90484.0403
Title.

Prepared by the Legislative Council staff for
Senator Cook
January 29, 2009

7

PROPOSED AMENDMENTS TO SENATE BILL NO. 2199

Page 1, line 3, replace "section" with "sections 57-15-14 and"

Page 1, after line 16, insert:

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

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

1. In any school district having a total population in excess of four thousand according to the last federal decennial census:

   a. There may be levied any specific number of mills that upon resolution of the school board has been submitted to and approved by a majority of the qualified electors voting upon the question at any regular or special school district election.

   b. There is no limitation upon the taxes which may be levied if upon resolution of the school board of any such district the removal of the mill levy limitation has been submitted to and approved by a majority of the qualified electors voting at any regular or special election upon such question.

2. In any school district having a total population of less than four thousand, there may be levied any specific number of mills that upon resolution of the school board has been approved by fifty-five percent of the qualified electors voting upon the question at any regular or special school election.

under unlimited unless reauthorized

3. After June 30, 2007, in any school district election for approval by electors of unlimited or increased levy authority under subsection 1 or 2, the ballot must specify the number of mills, the percentage increase in dollars levied, or that unlimited levy authority is proposed for approval, and the number of taxable years for which that approval is to apply. After June 30, 2007, approval by electors of unlimited or increased levy authority under subsection 1 or 2 may not be effective for more than ten taxable years.

4. The authority for an unlimited levy approved by electors of a school district before July 1, 2009, is terminated effective for taxable years after 2010 unless before January 1, 2011, the electors of a school district subject to this subsection have approved an extension of the authority for an unlimited levy. Approval by electors of an extension of unlimited levy authority under this subsection may not be effective for more than ten taxable years. If the electors do not approve an extension of the authority for an unlimited levy under this subsection, the school district levy limitation for subsequent years is subject to the limitations under section 57-15-01.1 or this section.

The question of authorizing or discontinuing such specific number of mills authority or unlimited taxing authority in any school district must be submitted to the qualified electors at the next regular election upon resolution of the school board or upon the filing with the school board of a petition containing the signatures of qualified electors of the district equal in number to ten percent of the number of electors who cast votes in the most recent election in the school district. However, not fewer than twenty-five signatures are required unless the district has fewer than twenty-five qualified electors, in which case the petition must be signed by not less than twenty-five percent of the qualified electors of the district. In those districts with fewer than twenty-five qualified electors, the number of qualified electors in the district must be determined by the county superintendent for such county in which such school is located. However, the approval of discontinuing either such authority does not affect the tax levy in the calendar year in which the election is held. The election must be held in the same manner and subject to the same conditions as provided in this section for the first election upon the question of authorizing the mill levy."

Page 3, line 5, after "district" insert "in the previous taxable year"

Page 3, line 29, after "2008" insert "reduced by the amount of the school district's mill levy reduction grant under section 57-64-02 for the budget year"

Page 4, line 4, after the underscored period insert "A ballot measure for approval by electors of extension of levy authority under subdivision a or b of subsection 1 is subject to the following:

a. The ballot measure must specify the number of mills for the combined education mill rate for which approval is sought or that unlimited levy authority is sought.

b. If a ballot measure for approval of authority to levy a specific number of mills or for unlimited levy authority is not approved by a majority of the electors of the school district voting on the question, the school district levy limitation for subsequent years is subject to the limitations under section 57-15-01.1 or 57-15-14."

Page 4, line 11, replace "and" with a comma and after "2" insert ", and 3"

Renumber accordingly

#2

90484.0405
Title.

Prepared by the Legislative Council staff for
Senator Miller
January 29, 2009

PROPOSED AMENDMENTS TO SENATE BILL NO. 2199

Page 3, line 28, after "exceeding" insert "a five-year average of"

Page 3, line 29, after "allowed" insert "for the school district" and remove "for taxable year 2008"

Renumber accordingly

2

Senate Appropriations

Re: SB 2199 Property Tax Relief

Date: February 17, 2009

The Honorable Ray Holmberg
State Senator
State Capitol Building
600 East Boulevard
Bismarck, ND 58505-0360

Mr. Chairman and Members of the Senate Appropriations Committee:

My name is Paul Stremick, Superintendent of Dickinson Public Schools. I would like to submit this testimony in favor of the property tax relief as outlined in SB 2199.

SB 2199 provides for fair and equitable tax relief to taxpayers through school districts. It is widely known that school districts are the largest taxing entities in North Dakota. I believe much of this has to do with the fact that school districts need more funding than what is provided to them by the State. This bill increases the state share to around 70% which was the intended target set by the legislature in 1983. I believe this bill can not only accomplish that goal, but can also provide taxpayer equity in regard to school district taxation.

If this bill were to pass:

8 districts = zero tax relief
7 districts = 22 up to 50 mills of tax relief
21 districts = 50 up to 60 mills of tax relief
37 districts = 60 up to 70 mills of tax relief
11 districts = 70 up to 75 mills of tax relief
100 districts = 75 mills of tax relief

Overall in the Adjusted GF Levy:

33 districts < 100 mills
125 districts = 100 – 110 mills
15 districts = 110 – 118 mills
11 districts > 122 mills

If this bill were to pass, the large majority of school districts would be levying between 100 to 110 mills for K-12 public education. Now that's taxpayer equity!

Please keep in mind as you look at the numbers, this is about taxpayer equity not about dollars to school districts. For example:

	ADM	GF Levy3	Tax Relief	Mill Reduction	Adjusted GF Levy
Langdon Area	467.93	155.00	989,958	55.00	100.00
Thompson 61	442.88	184.81	547,427	75.00	109.81

As illustrated above, both districts have approximately the same number of students (ADM). Langdon Area receives 55 mills in tax relief and Thompson receives 75 mills in tax relief. Some may argue that this is not fair, but keep in mind the 55 mills cost $989,959 to buy down while the 75 mills only cost $547,427. If Langdon Area were to be bought down 75 mills it would cost $1,349,925. However, on the other hand, if Langdon Area were to receive the same dollar amount as Thompson ($547,427), they would only receive approximately 30 mills in tax relief.

In closing, I would like to remind you this bill does not give school districts any new dollars and therefore, does not create any more equity in the school funding formula. This bill is about tax relief and taxes are measured through taxable valuation and taxpayer effort or the number of mills assessed. In the end, there is little to argue if the large majority of taxpayers across the state are paying between 100 to 110 mills for K-12 public education.

Thank you for the opportunity to submit this testimony.

3a

Testimony on SB 2199

By

Dr. M. Douglas Johnson, Executive Director—NDCEL

Chairman Holmberg and members of the Senate Appropriations Committee, for the record my name is Doug Johnson and I represent the ND Council of Educational Leaders. I am here to testify in support of to SB 2199.

The NDCEL supports property tax relief legislation that helps the state assume 70% funding of the cost of education and is based on an adequacy model provided that it does not reduce the appropriation dedicated in the 2009-2011 budget recommendations for K-12 Education. We believe that SB2199 provides for fair and equitable tax relief. Many school districts in our State need more funding than is currently provided to them by the State. This bill increases the State share of the cost of educating students, based on the recommendations for meeting adequacy as put forth in HB1400, to nearly 70% which was the intended goal set by the 1983 legislative session.

The NDCEL does, however, have concerns with the engrossed version of SB2199 as it eliminates unlimited mill levys (page 2, lines 22-27) for those school districts that already have them in place. Further, these districts will be required by this amendment to put their mill levys up to a vote of the people and gives them only until December 30th, 2010 to have a vote of the people to set their needed mill levy. My understanding is that his will impact only three school districts, Bismarck, Grand Forks, and Williston. Should any or all of these districts fail to get the voter support they would revert back to the maximum levy as provided in NDCC57-15-01.1 as rewritten in this amendment. This could have a significant negative impact on these districts. I would suggest the committee consider amending engrossed SB2199 to set the date for a vote by the people of these unlimited mill levy districts for at least December 30th, 2015. This would give these districts the needed time to make adjustments to the new requirements placed on them in the engrossed version of SB219.

Chairman Holmberg and members of the Senate Approrpiation Committee, I encourage your committee to carefully consider the fiscal implications that this amended bill will have on several school districts in our state whose taxpayers have voted to give their school districts unlimited mill levys. While I do encourage a Do Pass for SB2199 I also encourage the committee to put a hold harmless date for school districts that have an unlimited mill levy of at least five years before requiring a vote of the people. Chairman Holmberg this concludes my testimony. At this time I would be happy to answer any questions that you have in regard to my testimony.

4

Testimony in Opposition to the Amendment to SB 2199
February 17, 2009

Senate Appropriations Committee
Senator Ray Holmberg, Chair
Harvest Room, State Capitol

Mr. Chairman and Members of the Committee:

My name is Paul Johnson and I am superintendent of the Bismarck School District. I am testifying in opposition to the recent amendment to SB 2199. As I'm sure you know the Bismarck School District is one of the few (maybe three?) districts that still have an unlimited general fund levy. This authority was granted to the Bismarck School District by the patrons of the school district about three decades ago. It has been voted on again at least twice, most recently in June of 2004, and sustained by the voters in the school district.

Are unlimited general fund levies a good idea? I think it depends on the confidence local stakeholders have in their elected officials. In Bismarck, I believe the authority was originally granted because the school district was growing and patrons wanted to make sure that the educational system maintained quality while having to manage a growing district. I believe that the Bismarck School Board and administration have maintained the trust of the school district patrons.

In the attached material, you will notice the pattern of the general fund levy. The general fund levy has been reduced by about 30 mills over the last decade and the overall mill levy has been reduced by over 50 mills during the last decade. Our school board has been scrupulous in lowering the mill levy as taxable valuation has increased in the school district.

Taxpayers are getting a good deal in Bismarck. The average cost per student is below the state average and test scores are above. Struggling students are supported and excellent students have opportunities for advanced courses and activities that extend their learning. The overall property tax levy in Bismarck is the lowest of all of the 12 cities in the state according to the attached information recently distributed by the City of Mandan.

What concerns me most about this amendment is that in 2010, without a new vote of the people, our general fund levy would be set at the current cap of 185 reduced by the tax reduction appropriation being considered in SB 2199. <u>That would instantly reduce our general fund levy by 20 mills causing a loss of revenue to the school district of $4.6 million</u>. That would be extremely difficult to deal with.

Policy makers should be conservative. Things that are not broken do not need to be fixed. Authority to grant an unlimited mill levy should be decided by the patrons of the district. We support local control of mill levies and think that decision should be available to ensure we provide a quality education to all of our students.

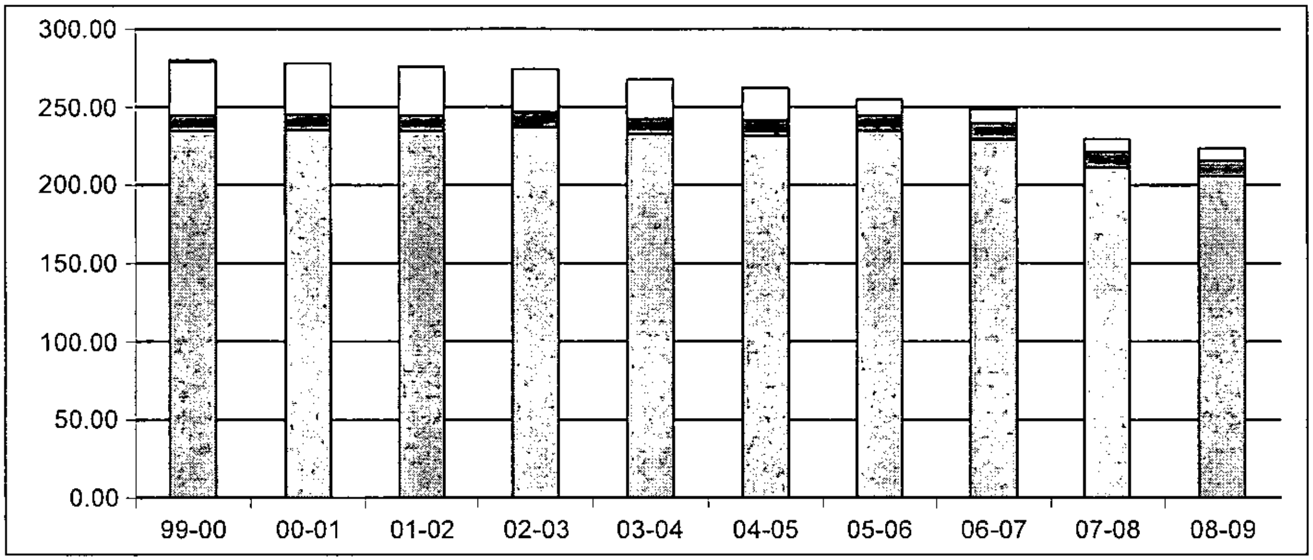
Please let this remain a local issue. Certainly, **do not support the amendment to SB 2199** that would cause the Bismarck School District to lose a significant amount of general fund revenue.

Thank you.

Same handout given to House.

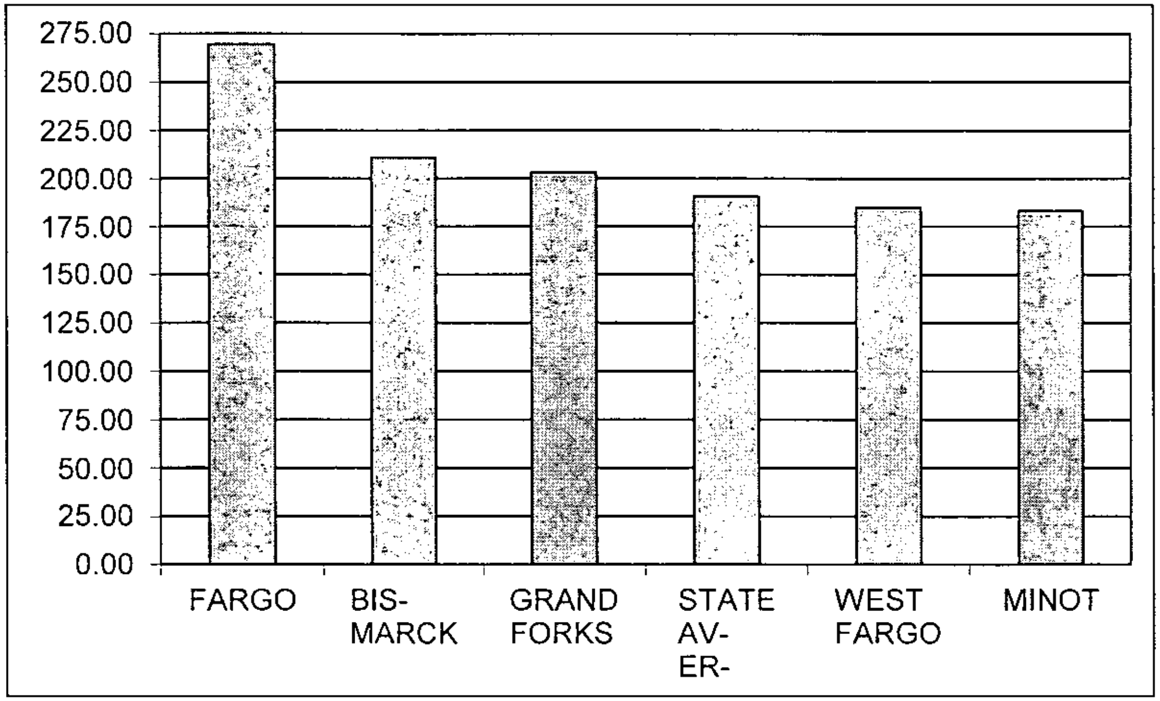
BISMARCK PUBLIC SCHOOLS
MILL LEVY HISTORY

FISCAL YEAR	GENERAL FUND	BUILDING FUND	DEBT SERVICE	ASBESTOS LEVY	TOTAL
99-00	234.49	10.00	34.28	1.11	279.88
00-01	235.08	10.00	32.80	0.00	277.88
01-02	234.53	10.00	31.29	0.00	275.82
02-03	236.64	10.00	27.45	0.00	274.09
03-04	232.39	10.00	25.38	0.00	267.77
04-05	231.40	10.00	20.81	0.00	262.21
05-06	234.56	10.00	10.46	0.00	255.02
06-07	229.17	10.00	9.23	0.00	248.40
07-08	211.09	10.00	8.33	0.00	229.42
08-09	205.71	10.00	7.68	0.00	223.39



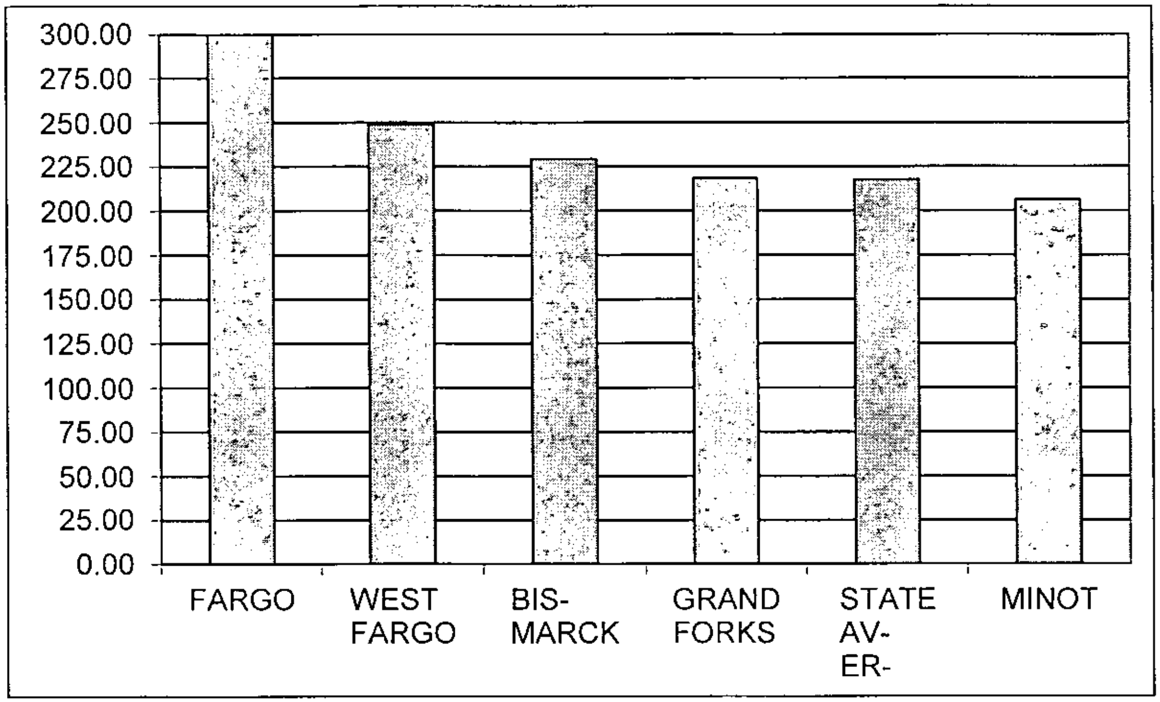
BISMARCK PUBLIC SCHOOLS
GENERAL FUND MILL LEVY COMPARISON
2007-2008

DISTRICT	GENERAL FUND MILLS
FARGO	269.57
BISMARCK	211.09
GRAND FORKS	203.27
STATE AVERAGE	190.88
WEST FARGO	185.00
MINOT	183.19



BISMARCK PUBLIC SCHOOLS
TOTAL MILL LEVY COMPARISON
2007-2008

DISTRICT	TOTAL MILLS
FARGO	299.99
WEST FARGO	248.76
BISMARCK	229.42
GRAND FORKS	218.66
STATE AVERAGE	217.62
MINOT	206.47



"WHERE THE WEST BEGINS"

mandan messenger

Same handout given to House.

JANUARY 2009
VOLUME 3, ISSUE 1

February meetings

City Commission
Feb. 3 and 17 at 5:30 p.m., City Hall

School Board
Feb. 2 and 17 at 5:30 p.m., CAB Building, 309 Collins

Mandan Park Board
Feb. 9 at 5:30 p.m., Community Center

County Commission
Feb. 10, 2 p.m and 5:30 p.m., Morton County Courthouse

Televised meetings

City Commission meetings in 2009 will be on Dakota Media Access cable channel 2 and webstreamed on *www.freetv.org*. Meetings will be televised live, but initially may be recorded and replayed until all equipment is in place.

Winter Daze

Mandan Parks and Rec offers special activities in January and February:

- Penguin Plunge
- Volleyball Tournament
- Wrap-It Tournament
- Moonlight Skate
- HIT Winter Showcase
- Sounds of Winter
- Senior Bingo
- Senior Card Party
- Coloring Contest
- Beach Ball Day
- Free swimming, ice skating, water aerobics and tanning

For more info, visit *www.mandanparks.com* or call 667-3287.

Utility rates increase in '09 for improvements

You'll see an increase in rates for city water and sewer services effective Jan. 1, 2009. The increases are primarily to pay for long-term improvements:

- \$4.5 million in water treatment plant improvements
- \$8.6 million for the south side reservoir construction
- \$1 million for a south side sanitary sewer force main, and
- \$1.7 million for sewer treatment plant improvements.

The base water and sewer rate is increasing by \$6.42, from \$4.00 per month to \$10.42 per month. The water service rate will increase \$0.30 per 100 cubic feet, from \$2.30 to \$2.60. The sewer service rate will decrease by \$.20 per 100 cubic feet, from \$1.75 to \$1.55. The \$.20 has instead been applied to the base rate.

Here's the net result for an average residential customer using 7,500 gallons of water (1,000 cubic feet or 10 units) per month:

- Base water and sewer rate increase = \$6.42
- Plus water service increase (10 units @ \$0.30 each) = \$3.00
- Less sewer service decrease (10 units @ \$0.20 each) = \$2.00
- Total increase = \$7.42 per month for the typical residence

Mandan ranks 4th among major cities for taxes

Mandan ranks fourth among North Dakota's 12 largest cities for property taxes levied in 2008 and payable in 2009, according to a new compilation by the North Dakota League of Cities. Mandan's consolidated levy – for county, school, city and park district shares – dropped to 498 mills, down from 504 in 2007. Most of the decrease came from the city, which dropped its levy from 107 to 102 mills.

2008 MILL LEVIES FOR TOP 12 CITIES

1 Devils Lake - 521.53
2 Jamestown - 511.53
3 Wahpeton - 502.91
4 **Mandan - 497.61**
5 Grand Forks - 472.72
6 Valley City - 471.67
7 Fargo - 455.53
8 West Fargo - 441.38
9 Williston - 427.86
10 Dickinson - 424.75
11 Minot - 421.27
12 Bismarck - 400.61

Property valuations explained

Since property tax statements were issued in December, the City has received inquiries on how market values of properties are determined. The goal is for these values to be accurate and equitable. Valuations for 2008 increased by an average of 9.5 percent. These valuations are based on sales from 2007.

The Assessing Department annually reviews all real estate sales, typically 300 to 400 per year, and uses this information to determine market values of similar structures. Sales from like areas of town are compared with adjustments made for factors such as location, age of structure, quality and condition, square footage, number of baths, fireplaces and garage size.

Four comparable properties are identified for each property being assessed. An analysis is made between last year's market values for subject properties and sales prices for the four most similar properties to see if the market value should increase or decrease. Once values have been established, the N.D. Tax Department reviews the data to assure that properties overall are within 5 percent of market value. For additional information, or questions about your home's value, call the Assessing Department at 667-3230.

Updated sign policy implemented for '09

The Mandan City Commission has adopted a revised sign policy as recommended by the Mandan Architectural Review Commission (MARC). The policy had last been updated in 1981. Significant changes include:

- **Flashing on electronic signs is prohibited.** Flashing is a pattern of illumination that alternates suddenly. The basic concern is that flashing can distract drivers.
- **Registration of portable signs is required (at no cost).** A portable sign may be placed at a business up to 180 days per year. Each placement counts as a minimum of 30 days. Portable signs include parked trailers or vehicles visible from the right-of-way unless used in day-to-day operations. Sign lettering is limited to two colors and is to be uniform in size. If having a portable sign out for more than 180 days is not enough for a business, MARC encourages the business to switch to a permanent sign with changeable copy.

The MARC asks businesses and commercial property owners to comply with the changes to requirements for electronic, portable and other easily adaptable signs as soon as possible. However, MARC did establish a six-month grace period, until June 30, 2009, to allow time for information on changes to be disseminated. Nonconforming signs of a permanent nature that were legal under the 1981 policy will be allowed to remain until substantial changes are made to the sign or commercial site.

The policy is posted at *www.cityofmandan.com* or available upon request in the Building Inspection and Assessing Department, phone 667-3230. Permits are required for most signs.

City seeking volunteer fire fighters

The Mandan Fire Department is seeking additional volunteer firefighters. Residency requirements have recently changed to include any jurisdiction within reasonable distance to either Station 1 on Collins Avenue or Station 2 being constructed at 2009 40th Avenue SE in the Lakewood subdivision. Mandan residency was a requirement for membership, however, an exception is now given because of the new fire station's close proximity to other jurisdictions. Applicants must be at least age 16.

Those interested in becoming a volunteer firefighter with the Mandan Fire Department should complete an application found online at *www.cityofmandan.com* or by calling 667-3288.

City offers convenient sites for Christmas tree disposal

Christmas trees will not be picked up with your weekly garbage or by city crews. Residents of Mandan are responsible for disposal of their own Christmas trees. Trees may be hauled to the landfill at no charge for Mandan residents. There is a designated area at the landfill for dropping off Christmas trees, larger branches, logs, and other wood materials.

The seven grass-clipping disposal sites also have been designated as Christmas tree disposal sites. The metal disposal bins will not be there, but residents are asked to neatly pile trees on the ground. Please have your trees at these sites by January 15. The city forester and his crew will mulch these trees with a wood chipper. For more information, call 667-3240.

Night time parking restrictions enforced to allow for snow removal

Night time parking restrictions are being enforced in the downtown business district. This includes Main Street and First Street NW and the 100 block of all avenues from First Avenue NE to Seventh Avenue NW. Ten dollar tickets are being issued for violations on Mondays, Wednesdays and Fridays from 1 a.m. to 7 a.m. on Main Street and First Street and on Tuesdays and Thursdays from 1 a.m. to 7 a.m. on the avenues.

On-line poll results: Respondents see need for assisted living

Monthly polls are posted at *www.cityofmandan.com*. Here are results of November's poll.

Does Mandan need an assisted living facility? — Among 1116 respondents, 72% selected yes, 11% were unsure, and 16% said no.

Contact us

Mandan City Hall
205 Second Avenue NW
Phone 701-667-3215
Fax 701-667-3223
www.cityofmandan.com

Mandan City Commission
Mayor Tim Helbling
Jerome Gangl
Thomas Jackson
Jerry Serhienko
Sandra Tibke

City Departments

Administration	667-3215
Airport Authority	663-0669
Assessing & Building Inspection	667-3230
Business Development	667-3485
Cemetery	667-6044
Engineering, Planning & Zoning	667-3225
Finance	667-3213
Fire	667-3288
Human Resources	667-3217
Landfill	667-0184
Library	667-5365
Municipal Court	667-3270
Police	667-3455
Public Works	667-3240
Sewer Treatment	667-3278
Special Assessments	667-3271
Utility Billing	667-3219
Water Treatment	667-3275

Receive E-mail Notices
Sign up to receive notice of city meetings and news releases in the "E-mail Updates" section of *www.cityofmandan.com*. Meeting dates and agendas are available.

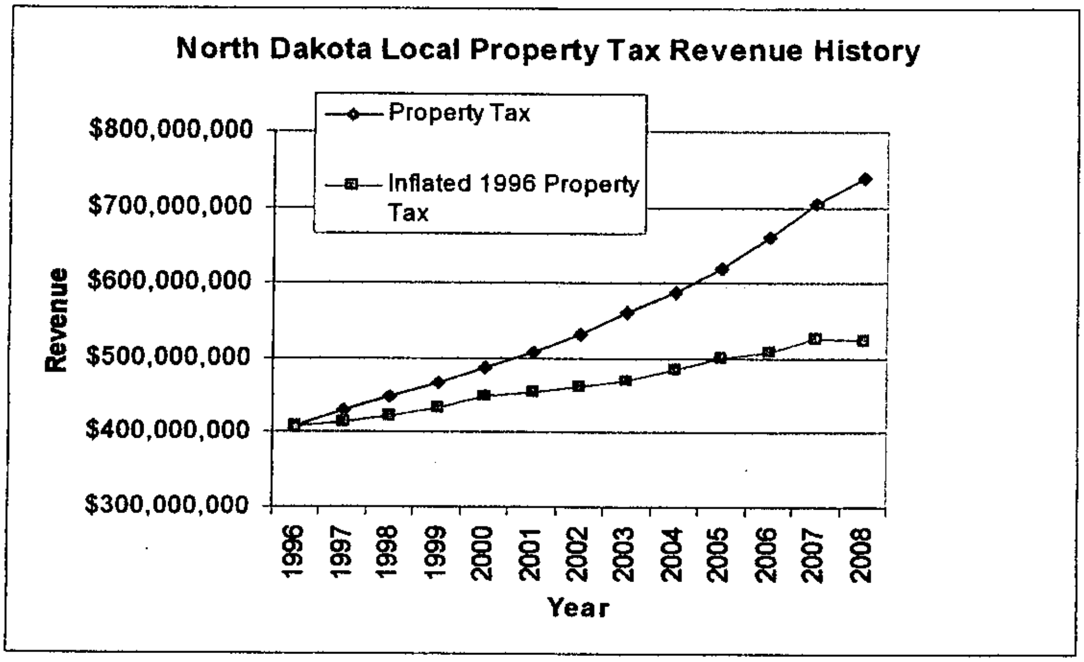
QUESTION OF THE MONTH

Should the City provide matching funds to assist businesses with installation of automatic doors?

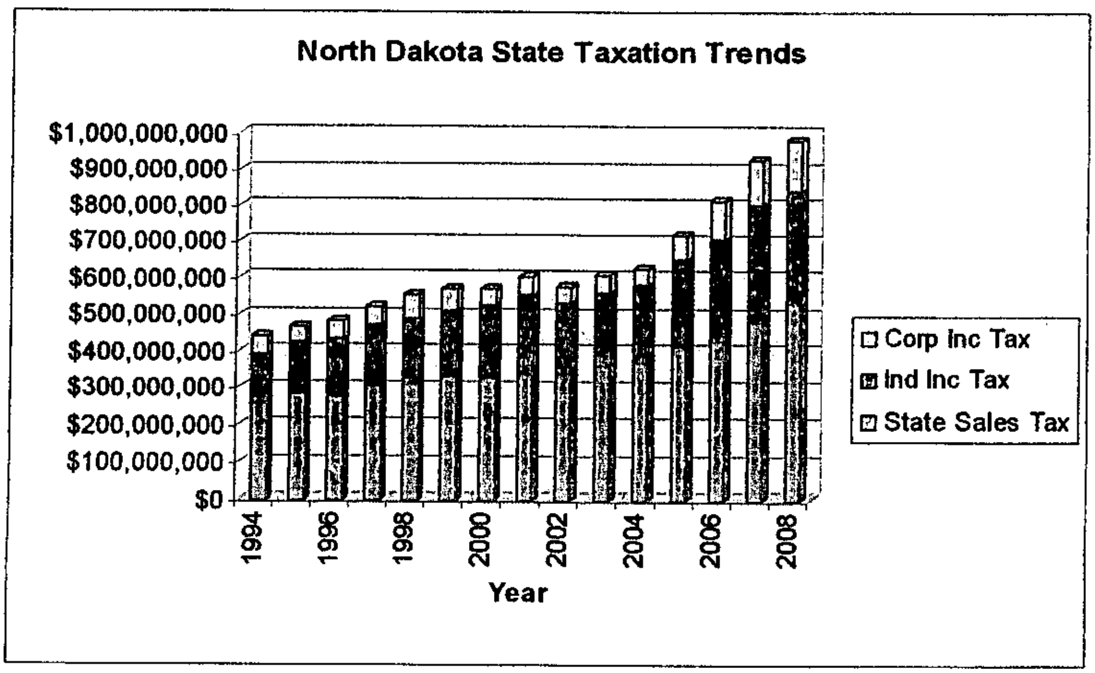
Visit *www.cityofmandan.com* by February 1 to respond.

SB 2199 Testimony of Lynn Bergman, Taxpayer

Local property taxation has concerned North Dakotans because they pay these taxes annually*. Local Officials have raised property taxes in proportion to property valuations rather than limiting growth to adjustments for inflation, land area, and population.*



The chart below reveals a sharper upward trend in State Taxation that most North Dakotans are unaware of because it has been ignored by the North Dakota media.



Why do North Dakotans believe that the legislature should "relieve" property taxes?

- Most pay their property taxes annually on February 15th, soon after Christmas.
- Personal income taxes are collected from paychecks with little awareness.
- Sales tax is collected in small amounts, noticed only for large items.
- Over half a million dollars worth of advertising by AARP, NDEA and public employees has convinced taxpayers that income tax cuts would virtually decimate the university systems, education, and vital public services such as fire and police.
- The Governor made "property tax relief" an integral part of his majority party re-election campaign.

Is there a viable alternative to a property tax bailout of K-12 Education.

At least a dozen states have considered legislation to require that 65 percent of all the state's education dollars be spent directly in the classroom (leaving 35% for non-instructional expenditures, including non-instructional salaries). The 65 percent standard stems from First Class Education, a national group, which found that the top 10 percent of states spend about 65 percent in the classroom; industry often benchmarks to the top 10 percent. States that spend greater proportions of their resources in the classroom also score higher on the National Assessment of Education Progress exams.

Texas, Louisiana and Kansas already have adopted the standard, while ballot or legislative initiatives are under way in Arizona, Colorado, Florida, Georgia, **Minnesota**, Missouri, Ohio, Oregon and Washington. North Dakota will soon follow unless K-12 reform comes from within. It should be obvious to K-12 School Boards that timely internal reform is far preferable to taxpayer initiated mandates!

Does the federal stimulus package partly negate the need for a property tax bailout?

The approved federal economic stimulus plan is expected to involve funding for K-12 infrastructure, helping local school boards considerably.

Cutting the state sales tax from 5% to 4% is another viable alternative to the property tax bailout that would:

- begin the soonest, at the beginning of the 2009-2011 biennium.
- leave an equivalent $300 Million in the pockets of ALL North Dakotans.
- represent economic stimulus to ALL consumers during expected tough times.
- be re-visited during the next session to reflect spending needs at that time.

All levels of local government have grown far in excess of the Midwest Consumer Price Index plus any reasonable allowance for increased service area or population.

Elected local government leaders have for decades almost subconsciously assumed that the growth in government expenditures should logically mirror the increase in property valuations. Property owners did not seriously question this practice until the last decade or so as retired residents and their accumulated wealth are increasingly fleeing states with high property tax rates to states with "greener" pastures. High property taxes are also a concern to former residents considering coming back to North Dakota for job opportunities associated with oil, gas, coal, ethanol and other energy development fields. And perhaps the most critically affected by high property taxes are the elderly middle class folks who do not have the means to flee the state and young families trying to make ends meet.

Replacement of the "Property Valuation Addiction" with a more logical and fiscally conservative method is long overdue. One such method determines a target for maximum growth that considers the growth in the Midwest Consumer Price Index, the growth (or reduction) in population, and the growth in land area. This method begins by adjusting the previous year's expenditures using the Midwest CPI and then by the average of the changes in population and land area.

$$\text{Maximum Growth Target} = \text{Previous Year's Expenditures} \times \text{Midwest CPI Adjustment Factor} \times \frac{\text{Population Adjustment Factor} + \text{Land Area Adjustment Factor}}{2}$$

Conservative Government Growth Equation

Bismarck is as good an example as any of the disparity between various growth parameters and the growth of property taxes. In the same ten years that the Midwest Consumer Price Index grew by 24.3%, total property tax dollars levied rose 72%, about three times the rate of inflation!

Tax Facts, From 1996 to 2006:

Bismarck **Population increased** from 53,917 to 58,264 or **8.06%**
Bismarck **Land Area increased** from 25.93 Sq. Mi. to 29.16 Sq. Mi. or **12.46%**
Midwest CPI increased from 155.3 to 193.0 or **24.28%**
Taxable Valuation increased from $78,740,180 million to $149, 966,086 or **90.46%**
Annual **Property Tax Levies increased** from $38,409,217 to $66,045,064 or **71.95%**

We are entering a new period of spending restraint driven by flat property values?

Calendar year 2008 was the first year of consumer price deflation, (negative 0.9%) in decades! Local government entities will soon be faced with near zero property valuation increases and zero tolerance by taxpayers for property tax increases. And at a time when they have already committed to 3% - 5% salary increases for their local government employees. We will see a mass exodus of local elected officials that have been playing the role of big-spending heroes! ***Fiscally disciplined leaders that will deserve the praise of the taxpayers will replace them.*** The irony is that this new breed of local elected official will be disliked initially for the cuts they will make to government to keep property taxes in line.

Is a Property tax bailout constitutional? The North Dakota Constitution prohibits the state of North Dakota from levying property taxes, so why should the state pay property taxes on behalf of its citizens?

For over a century it has been demonstrated, excepting recent years, ***that the most efficient and effective government is that government that is the closest to its constituents!***

We have already seen that the more local governments expect in "ongoing help" from the state of North Dakota, the more restrictions that will necessarily have to be imposed. This is contrary to what we have observed for over a century, excepting the recent past, that local government is more reflective of prioritized local needs.

"One time" set-asides for natural disasters such as floods and their associated protection improvements and for regional issues such as a viable water supply are "naturals" for state involvement. ***Ongoing state subsidization of K-12 is likely unsustainable!***

Summary: This bill is bad policy because it:

- Addresses a fiscal problem that will be automatically corrected by the current deflation (0.9% reduction in the cost of living, 2008) and property value plateau.
- Encourages growth in K-12 administrative costs that are too high already.
- Will ultimately lead to erosion of local control of education.
- Is not sustainable in the long term.
- Erodes the Permanent Oil Tax Trust Fund, leaving nothing for our grandchildren.

North Dakota Constitution

ARTICLE X
FINANCE AND PUBLIC DEBT

Section 1. The ***legislative assembly shall be prohibited from raising revenue*** to defray the expenses of the state ***through the levying of a tax on the assessed value of real*** or personal ***property.***

Section 2. The ***power of taxation shall never be*** surrendered or ***suspended by any grant or contract to which the state or any*** county or other ***municipal corporation shall be a party.***

Section 3. No tax shall be levied except in pursuance of law, and ***every law imposing a tax shall state distinctly the object of the same***, to which only it shall be applied.

Attachm 3

Fund Our Priorities

On-going Revenues Exceed
On-going Expenditures

2009-11 General Fund Revenue Forecast (After $100 Million Income Tax Relief)	$2.745 Billion
2009-11 Recommended Ongoing Expenditures	$2.754 Billion

Chart 1

Fund Our Priorities

One-time Capital Investments
Limited to June 30, 2009 Cash Balance

Cash Balance June 30, 2009	$429.4 Billion
One-time Capital Investments	$357.2 Billion

Chart 2

Build Our Reserves

July 1, 2009

General Fund Cash Balance	$ 429	
Less: 2009-11 Capital Investments	(357)	
		$ 72
Budget Stabilization Fund	$ 200	
Addition to Budget Stabilization Fund	111	
		311
Permanent Oil Tax Trust Fund	$ 475	
Reserved for 09-11 Property Tax Relief	(300)	
		175
Total		**$ 558**

* In Millions

Chart 4

Projected Reserves

Executive Budget Forecast –Economy.com
June 30, 2011

Oil Tax Trust Fund Beginning Balance	$	175		
Oil Tax Trust Fund Projected Revenues		428		
Total Oil Tax Trust Fund			**$**	**603**
Budget Stabilization Fund				**311**
Projected General Fund Ending Balance				**64**
Total Projected Reserves June 30, 2011			**$**	**978**

* In Millions

Projected Reserves
Based on Current Oil Price
June 30, 2011

Oil Tax Trust Fund Beginning Balance	$ 224	
Oil Tax Trust Fund Projected Revenues	204	
Total Oil Tax Trust Fund		**$ 428**
Budget Stabilization Fund		**311**
Projected General Fund Ending Balance		**64**
Total Projected Reserves June 30, 2011		**$ 803**

* In Millions

Chart 6

Attachment 4

99757

Prepared by the North Dakota Legislative Council
staff for Senator Cook
March 2009

PROPERTY TAX RELIEF GRANTS AND MILL LEVY LIMITATIONS FOR SCHOOL DISTRICTS UNDER REENGROSSED SENATE BILL NO. 2199

The following table was prepared to allow comparison of the effect of Reengrossed Senate Bill No. 2199 regarding the mill levy reduction grant available to school districts at varying current levies, the resulting levy in mills for school districts, and options available to school districts for increased general fund levy authority for 2009 and later years.

2008 Levy in Mills[1]	SB 2199 Mill Levy Reduction Grant	Resulting Levy in Mills	Options to Increase General Fund Levy for 2009 and Later Years
100 mills or less (8 school districts)	No relief	Unaffected	1. Eighteen percent increase in dollars up to 110 mills 2. Any specific number of mills approved by voters
Over 100 and up to 174 mills (70 school districts)	2008 levy in mills minus 100 mills, with the result multiplied by taxable valuation of the school district	100 mills	1. Eighteen percent increase in dollars up to 110 mills 2. Any specific number of mills approved by voters
175 mills up to 185 mills (58 school districts)	75 mills multiplied by taxable valuation of the school district[4]	Over 100 but not over 110 mills	1. Eighteen percent increase in dollars up to 110 mills. 2. Any specific number of mills approved by voters.
Over 185 mills under Section 57-15-01.1 or Sections 15.1-29-15 and 15.1-30-04[2] (45 school districts)[3]	75 mills multiplied by the taxable valuation of the school district[5]	Over 110 mills	1. Retain dollar amount levied in 2008 2. Any specific number of mills approved by voters
Over 185 mills with voter approval of a specific number of mills (45 school districts)[3]	75 mills multiplied by the taxable valuation of the school district[5]	Over 110 mills	1. Retain specific number of mills approved by voters. Voters must reapprove specific number of mills to extend past 2018 2. Any specific number of mills approved by voters
Over 185 mills with voter approval of unlimited levy (3 school districts)	75 mills multiplied by the taxable valuation of the school district	Over 110 mills	1. Retain unlimited levy authority through 2010 2. After 2010 any specific number of mills approved by the voters 3. After 2010, if voters have not approved a specific number of mills, the dollar amount levied in the highest of the last 3 years under Section 57-15-01.1

[1]Levy in mills, as used in this memorandum, means the school district's combined education mill rate as defined in Senate Bill No. 2199, which includes the general fund, high school tuition, and high school transportation levies. In Department of Public Instruction parlance, this is called the GF3 levy.

[2]School districts that send high school students to another school district are allowed unlimited special fund levies for tuition and transportation under Sections 15.1-29-15 and 15.1-30-04.

[3]In 2008, 45 school districts levied more than 185 mills without unlimited levy authority. We are unable to determine how many of these districts had voter approval of a specific number of mills, so the number of school districts shown for these two categories is the combined number of school districts for the two categories.

[4]One school district in this category receives a grant based on weighted student units rather than mills levied.

[5]Five school districts in these two categories receive a grant based on weighted student units rather than mills levied.

Testimony 5

House Finance and Taxation Committee

Re: SB 2199 Property Tax Relief

Date: March 9, 2009

The Honorable Wesley R. Belter
State Representative
State Capitol Building
600 East Boulevard
Bismarck, ND 58505-0360

Mr. Chairman and Members of the House Finance and Taxation Committee:

My name is Paul Stremick, Superintendent of Dickinson Public Schools. I am here to testify in favor of the property tax relief as outlined in SB 2199.

SB 2199 provides for fair and equitable tax relief to taxpayers through school districts. It is widely known that school districts are the largest taxing entities in North Dakota. I believe much of this has to do with the fact that school districts need more funding than what is provided to them by the State. This bill increases the state share to around 70% which was the intended target set by the legislature in 1983. I believe this bill can not only accomplish that goal, but can also provide taxpayer equity in regard to school district taxation.

If this bill were to pass:

8 districts = zero tax relief
7 districts = 22 up to 50 mills of tax relief
21 districts = 50 up to 60 mills of tax relief
37 districts = 60 up to 70 mills of tax relief
11 districts = 70 up to 75 mills of tax relief
100 districts = 75 mills of tax relief

Overall in the Adjusted GF Levy:

33 districts < 100 mills
125 districts = 100 – 110 mills
15 districts = 110 – 118 mills
11 districts > 122 mills

If this bill were to pass, the large majority of school districts would be levying between 100 to 110 mills for K-12 public education. Now that's taxpayer equity!

Please keep in mind as you look at the numbers, this is about taxpayer equity not about dollars to school districts. For example:

	ADM	GF Levy3	Tax Relief	Mill Reduction	Adjusted GF Levy
Langdon Area	467.93	155.00	989,958	55.00	100.00
Thompson 61	442.88	184.81	547,427	75.00	109.81

As illustrated above, both districts have approximately the same number of students (ADM). Langdon Area receives 55 mills in tax relief and Thompson receives 75 mills in tax relief. Some may argue that this is not fair, but keep in mind the 55 mills cost $989,959 to buy down while the 75 mills only cost $547,427. If Langdon Area were to be bought down 75 mills it would cost $1,349,925. However, on the other hand, if Langdon Area were to receive the same dollar amount as Thompson ($547,427), they would only receive approximately 30 mills in tax relief.

In closing, I would like to remind you this bill does not give school districts any new dollars and therefore, does not create any more equity in the school funding formula. This bill is about tax relief and taxes are measured through taxable valuation and taxpayer effort or the number of mills assessed. In the end, there is little to argue if the large majority of taxpayers across the state are paying between 100 to 110 mills for K-12 public education.

Thank you for the opportunity to submit this testimony. I would be happy to answer any questions or provide more information if you would like.

Testimony 6

NORTH DAKOTA
CHAMBER of COMMERCE

Testimony of Bill Shalhoob
North Dakota Chamber of Commerce
SB 2199
March 9, 2009

Mr. Chairman and members of the committee, my name is Bill Shalhoob and am here today representing the ND Chamber of Commerce, the principle business advocacy group in North Dakota. Our organization is an economic and geographical associations cross section of North Dakota's private sector and also includes state, local chambers of commerce development organizations, convention and visitors bureaus and public sector organizations. As a group we stand in support of SB 2199 and urge a do pass from the committee on this bill.

SB 2199 is the third tax cut bill heard by this committee, the first two being the personal and corporate income tax reductions heard before crossover. Together the three make a comprehensive tax policy statement that represents the reality of our current fiscal state. We understand and support the concept that property tax reduction has the highest priority of all of the tax cut proposals. The delivery through the school system seems to be workable approach. We also support any reasonable safeguards can be built into the bill to insure taxpayers receive the full benefit of the reduction.

On behalf of the 30,000 plus North Dakota business entities and all of the citizens of North Dakota who pay property taxes, I want to thank you for the opportunity to appear before you today in support of HB 2199. I would be happy to answer any questions.

PO Box 2639 Bismarck, ND 58502 Toll-Free: 800-382-1405 Local: 701-222-0929 Fax: 701-222-1611
www.ndchamber.com ndchamber@ndchamber.com

Testimony 7

Testimony in Opposition to the Current Version of SB 2199
March 9, 2009

House Finance and Taxation
Representative Wes Belter, Chairman
Fort Totten Room
State Capitol

Mr. Chairman and Members of the Committee:

My name is Paul Johnson and I am superintendent of the Bismarck School District. I am testifying in opposition to the current version of SB 2199. As I'm sure you know the Bismarck School District is one of three districts that still have an unlimited general fund levy. This authority was granted to the Bismarck School District by the patrons of the school district about three decades ago. It has been voted on again at least twice, most recently in June of 2004, and sustained by 70% of the voters in the school district.

Are unlimited general fund levies a good idea? I think it depends on the confidence local stakeholders have in their elected officials. In Bismarck, I believe the authority was originally granted because the school district was growing and patrons wanted to make sure that the educational system maintained quality while having to manage a growing district. I believe that the Bismarck School Board and administration have maintained the trust of the school district patrons.

In the attached material, you will notice the pattern of the general fund levy. The general fund levy has been reduced by about 30 mills over the last decade and the overall mill levy has been reduced by over 50 mills during the last decade. Our school board has been scrupulous in lowering the mill levy as taxable valuation has increased in the school district.

Taxpayers are getting a good deal in Bismarck. The average cost per student is below the state average and test scores are above. Struggling students are supported and excellent students have opportunities for advanced courses and activities that extend their learning. The overall property tax levy in Bismarck is the lowest of all of the 12 cities in the state according to the attached information recently distributed by the City of Mandan.

What concerns me most about this version of 2199 is that in 2010, without a new vote of the people, our general fund levy would be set at the highest of the last three year <u>dollar</u> amount of the general fund levy. So, in spite of whatever the economy brings us; an increase in students or an increase in inflation, we would be stuck at the same dollar amount of local revenue.

I would like to draw your attention to another attachment, page 6. The Fargo School District and the Bismarck School District have almost the same number of students. Currently, the Bismarck School District is about 200 students larger. Fargo had their mill levy capped at approximately <u>295 mills</u> by a vote of their patrons in 2002. Our patrons approved an unlimited mill levy in 2004. Yet the Fargo School District would be allowed to keep their excess levy at the current cap while we would lose our unlimited mill levy and be capped at less than our current levy.

We will receive about $1.3 million from the new foundation aid appropriation. If we give our teachers a 5% raise, similar to that contemplated for state employees, it will cost over $4 million. We will be hard pressed to come up with the additional revenue without any avenue for raising the dollars locally.

All districts with excess general fund levies, capped or unlimited, should be treated the same and required to vote on these levies within a reasonable amount of time. Currently, districts with excess capped levies have ten years to bring their general fund levies to a vote. Districts with unlimited levies have until 2010 under this version of SB 2199.

Modifications need to be made to this bill to treat districts with excess levies the same, whether capped or unlimited. Thank you.

BISMARCK SCHOOL DISTRICT/FARGO SCHOOL DISTRICT

YEAR	BPS TV/student		BPS GF Mill Levy	FPS TV/student		FPS GF Mill Levy
1998-99	$7,688		230.02U	$10,598		289.54U
1999-00	$8,971		234.49U	$11,132		287.81U
2000-01	$9,462		235.08U	$11,784		295.24U
2001-02	$11,376		234.53U	$13,453	**cap**	**295.46R**
2002-03	$12,024		236.64U	$14,158		291.80**R**
2003-04	$12,229	70% vote	232.39U	$15,966		288.79**R**
2004-05	$13,195		231.40U	$17,285		289.13**R**
2005-06	$14,534		234.56U	$18,060		288.19**R**
2006-07	$16,601		229.17U	$19,556		278.62**R**
2007-08	$19,304		211.09U	$22,544		269.57**R**
2008-09	$21,474		205.71U	$23,156		266.31**R**

Source: School Finance Facts, DPI Website

Testimony 8

Chairman Belter and committee members.

My name is Mike Motschenbacher. Today I stand before you representing Citizens for Responsible Government. We are a grassroots organization interested in educating people on taxes with chapters in several cities in North Dakota. Today we are standing in opposition to SB 2199 as it is currently written, and would ask you to consider a DO NOT PASS vote. I want to make clear that we are all in support of tax relief, but SB 2199 is not the answer to high property taxes.

Several problems exist with SB 2199. I'll just go through them one by one.

1st is lack of sustainability. North Dakota has gone through some great years with amazing revenues coming into the state. Income tax revenues and oil tax revenues are two of the biggest sources of income the state receives. According to the federal reserve, projections for North Dakota is that personal income will decline 15% and already, due to the low prices of oil, over ½ the oil wells in the state have been capped. These are going to contribute to MAJOR decreases in revenues to the state. Spending 300 million dollars with no strings attached, especially considering that the economy is more than likely going to take a turn for the worse here real soon, is not good use of taxpayer dollars.

2nd problem is that the state does not collect property taxes. Approximately 55% of property taxes go to schools. 20% goes to cities, 13% goes to counties, and 12% goes to park boards. About ¼ of 1% goes to the state and I believe that is to pay for the state library. That is all. The surplus came from oil taxes, income taxes, and sales taxes, but not property taxes. How can the state return a tax that it never collected?

3rd problem is that the legislature is potentially going to spend 300 million dollars to correct a problem without having a solution to prevent it from happening again. The real problem is out of control spending at local levels. The system needs to be reformed at the local level. Notice I used the word "reform". The bill in it's current form does not reform. Relief and reform are two completely different things. Relief throws money at a problem with the hope that the problem will go away. Maybe the problem is temporary and only needs a jump start. Maybe the problem is small, and just needs to be mildly corrected. In those cases maybe relief is the answer. When it comes to property tax, this is a major issue. Throwing money at the problem will not solve the problem. PROPERTY TAX NEEDS REFORM, NOT RELIEF, AND IT NEEDS TO HAPPEN AT THE LOCAL LEVEL!

4th and probably worst problem is the new special interest group that the state is creating by getting involved in the property tax issue. That special interest group is the property owner. If you start giving property tax relief to taxpayers, they are going to expect it year after year. What are you going to do when the money runs out? The property owners are going to be in line wondering where their funding is? They will be competing with Higher Ed, K-12, Social Services, and so on. How are you going to explain to the taxpayers that they have to buck up and accept the fact that the state can't afford to give them property tax relief? What are you going to say to them? What do you think would happen if you went to higher ed and said to them "We have to cut your financing because we have to give property tax relief"

I'd like to offer you some thoughts and a possible solution.

During the 2007 session, the legislature went back and forth for 77 days trying to figure out how they could legally and properly address the issue of property tax relief. After weeks of debate, they finally ended up attaching property tax relief to income tax. Why? Because the state DID collect income tax. It CAN provide income tax relief. By providing property tax relief, you are taking tax revenues from one source, and returning it to another. A much better solution in my mind would be to simply cut income tax collections. This way, the state does not have to get involved in trying to figure out a way to return 300 million dollars to taxpayers by taking credit for a problem that is not theirs. It will also save time and money to the state. How? If you don't collect the money in the first place, you don't need to waste resources on trying to figure out how to give it back. I really don't think that taxpayers care how the money gets back into their pockets, just so long as it ends up in their pockets.

If the legislature decides that it still in their realm to provide property tax relief, then I would strongly suggest the following. If you are going to give 300 million dollars to local governing authorities, it NEEDS to come with strings attached. I think you should send a strong message to the local authorities, and put a cap on their spending ability. Capping mills doesn't solve the problem, but capping valuation increases or capping spending will help. I am NOT a fan of capping local spending. I am still a strong believer that local government is the best government. However, our taxing authorities have got themselves in trouble, and the taxpayers are paying the price with high property taxes. A state bailout NEEDS to come with these strings attached. Once local spending is under control again, the state won't need to be in the business of property tax relief, something they never should have been involved in the first place. I encourage you to vote NO on SB 2199, or amend it to include some provisions. Then I hope you can all go back to your constituents, share the truth about property taxes with them, and return the blame for high property taxes where it belongs, at the local level, away from the state legislature.

I thank you for your time and would gladly answer any questions you may have.

Testimony 9

Chairman and House Finance and Taxation members;

My name is Wayne Papke, I am a financial advisor by profession and I am here today representing myself. I have been a student of property tax reform and trends for over 15 years.

I am here in opposition to SB 2199.

We need property tax reform, not just property tax relief. We don't need one industry or group of tax payers paying the taxes of another group.

This bill does not fix the problem; it serves as another patch and rebate that has room for abuse. For example: What prevents county, city and park districts from backfilling the savings generated in the school districts by this bill? The answer is nothing. We need caps and limit restrictions on all local governments to stop this runaway trend of property tax outpacing inflation at a 2 to 1 rate over the last 10 years. Property taxes have outpaced inflation cumulatively by 25% over the last 10 years. In SB 2199, in its present form, $300 million will go back to pay property tax, but that's all it will do; it does not prevent property taxes from going up again next year.

This bill also does nothing to repair the damage done in the equalization of property taxes that results from limits placed upon agricultural land. The caps on capitalization rates for agriculture land has shifted heavier and heavier burdens to residential and commercial property primarily located inside city limits. These burdens are becoming unbearable, yet agricultural land that has appreciated 3 and 4 fold or more is still paying the same or less property taxes as 5 & 6 years ago. In fact, in Morton County, where I live, agricultural land values have gone up but their property taxes have actually gone down due to the current state law formulas. This inequity needs to be corrected and based on true and full values. This is not a problem local government created, the state created this problem by putting caps on the capitalization rates for agricultural land valuation. The state now needs to fix this.

I ask you to reform our property tax laws, not treat the symptoms. We need annual caps on all local budget increases each year. I now personally pay 6%+ of my taxable income each year in property taxes, 2.6% in state income taxes and about 1.5% in sales taxes. These percentages in and of themselves are a problem, but more so is the problem that the 6% property tax portion is growing at the fastest rate by far. This has gotten out of control and we must act for reform.

SB 2199 does not solve our problems without additional reform.

Testimony 10

North Dakota Taxpayers' Association

Mr. Chairman, Members of the Committee,

While we oppose this bill in its current form, I will start out this afternoon by addressing two ways that the legislature can empower local governments to address the property tax issue themselves, then I will address our specific concerns with SB 2199.

Most people recognize that the real problem with property taxes is the automatic tax increases caused by rising values. This would not be a problem if local governments would simply reduce their mills by the same percentage as values went up.

The first reform that can be made is to simplify the process and the way the public views property taxes is to eliminate the term "mill levy". The vast majority of the population does not know what a mill levy is, and frankly don't care. They are only worried about how many dollars their property tax will cost them. So let's drop the mill levy system and convert to a percentage system like sales tax and income tax.

Localities can retain the current system for determining taxable valuation and mill levy, but when it comes time for the tax statement, local government should apply percentages to that taxable value instead of mills. Once property taxes are applied in percentage terms, the public will then understand what the tax really means.

The next reform for property taxes is to implement a zero-based budgeting process.

Instead of the tax rate remaining the same one year to the next, and living off the valuation increases, the tax rate should zero-out each year and a new vote by the governing body of the local jurisdiction on not just the budget, but the whole tax rate, should be held.

There really is no reason that voting for both the revenue and the spending sides of the equation would be detrimental to the process.

With these two reforms made, the concept of automatic tax increases will be a thing of the past, and the public's understanding of the property tax system will greatly increase.

With regards to Senate Bill 2199, our opposition to the bill in its current form is based on the following three reasons:

- It fails to address the real problem which is a lack of mill levy reductions to counteract property valuation increases. My previous suggested reforms would solve this issue, and I encourage the committee to consider amending those suggestions into this bill.

- It fails to address the issue of spending at the local level. As some legislators and the Taxpayers' Association have stated at previous hearings regarding caps on property tax increases, state funded property tax relief should be tied to restrictions on future property tax increases. Without strings attached, this approach to property taxes is simply unmandated funding.

- And most importantly, it fails to prevents cities, counties, and parks from filling the property tax void left by the state-funded property tax relief. Recently we saw the City of Bowman increase its mill levy by 29% in conjunction with a 9% valuation increase, resulting in a 40% year over year increase in property taxes. This increase caused hundreds of local citizens to flood the town hall, with lines of people going out the door – in the middle of winter.

This bill, in its current form does nothing to stop cities, counties, and park districts from filling the void left by the state's dollar for dollar decrease of property tax. There is little doubt that some, not all, local officials would view this void as an opportunity to increase their baseline budget. This too would be prevented by the suggested changes to the process I described earlier.

Another issue to keep in mind is how much the state already sends to local governments. As the attached data and chart show, last session this body appropriated \$794 million to local K-12 education (a 38% increase over 10 years), and \$383 million to non-education local government (a 65% increase over 10 years). These figure show that the state is already contributing over \$1.2 billion to local government. At what point will local government guarantee property taxes will no longer increase so rapidly?

In conclusion, the legislature does play a role in the formula for property taxes.

It should work on ways to improve the transparency of the budget making process. It should empower local property owners, local voters, and local government to deal with these issues on their own.

Relief without reform is nothing more than a bailout; and we all know how people feel about bailouts.

Mr. Chairman, Members of the Committee, I thank you for your time.

- Dustin Gawrylow, Executive Director (Lobbyist #198)

MAJOR STATE APPROPRIATIONS AND REVENUE ALLOCATIONS FOR DIRECT ASSISTANCE TO POLITICAL SUBDIVISIONS FROM THE 1997-99 THROUGH 2007-09 BIENNIUMS

	1997-99	1999-2001	2001-03	2003-05	2005-07	2007-09
Assistance to political subdivisions (excluding school-related funding)						
General fund appropriations						
Grants to public libraries	$935,521	$888,745	$888,745	$844,307	$1,000,000	$1,200,000
Homestead tax credit	4,540,813	4,540,813	4,540,813	4,000,000	4,500,000	8,104,000
Aid to health districts	990,000	1,100,000	1,100,000	1,100,000	1,100,000	1,900,000
Children's special health service local health unit grants					52,632	52,632
Matching funds to counties and cities for senior citizen programs	1,770,000	1,982,945 [1]	2,132,945 [1]	2,382,945 [1]	720,000 [1]	1,000,000
Indian welfare assistance to counties	1,059,000 [2]	121,766 [2]	456,993 [2]	649,559	1,147,174	955,124
State administration of child support enforcement						7,105,247
Boys' and girls' clubwork		53,000	53,000	53,000	53,000	53,000
Gaming enforcement grants	1,014,152	419,591				
Soil Conservation district grants	580,000	580,000	580,000	580,000	630,000	730,000
Noxious weed control	364,950	288,341	184,141	97,215	67,817	67,817
Payments in lieu of taxes on carbon dioxide pipeline property		783,413	1,932,419	1,910,000	1,545,000	1,365,000
Clerk of court		1,000,000	10,154,353	10,723,223	11,810,929	13,587,187
Grants to airports	503,425	550,000	550,000	522,500	550,187	550,000
Statewide information technology network costs			4,920,824 [3]	3,382,023 [3]	3,395,550 [3]	3,414,228 [3]
Total general fund (excluding school-related funding)	$11,757,861	$12,308,614	$27,494,233	$26,244,772	$26,572,289	$40,084,235
Percentage of total general fund appropriations	0.8%	0.8%	1.6% [9]	1.4%	1.3%	1.6%
Special funds appropriations and revenue allocations						
Homestead tax credit (Housing Finance Agency reserves)	$250,000					
Noxious weed control		$910,555	$1,162,695	$1,402,639	$1,646,408	$1,646,408
State aid distribution funds to cities and counties[4]	53,978,600	63,203,392	66,383,566	74,180,584	84,212,635	90,669,528
Public transportation services (public transportation fund)	1,500,000	2,848,000	3,000,000	3,000,000	4,650,000	5,700,000
Insurance tax to fire departments						
Insurance tax distribution fund	5,200,000	5,200,000	5,200,000	5,200,000	6,200,000	6,200,000
Insurance tax to emergency medical services operations						
Insurance tax distribution fund						1,250,000
Gaming enforcement grants			629,000	617,000	617,000	617,000
Community health grant program (community health trust fund)			4,700,000	4,700,000	4,700,000	4,700,000
Children's special health services local health unit grants					69,768	69,768
Children's special health services grants to counties					248,056	248,056
Tobacco education and cessation program grants (community health trust fund)			250,000	500,000	395,000	260,000
Matching funds to counties and cities for senior citizen programs						
Senior citizen services and programs fund					2,056,984	2,297,942 [10]
Health care trust fund			250,000 [1]			
Energy development impact grants (oil and gas impact grant fund)	4,896,536	4,888,100	4,888,100	4,888,100	4,888,100	5,888,100
Grants to airports (Aeronautics Commission special funds collections)	1,370,000	1,570,000	1,820,000	1,962,500	2,447,126	2,950,000
Indian welfare assistance to counties (Department of Human Services "retained" funds)		1,654,654 [2]	2,068,007 [2]	1,964,607	1,964,607	1,964,607
Motor vehicle fuel tax and registration fee allocations[5]	109,158,411	112,600,000	116,500,000	118,400,000	129,600,000	130,100,000
Telecommunications tax allocations		8,400,000	16,800,000	16,800,000	16,800,000	16,800,000
Coal severance tax allocations[6]	15,816,453	15,235,854	14,685,000	15,800,000	15,400,000	16,000,000
Coal conversion tax allocations[6]	5,598,165	5,491,282	6,620,022	7,283,433	7,502,657	7,494,000
Oil and gas gross production tax allocations[7]	20,544,237	36,028,096	31,843,672	42,836,649	55,785,763	45,717,861
Cigarette tax allocations[8]	3,003,298	2,813,712	2,623,000	2,608,771	2,810,000	2,996,000
Total special funds (excluding school-related funding)	$221,315,700	$260,843,645	$279,423,062	$302,144,283	$341,994,104	$343,569,270
Total major direct assistance to political subdivisions (excluding school-related funding)	$233,073,561	$273,152,259	$306,917,295	$328,389,055	$368,566,393	$383,653,505

	1997-99	1999-2001	2001-03	2003-05	2005-07	2007-09
School-related assistance to political subdivisions						
General fund appropriations - School-related funding						
State school aid per student formula payments	$466,356,259	$479,006,259	$473,971,648	$489,379,990	$484,053,759	$649,965,879
Teacher compensation payments to school districts			35,036,000	51,854,000	50,912,120	
Special education - Gifted and talented per student payments					37,000,000	
School district reorganization bonuses			1,665,000	500,000	759,000	
Educational Technology Council grants	1,000,000	6,000,000	922,822	512,822	578,590	800,000
Special education	40,550,000	46,600,000	49,898,695	49,898,695		
Revenue supplement payments to school districts	3,100,000	3,100,000	2,200,000	5,000,000	5,000,000	
Transportation aid payments to school districts					33,500,000	33,500,000
Special education contracts					15,500,000	17,500,000
Average daily membership and declining enrollment payments		3,500,000				
Joint powers agreement incentives					1,000,000	
Technology reimbursement payment to schools	5,000,000					
Vocational education	8,922,014	9,520,929	9,573,929	10,386,541	13,846,810	13,317,216
School food services	1,100,000	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000
Adult education	900,000	900,000	900,000	920,000	1,055,000	1,055,000
School district antivirus licenses					210,900	280,900
School district information technology network costs					3,395,550	652,698
Total general fund - School-related funding	$526,928,273	$549,707,188	$575,248,094	$609,532,048	$647,891,729	$718,151,693
Percentage of total general fund appropriations	34.9%	34.0%	33.3%	33.5%	32.4%	29.2%
Special fund appropriations and revenue allocations - School-related funding						
State tuition fund distributions	$49,273,144	$53,528,217	$67,239,025	$69,495,371	$71,600,000	$76,200,000
Grants for adult education programs (displaced homemaker fund)[1]		237,500	240,000	240,000	240,000	240,000
Total special funds - School-related funding	$49,273,144	$53,765,717	$67,479,025	$69,735,371	$71,840,000	$76,440,000
Total major school-related assistance to political subdivisions	$576,201,417	$603,472,905	$642,727,119	$679,267,419	$719,731,729	$794,591,693
Total general fund assistance to political subdivisions	$538,686,134	$562,015,802	$602,742,327	$635,776,820	$674,464,018	$758,235,928
Total special fund assistance	$270,588,844	$314,609,362	$346,902,087	$371,879,654	$413,834,104	$420,009,270
Total major direct assistance to political subdivisions	$809,274,978	$876,625,164	$949,644,414	$1,007,656,474	$1,088,298,122	$1,178,245,198

1 Consists of $720,000 of state funding to providers for matching federal Title III funds and $1,262,945 for senior mill levy match for the 1999-2001 biennium and $720,000 of state funding to providers for matching Title III funds and $1,662,945 for senior mill levy match for the 2001-03 biennium. Of the 2001-03 biennium total, $1,412,945 is from the general fund and $250,000 is from the health care trust fund. The 2003-05 appropriation consists of $720,000 of state funding to providers for matching federal Title III funds and $1,662,945 for senior citizen mill levy match. The 2005-07 appropriation consists of $720,000 of state funding to providers for matching federal Title III funds in the Department of Human Services.

2 The 1997 Legislative Assembly appropriated an additional $619,000, for a total of $1,059,000 from the general fund, to reduce the impact on Indian counties of House Bill No. 1041, which provided for a "swap" of state and county human services financial responsibilities. For the 1999-2001 biennium the Legislative Assembly appropriated $121,766 from the general fund and $1,654,654 of "retained" funds for a total of $1,776,420. For the 2001-03 biennium the Legislative Assembly appropriated a total of $2,525,000, of which $456,993 is from the general fund and $2,068,007 is from "retained" funds.

3 The Legislative Assembly provides funding from the general fund for the statewide information technology network connections for kindergarten through grade 12 and public libraries, net of an e-rate credit.

4 The 1987 Legislative Assembly in House Bill No. 1590 provided that .6 of an equivalent of 1 percent of the sales, use, and motor vehicle excise tax shall be deposited into the state aid distribution fund to be used beginning July 1, 1989.

The 1997 Legislative Assembly in House Bill No. 1019 reduced the .6 to .4 of an equivalent of 1 percent of the sales, use, and motor vehicle excise tax to be deposited into the state aid distribution fund beginning January 1, 1999. The Legislative Assembly also added a continuing appropriation so all revenues deposited into the state aid distribution fund are appropriated for payments to political subdivisions. The change also eliminated the 50 percent for personal property tax replacement and 50 percent for revenue sharing and instead provided that 53.7 percent of the revenues in the fund be distributed to counties and 46.3 percent of the revenues be distributed to cities.

5 The gas tax allocation is based on the provisions that collection equivalent to one cent per gallon is allocated to townships and 37 percent of the money in the highway tax distribution fund is allocated to counties and cities.

6 Beginning in the 2001-03 biennium the coal severance tax allocation is based on the provision that 70 percent of the tax revenue is allocated among coal-producing counties. Previously, 35 percent had been allocated to coal-producing counties.

Beginning in the 2001-03 biennium the coal conversion tax allocation is based on the provision that 15 percent of the tax revenue is allocated to the county in which the plant is located. Previously, 35 percent had been allocated to the county in which the plant is located.

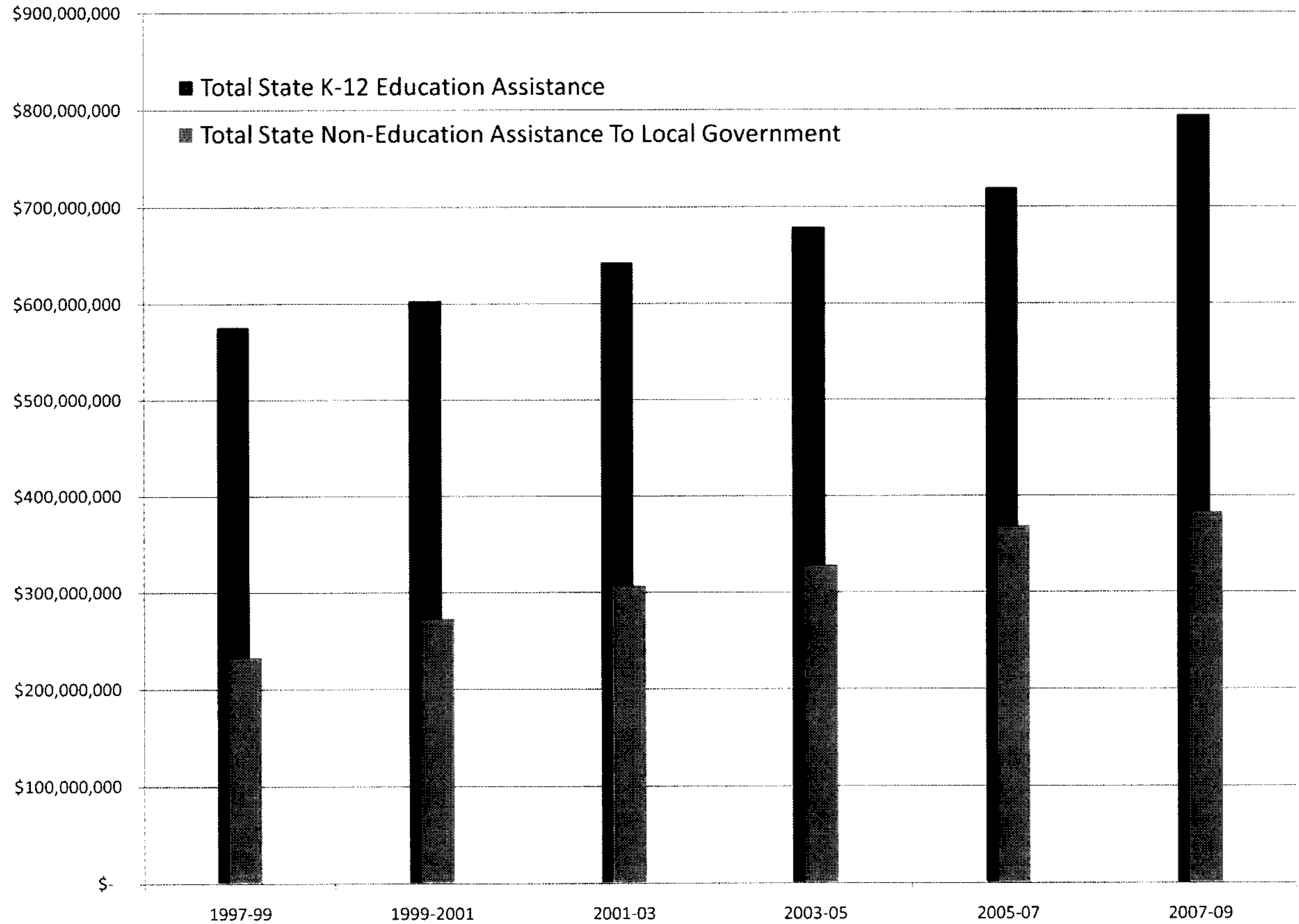
[7] The oil and gas gross production tax allocation is based on a formula which provides for a varying percentage of revenue to go to the producing county, based on the total amount of production tax revenue generated by the county. The total a county may receive is capped based on the population of the county.

[8] The cigarette tax allocation is based on the provision that 3 cents per regular package and 3.75 cents per larger package are distributed to cities based on population.

[9] Based on the 2001-03 general fund appropriation, excluding state agency allotments.

[10] The 2005 Legislative Assembly removed the senior citizen mill levy matching grant program from the Department of Human Services and provided, in Senate Bill No. 2267, that the State Treasurer distribute senior citizen mill levy matching grants pursuant to a continuing appropriation from the senior citizen services and programs fund. The fund consists of sales and use and motor vehicle excise tax collections equivalent to two-thirds of one mill levied statewide each year.

State Assistance To Local Government



Testimony 11

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Title.

Prepared by the Legislative Council staff for
Representative Kasper
March 9, 2009

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2199

Page 1, line 2, after "54-15-01.1" insert ", section 57-15-01.2,"

Page 1, line 3, after "grants" insert "and levy limitations for taxing districts", after "sections" insert "57-02-11, 57-12-05, 57-13-04,", and after "57-15-14" insert a comma

Page 1, line 5, after "districts" insert "and property assessment restrictions"

Page 1, after line 6, insert:

"**SECTION 1. AMENDMENT.** Section 57-02-11 of the North Dakota Century Code is amended and reenacted as follows:

57-02-11. Listing of property - Assessment thereof <u>- Limitations</u>. Property must be listed and assessed as follows:

1. All real property subject to taxation must be listed and assessed every year with reference to its value, on February first of that year.

2. <u>Notwithstanding any other provision of law, the taxable valuation of real property may not be increased by more than three and one-half percent from its taxable valuation from the previous taxable year unless:</u>

   <u>a.</u> <u>Improvements have been made on the property which were not subject to assessment in the previous taxable year, in which case the taxable valuation of the property, without the improvements, from the previous taxable year may not be increased by more than three and one-half percent and the taxable valuation of the improvements may be added. For purposes of this subdivision, "taxable valuation of the improvements" means the value determined by comparison with taxable valuation of comparable property; or</u>

   <u>b.</u> <u>The classification of the property has changed from the previous taxable year.</u>

<u>3.</u> Whenever after the first day of February and before the first day of April in any year, it is made to appear to the assessor by the oath of the owner that any building, structure, or other improvement, or tangible personal property, which is listed for taxation for the current year has been destroyed or injured by fire, flood, or tornado, the assessor shall investigate the matter and deduct from the valuation of the property of the owner of such destroyed property an amount which in the assessor's judgment fairly represents such deduction as should be made.

<u>4.</u> <u>The governing body of a city or county may not supersede this section under home rule authority.</u>

SECTION 2. AMENDMENT. Section 57-12-05 of the North Dakota Century Code is amended and reenacted as follows:

57-12-05. Requirements to be followed in equalization of individual assessments. The county board of equalization, when equalizing individual assessments, shall observe the following rules:

1. The valuation of each tract or lot of real property which is returned below its true and full value must be raised to the sum believed by such board to be the true and full value thereof.

2. The valuation of each tract or lot of real property which, in the opinion of the board, is returned above its true and full value must be reduced to such sum as is believed to be the true and full value thereof.

<u>3.</u> <u>The board may not make any adjustment in taxable valuation of property which would exceed the limitations of subsection 2 of section 57-02-11.</u>

SECTION 3. AMENDMENT. Section 57-13-04 of the North Dakota Century Code is amended and reenacted as follows:

57-13-04. General duties and powers of board. The state board of equalization shall equalize the valuation and assessment of property throughout the state, and has power to equalize the assessment of property in this state between assessment districts of the same county, and between the different counties of the state. It shall:

1. Equalize the assessment of real property by adding to the aggregate value thereof in any assessment district in a county and in every county in the state in which the board may believe the valuation too low, such percentage rate as will raise the same to its proper value as provided by law, and by deducting from the aggregate assessed value thereof, in any assessment district in a county and every county in the state in which the board may believe the value too high, such percentage as will reduce the same to its proper value as provided by law. City lots must be equalized in the manner provided for equalizing other real property.

2. In making such equalization, add to or deduct from the aggregate assessed valuation of lands and city lots such percentage as may be deemed by the board to be equitable and just, but in all cases of addition to or deduction from the assessed valuation of any class of property in the several assessment districts in each county and in the several counties of the state, or throughout the state, the percentage rate of addition or deduction must be even and not fractional.

3. In equalizing individual assessments:

   a. If it believes an assessment to be too high, the board may reduce the assessment on any separate piece or parcel of real estate if the taxpayer has appealed such assessment to the board either by appearing personally or by a representative before the board or by mail or other communication to the board in which the taxpayer's reasons for asking for the reduction are made known to the board. The board does not have authority to reduce an assessment until the taxpayer has established to the satisfaction of the board that the taxpayer had first appealed the assessment to the local equalization board of the taxing district in which the property was assessed and to the county board of equalization of the county in which the property was assessed.

   b. If it believes an assessment to be too low, the board may increase the assessment on any separate piece or parcel of real estate. The secretary of the board, by mail sent to the last-known address of the owner to whom the property was assessed, shall notify such person of the amount of increase made by the board in such assessment.

c. The percentage of reduction or increase made by the board under this subsection in any assessment must be a whole-numbered amount and not a fractional amount.

4. The board may not make any adjustment in taxable valuation of property which would exceed the limitations of subsection 2 of section 57-02-11."

Page 1, after line 16, insert:

"**SECTION 5.** Section 57-15-01.2 of the North Dakota Century Code is created and enacted as follows:

57-15-01.2. Limitation on levies by taxing districts.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section limits that authority. This section may not be interpreted as authority to increase any levy limitation otherwise provided by law and may be applied only to limit any unused or excess levy authority that a taxing district may otherwise be entitled to use. Property taxes levied in dollars by a taxing district against a parcel of property may not exceed the amount the taxing district levied in dollars against that parcel of property in the preceding taxable year by more than three and one-half percent, except:

   a. When improvements to property have been made which were not taxable in the previous taxable year, the additional taxable valuation attributable to the improvements is taxable without regard to the limitation under this subsection but the limitation on the taxable valuation of the improvements under subdivision a of subsection 2 of section 57-02-11 applies to those improvements.

   b. When a property tax exemption existed in the previous taxable year which has been reduced or does not exist, the portion of the taxable valuation of the property which is no longer exempt is not subject to the limitation in this subsection.

   c. When temporary mill levy increases authorized by the electors of the taxing district or mill levies authorized by state law existed in the previous taxable year but are no longer applicable or have been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increases and the reduced or eliminated mill levies authorized by state law before the percentage increase allowable under this subsection is applied.

   d. For a school district, the amount levied in dollars in the previous taxable year by the school district must be adjusted to reflect any increase or decrease determined for the school district under section 4 of this Act.

2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:

   a. New or increased mill levies authorized by state law or the electors of the taxing district which did not exist in the previous taxable year.

   b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota.

   c. Levies for a building fund or capital improvements.

d. Levies for fire protection, law enforcement, or emergency services.

e. Budget expenditures for substantial equipment purchases for infrastructure maintenance, repair, or construction such as road equipment, mowers, equipment for collection of solid waste, and similar equipment but not including office or computer equipment.

3. The mill rate applied to property that was not taxed in the previous taxable year may not exceed the mill rate determined by law for the current taxable year for property that was taxed in the previous taxable year.

4. Application of this section may be suspended and additional levy authority approved for a taxing district for up to four taxable years upon approval by a majority of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district. A taxing district may not expend funds of the taxing district to promote voter approval of a ballot measure under this subsection.

5. The governing body of a city or county may not supersede this section under home rule authority."

Page 6, line 12, replace ", 2, and 3" with "through 5"

Renumber accordingly

Pinkerton

200[illegible]1 Property Tax Relief Proposal

GF Levy3 = General Fund, Tuition and Transportation Levies.
Tax Relief wsu allocation = district wsu * $5,000.
Limits: Minimum levy effort of 40 mills to qualify for any reduction.
Max mill reduction of 150 mills.

Minimum GF Levy3 Requirement	40
Maximum GF Levy3 Reduction	150
Per wsu rate	5,000

The relief amount is the lesser of the mill levy relief limits or a wsu allocation. The model distributes $190,302,915 million.

source: 2008-09 State Aid Formula Statistics @ February, actual data from 2007-2008.

CoDist	Entity Name	Total Weighted Student Units (wsu)	Calendar 2007 Residential Agricultural Taxable Valuation	General Fund Levy	GFLevy3	Maximum Levy Reduction (Max reduction 150 mills, Min Reqmt 40 mills)	Maximum Relief Allowed	Tax Relief wsu allocation	Lesser of wsu allocation or Maximum Relief Allowed	Mill Levy Reduction	**Adjusted GF Levy**	Adjusted GF Levy 3
18-125	Manvel 125	197.43	3,906,472	63.04	190.42	150.00	585,971	987,150	585,971	150.00	**(86.96)**	40.42
08-039	Apple Creek 39	75.60	2,500,072	94.45	214.99	150.00	375,011	378,000	375,011	150.00	**(55.55)**	64.99
51-004	Nedrose 4	236.82	3,788,826	97.86	191.97	150.00	568,324	1,184,100	568,324	150.00	**(52.14)**	41.97
17-006	Lone Tree 6	39.41	1,215,600	103.86	232.18	150.00	182,340	197,050	182,340	150.00	**(46.14)**	82.18
30-017	Sweet Briar 17	10.00	280,151	79.40	136.20	96.20	26,951	50,000	26,951	96.20	**(16.80)**	40.00
51-070	S Prairie 70	187.33	3,725,499	108.98	161.82	121.82	453,840	936,650	453,840	121.82	**(12.84)**	40.00
53-008	New 8	233.03	6,983,138	116.12	167.94	127.94	893,423	1,165,150	893,423	127.94	**(11.82)**	40.00
04-001	Billings Co 1	58.21	2,530,271	-	34.10	-	-	291,050	-	-	**-**	34.10
13-037	Twin Buttes 37	53.63	99,116	-	-	-	-	268,150	-	-	**-**	-
40-007	Belcourt 7	1,664.61	332,131	-	-	-	-	8,323,050	-	-	**-**	-
08-029	Baldwin 29	24.93	915,279	137.03	218.23	150.00	137,292	124,650	124,650	136.19	**0.84**	82.04
51-019	Eureka 19	10.70	852,555	68.86	155.14	115.14	98,163	53,500	53,500	62.75	**6.11**	92.39
27-032	Horse Creek 32	7.05	371,957	26.17	58.16	18.16	6,755	35,250	6,755	18.16	**8.01**	40.00
27-014	Yellowstone 14	103.01	1,055,604	155.00	181.79	141.79	149,674	515,050	149,674	141.79	**13.21**	40.00
44-012	Marmarth 12	24.06	615,689	22.38	49.04	9.04	5,566	120,300	5,566	9.04	**13.34**	40.00
09-007	Mapleton 7	97.53	3,143,433	164.68	227.48	150.00	471,515	487,650	471,515	150.00	**14.68**	77.48
03-016	Oberon 16	63.33	975,022	146.29	170.24	130.24	126,987	316,650	126,987	130.24	**16.05**	40.00
27-018	Earl 18	11.09	338,962	16.37	20.31	-	-	55,450	-	-	**16.37**	20.31
30-004	Little Heart 4	12.00	548,373	133.90	195.70	150.00	82,256	60,000	60,000	109.41	**24.49**	86.29
44-032	Central Elementary 32	5.34	1,404,582	27.98	27.98	-	-	26,700	-	-	**27.98**	27.98
08-045	Manning 45	9.34	254,875	178.49	274.97	150.00	38,231	46,700	38,231	150.00	**28.49**	124.97
25-057	Drake 57	136.33	2,925,494	161.91	171.68	131.68	385,229	681,650	385,229	131.68	**30.23**	40.00
01-013	Hettinger 13	353.11	5,898,075.00	159.39	168.82	128.82	759,790	1,765,550	759,790	128.82	**30.57**	40.00
19-018	Roosevelt 18	149.34	2,453,064	169.89	177.62	137.62	337,591	746,700	337,591	137.62	**32.27**	40.00
40-001	Dunseith 1	585.24	1,391,396	155.00	162.53	122.53	170,488	2,926,200	170,488	122.53	**32.47**	40.00
28-008	Underwood 8	244.24	4,200,259	169.19	176.01	136.01	571,277	1,221,200	571,277	136.01	**33.18**	40.00
26-009	Ashley 9	170.60	3,748,936	168.32	174.25	134.25	503,295	853,000	503,295	134.25	**34.07**	40.00

20[illegible]1 Property Tax Relief Proposal

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Limits: Minimum levy effort of 40 mills to qualify for any reduction.
Max mill reduction of 150 mills.

Minimum GF Levy3 Requirement	40
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Per wsu rate	5,000

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source: 2008-09 State Aid Formula Statistics @ February, actual data from 2007-2008.

CoDist	Entity Name	Total Weighted Student Units (wsu)	Residential Agricultural Taxable Valuation	General Fund Levy	GFLevy3	Maximum Levy Reduction (Max reduction 150 mills, Min Reqmt 40 mills)	Maximum Relief Allowed	Tax Relief wsu allocation	Lesser of wsu allocation or Maximum Relief Allowed	Mill Levy Reduction	**Adjusted GF Levy**	Adjusted GF Levy 3
51-161	Lewis and Clark 161	428.21	6,952,909	173.53	178.74	138.74	964,647	2,141,050	964,647	138.74	**34.79**	40.00
41-002	Milnor 2	351.50	3,239,770	183.17	188.22	148.22	480,199	1,757,500	480,199	148.22	**34.95**	40.00
37-006	Ft Ransom 6	32.01	1,008,870	185.00	238.16	150.00	151,331	160,050	151,331	150.00	**35.00**	88.16
39-028	Lidgerwood 28	248.55	3,741,230	185.00	190.61	150.00	561,185	1,242,750	561,185	150.00	**35.00**	40.61
47-001	Jamestown 1	2,394.39	24,216,852	185.00	192.03	150.00	3,632,528	11,971,950	3,632,528	150.00	**35.00**	42.03
51-001	Minot 1	7,224.35	62,717,929	185.00	191.99	150.00	9,407,689	36,121,750	9,407,689	150.00	**35.00**	41.99
18-127	Emerado 127	99.58	1,951,831	185.09	275.13	150.00	292,775	497,900	292,775	150.00	**35.09**	125.13
41-003	N Sargent 3	300.46	2,378,179	173.49	177.82	137.82	327,761	1,502,300	327,761	137.82	**35.67**	40.00
50-020	Minto 20	266.36	3,928,111	185.00	189.01	149.01	585,328	1,331,800	585,328	149.01	**35.99**	40.00
41-006	Sargent Central 6	320.92	7,415,237	185.00	189.01	149.01	1,104,944	1,604,600	1,104,944	149.01	**35.99**	40.00
34-012	Valley 12	186.59	3,663,771	186.12	197.49	150.00	549,566	932,950	549,566	150.00	**36.12**	47.49
34-043	St Thomas 43	131.33	3,056,738	186.35	209.34	150.00	458,511	656,650	458,511	150.00	**36.35**	59.34
09-006	West Fargo 6	6,770.67	71,386,433	185.00	188.26	148.26	10,583,753	33,853,350	10,583,753	148.26	**36.74**	40.00
48-010	North Star 10	341.67	6,523,188	154.63	157.66	117.66	767,518	1,708,350	767,518	117.66	**36.97**	40.00
36-001	Devils Lake 1	1,854.78	14,314,747	185.00	188.00	148.00	2,118,583	9,273,900	2,118,583	148.00	**37.00**	40.00
50-078	Park River 78	468.46	5,636,501	185.00	188.00	148.00	834,202	2,342,300	834,202	148.00	**37.00**	40.00
42-016	Goodrich 16	51.05	1,714,404	186.17	189.26	149.26	255,892	255,250	255,250	148.89	**37.28**	40.37
08-033	Menoken 33	26.31	1,092,918	158.64	200.21	150.00	163,938	131,550	131,550	120.37	**38.27**	79.84
39-037	Wahpeton 37	1,387.84	14,485,767	185.00	186.65	146.65	2,124,338	6,939,200	2,124,338	146.65	**38.35**	40.00
02-002	Valley City 2	1,168.25	13,300,175	185.00	186.32	146.32	1,946,082	5,841,250	1,946,082	146.32	**38.68**	40.00
05-054	Newburg-United 54	107.74	3,563,025	167.25	168.26	128.26	456,994	538,700	456,994	128.26	**38.99**	40.00
40-029	Rolette 29	216.56	2,777,785	189.43	192.43	150.00	416,668	1,082,800	416,668	150.00	**39.43**	42.43
53-006	Eight Mile 6	270.65	651,996	170.27	170.27	130.27	84,936	1,353,250	84,936	130.27	**40.00**	40.00
47-019	Kensal 19	77.93	1,731,742	185.00	185.00	145.00	251,103	389,650	251,103	145.00	**40.00**	40.00
43-004	Ft Yates 4	284.77	473,620	185.00	185.00	145.00	68,675	1,423,850	68,675	145.00	**40.00**	40.00
28-050	Max 50	219.65	3,001,867	178.46	178.46	138.46	415,639	1,098,250	415,639	138.46	**40.00**	40.00
36-044	Starkweather 44	126.81	2,814,595	175.43	175.43	135.43	381,181	634,050	381,181	135.43	**40.00**	40.00

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CoDist	Entity Name	Total Weighted Student Units (wsu)	Residential Agricultural Taxable Valuation	General Fund Levy	GFLevy3	Maximum Levy Reduction (Max reduction 150 mills, Min Reqmt 40 mills)	Maximum Relief Allowed	Tax Relief wsu allocation	Lesser of wsu allocation or Maximum Relief Allowed	Mill Levy Reduction	**Adjusted GF Levy**	Adjusted GF Levy 3
53-002	Nesson 2	211.05	3,595,020	172.83	172.83	132.83	477,527	1,055,250	477,527	132.83	**40.00**	40.00
51-016	Sawyer 16	181.16	2,522,184	185.00	185.00	145.00	365,717	905,800	365,717	145.00	**40.00**	40.00
53-099	Grenora 99	117.14	3,706,349	185.00	185.00	145.00	537,421	585,700	537,421	145.00	**40.00**	40.00
07-036	Burke Central 36	123.69	2,816,412	171.41	171.41	131.41	370,105	618,450	370,105	131.41	**40.00**	40.00
40-004	Mt Pleasant 4	321.74	3,464,341	180.03	180.03	140.03	485,112	1,608,700	485,112	140.03	**40.00**	40.00
45-013	Belfield 13	285.04	1,269,744	185.00	185.00	145.00	184,113	1,425,200	184,113	145.00	**40.00**	40.00
18-129	Northwood 129	308.39	5,417,170	184.06	184.06	144.06	780,398	1,541,950	780,398	144.06	**40.00**	40.00
39-008	Hankinson 8	376.62	5,124,779	180.87	180.87	140.87	721,928	1,883,100	721,928	140.87	**40.00**	40.00
03-005	Minnewaukan 5	282.75	1,508,175	180.17	180.17	140.17	211,401	1,413,750	211,401	140.17	**40.00**	40.00
38-026	Glenburn 26	333.37	3,662,543	185.00	185.00	145.00	531,069	1,666,850	531,069	145.00	**40.00**	40.00
15-015	Strasburg 15	203.74	2,691,440	166.54	166.54	126.54	340,575	1,018,700	340,575	126.54	**40.00**	40.00
31-003	Parshall 3	348.91	3,320,657	179.70	179.70	139.70	463,896	1,744,550	463,896	139.70	**40.00**	40.00
25-001	Velva 1	445.15	5,990,077	163.69	163.69	123.69	740,913	2,225,750	740,913	123.69	**40.00**	40.00
06-001	Bowman County 1	517.21	6,458,812	161.21	161.21	121.21	782,873	2,586,050	782,873	121.21	**40.00**	40.00
13-016	Killdeer 16	417.99	3,766,112	158.78	158.78	118.78	447,339	2,089,950	447,339	118.78	**40.00**	40.00
03-029	Warwick 29	298.09	1,219,159	155.66	155.66	115.66	141,008	1,490,450	141,008	115.66	**40.00**	40.00
08-025	Naughton 25	9.03	300,428	166.13	166.13	126.13	37,893	45,150	37,893	126.13	**40.00**	40.00
47-010	Pingree-Buchanan	202.18	3,170,809	177.00	177.00	137.00	434,401	1,010,900	434,401	137.00	**40.00**	40.00
21-001	Mott-Regent 1	306.15	7,133,725	165.00	165.00	125.00	891,716	1,530,750	891,716	125.00	**40.00**	40.00
28-004	Washburn 4	352.08	4,759,332	155.92	155.92	115.92	551,702	1,760,400	551,702	115.92	**40.00**	40.00
26-019	Wishek 19	288.04	3,901,616	176.02	176.02	136.02	530,698	1,440,200	530,698	136.02	**40.00**	40.00
42-019	McClusky 19	126.39	2,585,250	186.11	186.11	146.11	377,731	631,950	377,731	146.11	**40.00**	40.00
38-001	Mohall-Lansford-Sherwood	431.56	8,756,618	167.02	167.02	127.02	1,112,266	2,157,800	1,112,266	127.02	**40.00**	40.00
50-106	Edinburg 106	141.15	1,884,223	189.78	189.78	149.78	282,219	705,750	282,219	149.78	**40.00**	40.00
07-014	Bowbells 14	83.14	2,485,293	157.57	157.57	117.57	292,196	415,700	292,196	117.57	**40.00**	40.00
34-006	Cavalier 6	504.62	8,096,764	185.96	185.96	145.96	1,181,804	2,523,100	1,181,804	145.96	**40.00**	40.00
20-018	Griggs County Central 18	361.89	5,519,252	190.00	190.00	150.00	827,888	1,809,450	827,888	150.00	**40.00**	40.00

20 1 Property Tax Relief Proposal

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16-049	Carrington 49	640.52	9,557,103	159.69	159.69	119.69	1,143,890	3,202,600	1,143,890	119.69	**40.00**	40.00
09-002	Kindred 2	715.22	12,884,613	166.50	166.50	126.50	1,629,904	3,576,100	1,629,904	126.50	**40.00**	40.00
47-003	Medina 3	208.30	2,897,889	185.00	185.00	145.00	420,194	1,041,500	420,194	145.00	**40.00**	40.00
25-060	TGU 60	391.58	7,314,783	171.96	171.96	131.96	965,259	1,957,900	965,259	131.96	**40.00**	40.00
37-019	Lisbon 19	704.14	7,824,019	185.00	185.00	145.00	1,134,483	3,520,700	1,134,483	145.00	**40.00**	40.00
12-001	Divide County 1	331.09	7,446,206	122.95	122.95	82.95	617,663	1,655,450	617,663	82.95	**40.00**	40.00
30-048	Glen Ullin 48	210.13	2,852,936	169.06	169.06	129.06	368,200	1,050,650	368,200	129.06	**40.00**	40.00
29-003	Hazen 3	693.59	5,529,130	185.00	185.00	145.00	801,724	3,467,950	801,724	145.00	**40.00**	40.00
27-001	McKenzie Co 1	577.19	6,804,879	156.38	156.38	116.38	791,952	2,885,950	791,952	116.38	**40.00**	40.00
31-001	New Town 1	778.64	2,629,786	180.97	180.97	140.97	370,721	3,893,200	370,721	140.97	**40.00**	40.00
11-041	Oakes 41	547.08	8,273,571	185.00	185.00	145.00	1,199,668	2,735,400	1,199,668	145.00	**40.00**	40.00
52-038	Harvey 38	471.74	6,608,967	182.17	182.17	142.17	939,597	2,358,700	939,597	142.17	**40.00**	40.00
03-009	Maddock 9	243.84	4,036,875	171.74	171.74	131.74	531,818	1,219,200	531,818	131.74	**40.00**	40.00
09-017	Central Cass 17	887.32	14,659,999	156.33	156.33	116.33	1,705,398	4,436,600	1,705,398	116.33	**40.00**	40.00
02-046	Litchville-Marion 46	194.86	6,792,997	162.68	162.68	122.68	833,365	974,300	833,365	122.68	**40.00**	40.00
29-027	Beulah 27	791.45	7,766,868	185.00	185.00	145.00	1,126,196	3,957,250	1,126,196	145.00	**40.00**	40.00
45-009	South Heart 9	303.31	2,669,472	159.40	159.40	119.40	318,735	1,516,550	318,735	119.40	**40.00**	40.00
24-002	Napoleon 2	316.79	3,813,424	176.84	176.84	136.84	521,829	1,583,950	521,829	136.84	**40.00**	40.00
37-024	Enderlin Area 24	389.54	5,657,745	166.07	166.07	126.07	713,272	1,947,700	713,272	126.07	**40.00**	40.00
35-005	Rugby 5	609.77	8,794,875	185.00	185.00	145.00	1,275,257	3,048,850	1,275,257	145.00	**40.00**	40.00
18-044	Larimore 44	499.31	6,963,358	185.00	185.00	145.00	1,009,687	2,496,550	1,009,687	145.00	**40.00**	40.00
32-001	Dakota Prairie 1	335.75	9,534,682	185.00	185.00	145.00	1,382,529	1,678,750	1,382,529	145.00	**40.00**	40.00
28-051	Garrison 51	385.17	7,324,788	163.00	163.00	123.00	900,949	1,925,850	900,949	123.00	**40.00**	40.00
49-009	Hillsboro 9	442.78	7,245,834	185.00	185.00	145.00	1,050,646	2,213,900	1,050,646	145.00	**40.00**	40.00
34-100	North Border 100	595.58	10,019,496	185.00	185.00	145.00	1,452,827	2,977,900	1,452,827	145.00	**40.00**	40.00
30-001	Mandan 1	3,460.93	34,157,350	185.00	185.00	145.00	4,952,816	17,304,650	4,952,816	145.00	**40.00**	40.00
15-036	Linton 36	379.01	3,761,580	168.97	168.97	128.97	485,131	1,895,050	485,131	128.97	**40.00**	40.00

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23-003	Edgeley 3	280.94	5,760,493	180.71	180.71	140.71	810,559	1,404,700	810,559	140.71	**40.00**	40.00
30-013	Hebron 13	236.43	2,490,196	165.97	165.97	125.97	313,690	1,182,150	313,690	125.97	**40.00**	40.00
39-018	Fairmount 18	166.18	2,243,354	188.06	188.06	148.06	332,151	830,900	332,151	148.06	**40.00**	40.00
52-025	Fessenden-Bowdon 25	221.18	6,568,133	156.61	156.61	116.61	765,910	1,105,900	765,910	116.61	**40.00**	40.00
02-007	Barnes County North 7	410.10	9,673,759	167.93	167.93	127.93	1,237,564	2,050,500	1,237,564	127.93	**40.00**	40.00
05-017	Westhope 17	171.19	3,559,901	165.14	165.14	125.14	445,486	855,950	445,486	125.14	**40.00**	40.00
24-056	Gackle-Streeter 56	138.70	4,935,045	157.05	157.05	117.05	577,647	693,500	577,647	117.05	**40.00**	40.00
45-001	Dickinson 1	2,725.91	28,731,456	185.00	185.00	145.00	4,166,061	13,629,550	4,166,061	145.00	**40.00**	40.00
31-002	Stanley 2	422.30	5,317,945	185.00	185.00	145.00	771,102	2,111,500	771,102	145.00	**40.00**	40.00
09-097	Northern Cass	562.95	10,188,690	183.85	183.85	143.85	1,465,643	2,814,750	1,465,643	143.85	**40.00**	40.00
50-005	Fordville-Lankin 5	112.79	2,857,423	166.03	166.03	126.03	360,121	563,950	360,121	126.03	**40.00**	40.00
21-009	New England 9	203.64	5,047,752	185.00	185.00	145.00	731,924	1,018,200	731,924	145.00	**40.00**	40.00
23-008	LaMoure 8	372.17	6,242,319	158.01	158.01	118.01	736,656	1,860,850	736,656	118.01	**40.00**	40.00
28-072	Turtle Lake-Mercer 72	221.06	4,892,822	166.35	166.35	126.35	618,208	1,105,300	618,208	126.35	**40.00**	40.00
15-006	Hazelton-Moffit-Braddock 6	184.14	3,722,947	160.41	160.41	120.41	448,280	920,700	448,280	120.41	**40.00**	40.00
10-023	Langdon Area 23	467.93	13,279,193	155.00	155.00	115.00	1,527,107	2,339,650	1,527,107	115.00	**40.00**	40.00
05-001	Bottineau 1	709.05	11,208,706	155.00	155.00	115.00	1,289,001	3,545,250	1,289,001	115.00	**40.00**	40.00
22-001	Kidder County 10	487.99	8,651,984	155.00	155.00	115.00	994,978	2,439,950	994,978	115.00	**40.00**	40.00
18-061	Thompson 61	442.88	6,169,851	184.81	184.81	144.81	893,456	2,214,400	893,456	144.81	**40.00**	40.00
53-001	Williston 1	2,319.72	16,424,731	188.33	188.33	148.33	2,436,280	11,598,600	2,436,280	148.33	**40.00**	40.00
26-004	Zeeland 4	73.09	1,254,395	176.98	176.98	136.98	171,827	365,450	171,827	136.98	**40.00**	40.00
14-002	New Rockford-Sheyenne 2	441.06	5,601,393	165.00	165.00	125.00	700,174	2,205,300	700,174	125.00	**40.00**	40.00
49-014	May-Port CG 14	600.91	10111437	185.00	185.00	145.00	1,466,158	3,004,550	1,466,158	145.00	**40.00**	40.00
51-007	United 7	617.94	6,841,460	179.08	179.08	139.08	951,510	3,089,700	951,510	139.08	**40.00**	40.00
36-002	Edmore 2	108.69	4,736,738	150.00	150.00	110.00	521,041	543,450	521,041	110.00	**40.00**	40.00
32-066	Lakota 66	280.91	4,274,829	185.00	185.00	145.00	619,850	1,404,550	619,850	145.00	**40.00**	40.00
30-039	Flasher 39	295.53	3,206,751	185.19	185.19	145.19	465,588	1,477,650	465,588	145.19	**40.00**	40.00

GF Levy3 = General Fund, Tuition and Transportation Levies.
Tax Relief wsu allocation = district wsu * $5,000.
Limits: Minimum levy effort of 40 mills to qualify for any reduction.
Max mill reduction of 150 mills.

Minimum GF Levy3 Requirement	40
Maximum GF Levy3 Reduction	150
Per wsu rate	5,000

The relief amount is the lesser of the mill levy relief limits or a wsu allocation. The model distributes $190,302,915 million.

source: 2008-09 State Aid Formula Statistics @ February, actual data from 2007-2008.

CoDist	Entity Name	Total Weighted Student Units (wsu)	Residential Agricultural Taxable Valuation	General Fund Levy	GFLevy3	Maximum Levy Reduction (Max reduction 150 mills, Min Reqmt 40 mills)	Maximum Relief Allowed	Tax Relief wsu allocation	Lesser of wsu allocation or Maximum Relief Allowed	Mill Levy Reduction	**Adjusted GF Levy**	Adjusted GF Levy 3
50-003	Grafton 3	991.71	8,148,679	185.00	185.00	145.00	1,181,558	4,958,550	1,181,558	145.00	**40.00**	40.00
10-019	Munich 19	149.06	4,329,337	161.05	161.05	121.05	524,066	745,300	524,066	121.05	**40.00**	40.00
09-004	Maple Valley 4	336.23	7,796,906	177.54	177.54	137.54	1,072,386	1,681,150	1,072,386	137.54	**40.00**	40.00
11-040	Ellendale 40	379.43	6,511,950	179.45	179.45	139.45	908,091	1,897,150	908,091	139.45	**40.00**	40.00
51-028	Kenmare 28	347.40	6,595,967	181.47	181.47	141.47	933,131	1,737,000	933,131	141.47	**40.00**	40.00
08-028	Wing 28	129.78	2,207,946	160.08	160.08	120.08	265,130	648,900	265,130	120.08	**40.00**	40.00
06-033	Scranton 33	196.84	3,123,597	151.21	151.21	111.21	347,375	984,200	347,375	111.21	**40.00**	40.00
39-044	Richland 44	362.36	5,890,196	185.00	185.00	145.00	854,078	1,811,800	854,078	145.00	**40.00**	40.00
39-042	Wyndmere 42	293.08	5,765,875	163.27	163.27	123.27	710,759	1,465,400	710,759	123.27	**40.00**	40.00
53-015	Tioga 15	334.38	3,259,771	153.37	153.37	113.37	369,560	1,671,900	369,560	113.37	**40.00**	40.00
23-007	Kulm 7	137.21	4,767,474	178.77	178.77	138.77	661,582	686,050	661,582	138.77	**40.00**	40.00
03-006	Leeds 6	208.03	3,942,470	166.52	166.52	126.52	498,801	1,040,150	498,801	126.52	**40.00**	40.00
46-019	Finley-Sharon 19	229.86	4,233,554	185.00	185.00	145.00	613,865	1,149,300	613,865	145.00	**40.00**	40.00
30-007	New Salem 7	366.95	4,469,968	161.19	161.19	121.19	541,715	1,834,750	541,715	121.19	**40.00**	40.00
33-001	Center-Stanton 1	294.49	4,470,797	170.04	170.04	130.04	581,382	1,472,450	581,382	130.04	**40.00**	40.00
46-010	Hope 10	148.75	3,571,986	173.17	173.17	133.17	475,681	743,750	475,681	133.17	**40.00**	40.00
49-003	Central Valley 3	309.31	4,175,886	157.05	157.05	117.05	488,787	1,546,550	488,787	117.05	**40.00**	40.00
45-034	Richardton-Taylor 34	307.47	3,590,610	185.00	185.00	145.00	520,638	1,537,350	520,638	145.00	**40.00**	40.00
28-001	Montefiore 1	289.01	3,481,440	164.76	164.76	124.76	434,344	1,445,050	434,344	124.76	**40.00**	40.00
09-080	Page 80	109.38	3,379,407	166.72	166.72	126.72	428,238	546,900	428,238	126.72	**40.00**	40.00
07-027	Powers Lake 27	139.66	1,864,788	185.00	185.00	145.00	270,394	698,300	270,394	145.00	**40.00**	40.00
17-003	Beach 3	350.61	3,261,109	155.31	155.31	115.31	376,038	1,753,050	376,038	115.31	**40.00**	40.00
47-014	Montpelier 14	137.08	2,563,272	185.00	185.00	145.00	371,674	685,400	371,674	145.00	**40.00**	40.00
50-128	Adams 128	73.30	1,986,240	169.84	169.84	129.84	257,893	366,500	257,893	129.84	**40.00**	40.00
43-008	Selfridge 8	66.36	1,369,871	184.27	184.27	144.27	197,631	331,800	197,631	144.27	**40.00**	40.00
27-002	Alexander 2	104.10	1,847,424	168.89	168.89	128.89	238,114	520,500	238,114	128.89	**40.00**	40.00
40-003	St John 3	368.43	763,820	161.47	161.47	121.47	92,781	1,842,150	92,781	121.47	**40.00**	40.00

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Limits: Minimum levy effort of 40 mills to qualify for any reduction.
Max mill reduction of 150 mills.

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The relief amount is the lesser of the mill levy relief limits or a wsu allocation. The model distributes $190,302,915 million.

source: 2008-09 State Aid Formula Statistics @ February, actual data from 2007-2008.

CoDist	Entity Name	Total Weighted Student Units (wsu)	Residential Agricultural Taxable Valuation	General Fund Levy	GFLevy3	Maximum Levy Reduction (Max reduction 150 mills, Min Reqmt 40 mills)	Maximum Relief Allowed	Tax Relief wsu allocation	Lesser of wsu allocation or Maximum Relief Allowed	Mill Levy Reduction	**Adjusted GF Levy**	Adjusted GF Levy 3
28-085	White Shield 85	145.06	316,056	185.00	185.00	145.00	45,828	725,300	45,828	145.00	**40.00**	40.00
43-003	Solen 3	216.40	531,417	185.00	185.00	145.00	77,055	1,082,000	77,055	145.00	**40.00**	40.00
27-036	Mandaree 36	231.18	40,787	76.19	76.19	36.19	1,476	1,155,900	1,476	36.19	**40.00**	40.00
48-028	North Central 28	90.15	3,609,004	165.54	165.54	125.54	453,074	450,750	450,750	124.90	**40.64**	40.64
18-128	Midway 128	300.13	5,910,700	191.36	191.36	150.00	886,605	1,500,650	886,605	150.00	**41.36**	41.36
13-019	Halliday 19	42.89	1,677,357	170.63	170.63	130.63	219,113	214,450	214,450	127.85	**42.78**	42.78
03-030	Ft Totten 30	186.28	85,766	192.90	328.05	150.00	12,865	931,400	12,865	150.00	**42.90**	178.05
20-007	Midkota 7	150.13	5,384,456	185.00	185.00	145.00	780,746	750,650	750,650	139.41	**45.59**	45.59
51-041	Surrey 41	393.03	3,389,228	197.71	197.71	150.00	508,384	1,965,150	508,384	150.00	**47.71**	47.71
08-035	Sterling 35	38.40	1,535,334	173.44	244.15	150.00	230,300	192,000	192,000	125.05	**48.39**	119.10
18-001	Grand Forks 1	7,839.36	79,088,562	198.96	198.96	150.00	11,863,284	39,196,800	11,863,284	150.00	**48.96**	48.96
25-014	Anamoose 14	96.44	1,582,734	201.51	201.51	150.00	237,410	482,200	237,410	150.00	**51.51**	51.51
22-014	Robinson 14	28.26	1,269,860	164.57	164.57	124.57	158,186	141,300	141,300	111.27	**53.30**	53.30
34-019	Drayton 19	175.00	4,255,818	203.48	208.44	150.00	638,373	875,000	638,373	150.00	**53.48**	58.44
49-007	Hatton 7	293.52	3,792,560	203.50	203.50	150.00	568,884	1,467,600	568,884	150.00	**53.50**	53.50
08-001	Bismarck 1	11,717.48	140,423,018	205.71	205.71	150.00	21,063,453	58,587,400	21,063,453	150.00	**55.71**	55.71
19-049	Elgin-New Leipzig 49	218.58	4,302,022	206.50	206.50	150.00	645,303	1,092,900	645,303	150.00	**56.50**	56.50
35-001	Wolford 1	83.04	1,708,172	210.00	210.00	150.00	256,226	415,200	256,226	150.00	**60.00**	60.00
15-010	Bakker 10	9.60	1,164,169	105.00	126.46	86.46	100,654	48,000	48,000	41.23	**63.77**	85.23
52-035	Pleasant Valley 3	17.34	1,127,174	175.27	186.66	146.66	165,311	86,700	86,700	76.92	**98.35**	109.74
50-051	Nash 51	12.00	890,947	177.93	199.47	150.00	133,642	60,000	60,000	67.34	**110.59**	132.13
09-001	Fargo 1	11,517.89	150,475,283	266.31	266.31	150.00	22,571,292	57,589,450	22,571,292	150.00	**116.31**	116.31
	Statewide Total	108,041.41	1,357,068,997	188.79	191.97	140.53	190,712,682	540,207,050	190,302,915	140.23	**48.56**	51.74
								1.06	201,721,090			
								Biennium estimate	392,024,005			

#1

Dickerson, Marcy D.

From: Dickerson, Marcy D.
Sent: Thursday, April 23, 2009 11:52 AM
To: Cook, Dwight C.; Walstad, John M.
Subject: SB 2199 - Tax Increment Financing

Senator Cook, Mr. Walstad: I have updated the estimate of the cost to replace school taxes that would be lost by TIF districts because of a 75-mill reduction in school tax levies. We now have the 2008 information from the counties.

The attached sheet shows an increase of 17.65 percent from 2007 to 2008. Assuming a similar percentage increase from 2008 to 2009 and again from 2009 to 2010, and the 5 percent discount for early payment, approximately $2,086,000 will be required to keep the TIF districts whole for the biennium.

TIF 2008.xls

The original estimate of $1,720,000 was based on 2007 taxable values and an assumption of little or no change in TIF district taxable value from one year to the next.

Marcy Dickerson
State Supervisor of Assessments
ND Office of State Tax Commissioner
mdickerson@nd.gov
(701) 328-3128

TIF 2008.xls

2008 Tax Increment Financing Districts

County	City	City Taxable Value	County Total Taxable Value	Taxes Generated by 75 mills
Barnes	Valley City		138,660	$10,399.50
Burleigh	Bismarck		3,851,694	288,877.05
Cass	Argusville	731,890		
	Ayr	94,130		
	Casselton	275,900		
	Fargo A	1,432,265		
	Fargo B	2,284,990		
	Kindred	205,618		
	Mapleton	321,785		
	West Fargo	1,502,375		
Cass Subtotal			6,848,953	513,671.48
Grand Forks	Grand Forks		48,154	3,611.55
Griggs	Cooperstown		14,031	1,052.33
Ramsey	Devils Lake		90,402	6,780.15
Ransom	Lisbon		111,108	8,333.10
Richland	Wahpeton		420,115	31,508.63
Sargent	Gwinner	1,071,701		
	Whitestone Hill	5,246		
Sargent Subtotal			1,076,947	80,771.03
Steele	Finley		65,348	4,901.10
Stutsman	Jamestown		163,530	12,264.75
Traill	Hillsboro	237,884		
	Mayville	8,039		
Traill Subtotal			245,923	18,444.23
Walsh	Grafton		21,102	1,582.65
Williams	Williston		357,886	26,841.45
2008 State Total			**13,453,853**	**$1,009,039**

County	2007 Taxable Value	Taxes Generated by 75 mills
Barnes	102,018	$7,651
Burleigh	3,551,686	266,376
Cass	5,120,606	384,045
Grand Forks	565,030	42,377
Griggs	14,031	1,052
Ramsey	74,134	5,560
Ransom	100,595	7,545
Richland	183,510	13,763
Sarent	1,050,731	78,805
Steele	50,623	3,797
Stutsman	161,725	12,129
Traill	171,808	12,886
Walsh	20,427	1,532
Williams	268,892	20,167
2007 State Total	11,435,816	$857,686
Increase 2007 to 2008	**17.65%**	**$151,353**

Estimated 2009 Taxes at 75 mills (17.65% increase)	$1,009,000
Estimated 2010 Taxes at 75 mills (17.65% increase)	$1,187,000
Estimated Total cost - 2009-2010 biennium	$2,196,000
x 95% due to the 5% discount for early payment	**$2,086,000**

#2

LETTER OPINION
94-L-282

October 17, 1994

Mr. Charlie Whitman
Bismarck City Attorney
P.O. Box 5503
Bismarck, ND 58502-5503

Dear Mr. Whitman:

Thank you for your September 2, 1994, letter concerning tax increment financing in urban development or renewal areas. You indicated that the city of Bismarck has designated an urban development or renewal area comprised of a major portion of the downtown area. You also indicate that a number of development or renewal projects have been financed, in part, within this development or renewal area by utilizing tax increment financing[1] as provided for in N.D.C.C. ? 40-58-20. You also indicate that as projects are completed the tax increment produced by completed projects is used to assist in financing other renewal projects within the development or renewal area.

You ask whether N.D.C.C. ? 40-58-20(10) requires a city to remove an individual parcel from such an urban development or renewal area after any tax increment-financed improvements to the specific parcel have been individually completed and any tax increment-financed obligations with respect to such parcels have been repaid.

N.D.C.C. ? 40-58-20(10) provides as follows:

10. When the cost of development or renewal of any development or renewal area has been fully paid and all bonds,

[1]Tax increment financing generally is a method for financing redevelopment projects based on the premise that the portion of increased ad valorem taxes generated as a result of property improvement is available to pay for such redevelopment. State v. City of Daytona Beach, 484 So.2d 1214, 1215 (Fla. 1986).

notes, or other obligations issued by the municipality to pay that cost have been retired, or funds sufficient for the retirement thereof have been received by the municipality, the governing body shall cause this to be reported to the county auditor, who shall thereafter compute the mill rates of all taxes upon the total taxable value of the development or renewal area. Any balance then on hand in the tax increment fund must be distributed by the county treasurer to the state and all political subdivisions having power to tax property in the area, in amounts proportionate to the amounts of the tax losses previously reimbursed to them.

(Emphasis supplied.) A development or renewal area is defined in N.D.C.C. ? 40-58-01.1(7) as follows:

> 7. "Development or renewal area" means industrial or commercial property, a slum or blighted area, or a combination of these properties or areas that the local governing body designates as appropriate for a development or renewal project.

A development or renewal project "may include authorized undertakings or activities of a municipality in a development or renewal area for the development of commercial or industrial property or for the elimination and prevention of the development or spread of slums and blight." N.D.C.C. ? 40-58-01.1(9).

N.D.C.C. ? 1-02-03 provides as follows:

> **1-02-03. Language - How construed.** Words and phrases must be construed according to the context and the rules of grammar and the approved usage of the language. Technical words and phrases and such others as have acquired a peculiar and appropriate meaning in law, or as are defined by statute, must be construed according to such peculiar and appropriate meaning or definition.

You indicate in your letter that the city of Bismarck has designated the majority of the downtown area as a single development or renewal area. You further indicate that the area has not been declared to be renewed and the purposes of the renewal area have not been fulfilled. Consequently, I must assume that other development or renewal projects within the city of Bismarck's urban renewal development or renewal area are planned or anticipated.

By the express terms of N.D.C.C. ?? 40-58-20(3) and 40-58-20(4), a development or renewal area is treated as a whole for purposes of calculating the tax increment of property in such an area. Once the renewal of the area is completed and fully paid, N.D.C.C. ? 40-58-20(10) expressly provides that the entire area is treated as a whole for the purposes of concluding tax increment financing. Since you have indicated that development and renewal within the urban development or renewal area is not yet complete, it cannot be said that N.D.C.C. ? 40-58-20(10) has been triggered or that any individual parcel which has been renewed or developed must be excluded from the area.

The city of Bismarck has chosen to create a somewhat large contiguous development or renewal area containing a significant number of noncompleted projects and presumably other planned or anticipated projects. Generally, courts defer to the judgments of redevelopment authorities or city governing bodies as to what constitutes a properly designated renewal or blighted area. See, e.g., Dilley v. City of Des Moines, 247 N.W.2d 187, 192 (Iowa 1976) ("The question of what constitutes a 'blighted area' within the meaning of [the law] is a legislative question, political in nature and involving questions of public policy. . . . It is not for the courts to oversee the choice of a boundary line nor to sit in review on the size of a particular project area."); R. E. Short Co. v. City of Minneapolis, 269 N.W.2d 331, 341 (Minn. 1978). See also 40 Am.Jur.2d Housing Laws ? 19 (1968).

The use of an area-wide approach to the problem of redevelopment and urban blight has been approved by a number of courts. See, e.g., 40 Am.Jur.2d Housing Laws ? 18 (1968). In Sigma Tau Gamma, Etc. v. City of Menomonie, 288 N.W.2d 85, 92 (Wis. 1980), the court noted:

> This area-wide approach to the problem of urban blight was also upheld by the United States Supreme Court. In Berman v. Parker, 348 U.S. 26, 75 S.Ct. 98, 99 L.Ed. 27

(1954), that court rejected an almost identical attack upon the District of Columbia Redevelopment Act of 1945. With respect to plaintiff-landowner's contention that the sweep of the proposed project was too broad and included unblighted, viable property, Mr. Justice DOUGLAS stated for the court:

"The particular uses to be made of the land in the project were determined with regard to the needs of the particular community. The experts concluded that if the community were to be healthy, if it were not to revert again to a blighted or slum area, as though possessed of a congenital disease, the area must be planned as a whole. It was not enough, they believed, to remove existing buildings that were insanitary or unsightly. It was important to redesign the whole area so as to eliminate the conditions that cause slums -- the overcrowding of dwellings, the lack of parks, the lack of adequate streets and alleys, the absence of recreational areas, the lack of light and air, the presence of outmoded street patterns. It was believed that the piecemeal approach, the removal of individual structures that were offensive, would be only a palliative."

348 U.S. at 34, 75 S.Ct. at 103.

It is also apparent from a review of the entire statute, N.D.C.C. ? 40-58-20, that the Legislature contemplated a method for tax increment financing of an entire development or renewal area, as opposed to only permitting the renewal or development of individual parcels or projects. For example, N.D.C.C. ? 40-58-20(1) provides:

1. At any time after the governing body of a municipality has approved a development or renewal plan for <u>any development or renewal area</u>, it may request the county auditor and treasurer to compute, certify, and remit tax increments resulting from the development or renewal <u>of the area</u> in accordance with the plan. . . .

(Emphasis supplied.)

Likewise, <u>subsection 4 of the statute provides for excluding any incremental value from taxation by the state or any political subdivisions of the entire "development or renewal area, until the cost of development or renewal of the area has been reimbursed in accordance with this section."</u> N.D.C.C. ? 40-58-20(4). Also, subsection 7 provides, in part, that after paying any tax losses, the county treasurer "shall remit the entire balance then on hand in the fund to the municipality, until the cost of development or renewal of the area has been reimbursed to the municipality as provided in this section." N.D.C.C. ? 40-58-20(7).

Based on the foregoing, it is my opinion that N.D.C.C. ? 40-58-20(10) does not authorize a city to remove individual parcels from an urban development or renewal area after tax increment-financed improvements to the specific parcel have been individually completed and paid.

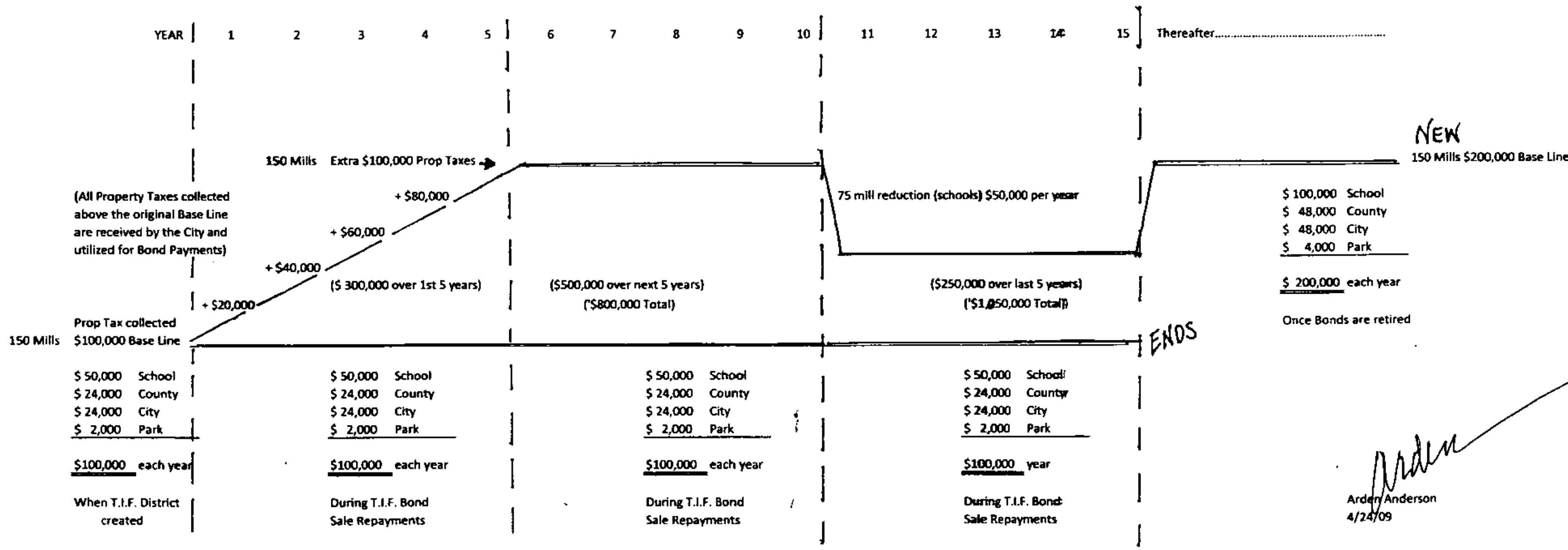
Sincerely,

Heidi Heitkamp
ATTORNEY GENERAL

jjf/pg

#1

Water, Sewer, Street extensions into Tax Increment Financing District
$1,000,000 Bonds sold at 3% $ 300,000 Instrest over the 15-year replayment schedule   Tax Increment of $1,300,000 required to retire bonds in 15 years



Arden Anderson
4/24/09