

2009 SENATE FINANCE AND TAXATION

SB 2201

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2201

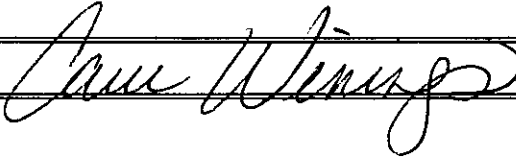
Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 01/19/2009

Recorder Job Number: 7174

Committee Clerk Signature



Minutes:

Vice Chairman Miller: Opens hearing on SB 2201

Chairman Cook, District 34: Testifies in support of bill. Last session we passed legislation that allowed for a property tax credit for disabled veterans. One of the biggest concerns that I had at that time was that the manner in which we were doing it which was to give counties the option as to whether or not they wanted to allow this credit or not. It basically shifted property tax burden to the rest of the citizens of that county that actually paid property tax. Their budget would stay the same in dollars so the credit just reduced the taxes for disabled veterans and that reduction was made up by the other taxpayers. After two years, with a little history, we understand what that shift was (2.7 million dollars), so the main thing that SB 2201 does is take away the county option and makes this a state program for all veterans, no matter where they live and the state would pay the bill.

Terry Traynor, Assistant Director, and North Dakota Association of Counties: See Attached Testimony #1 in support of bill.

Senator George Nodland, District 36: I am here to support this bill, and I have been a county commissioner for 8 years. Part of the reason that I support this bill is because of all the mandated programs that come from the state and come to the counties without any

appropriations. The other part is veterans, I am a veteran myself, and most of the people in Stark County that qualify for this bill are WW II and Vietnam era veterans. These individuals are of a very limited income because of their disability and their social security payments that they live on. I think this was a good bill that was passed at the last session. I feel the counties should be helped with how they are reimbursed for this. I urge you to support this bill.

Marcy Dickerson, State Supervisor of Assessments and Director of the Property Tax Division for the Office of State Tax Commissioner: See attached testimony #2 in support of the bill.

Senator Anderson: Looking at page 3 of your testimony, second to last paragraph, you say that it replaces the reference to veteran and then at the end it says that those persons are not required to be veterans. I don't quite understand that.

Marcy Dickerson: Subdivision C, in the existing law, which now becomes Subdivision B if this bill passes, refers to an exemption for persons who are permanently and totally disabled and confined to a wheelchair, those persons are not veterans and are not required to be veterans. With the other reference to a veteran, it really would not include those people because they are not veterans. The existing language that has been there for many years was for disabled persons confined to a wheelchair and their military status had nothing to do with it. We are trying to make it match a little better.

Chairman Cook: Does that change anything else with that program as far as the qualifications? Did we completely remove the income limitations for those also?

Marcy Dickerson: Last session you removed the income limitations for disabled veterans and there never have been any limitations on the paraplegic or wheelchair people.

Senator Triplett: The only change that the veterans would see in this, is that the certification would allow for more privacy of their medical records, and they would be expected to provide ongoing information if requested?

Marcy Dickerson: That is true.

Chairman Cook: Closed the hearing on SB 2201

Senator Hogue: Moved a Do Pass on SB 2201.

Senator Anderson: Seconded the motion.

Chairman Cook: Any discussion?

Senator Triplett: The only annoyance that people would have on a county level is that they told veterans last year that they wouldn't have to do this again, but now they will have to renotify them. It is probably a small price to pay for the exemption. I can support this.

Vice Chairman Miller: I think this bill is important. I would support it.

Senator Hogue: Do counties notify the veterans?

Chairman Cook: I am sure they get notified. Someone in room confirmed that they do.

Senator Dotzenrod: In regard to page 2, section 3, as far as having to request it, do I read this right that the veteran has to apply every year. There is more that they could be required to if the auditor requests. Am I clear that the requirements are on the veteran?

Chairman Cook: For the first time, but they still have to reapply this time but not annually after that. Questions? We have a motion for a do pass.

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

Senator Cook will carry the bill.

FISCAL NOTE
Requested by Legislative Council
04/29/2009

REVISION

Amendment to: SB 2201

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	(\$442,800)	(\$92,200)				
Expenditures						
Appropriations						

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

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 2201 with Conference Committee Amendments contains provisions tied to SB 2184 and makes it an emergency.

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 motor vehicle excise tax exemption on manufacturers' incentives contained in SB 2184 is made an emergency in this bill. This is expected to reduce state general fund revenues by \$442,800, state aid distributions fund revenues by \$43,000 and highway distribution fund revenues by \$49,200 in the final two months of the current biennium, as shown above.

NOTE: This fiscal note is being revised to reflect the highway distribution fund share of motor vehicle excise tax collections that was not considered in the prior fiscal note dated 4/28/2009.

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.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	04/29/2009

FISCAL NOTE
Requested by Legislative Council
04/28/2009

Amendment to: SB 2201

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	(\$492,000)	(\$43,000)				
Expenditures						
Appropriations						

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

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 2201 with Conference Committee Amendments contains provisions tied to SB 2184 and makes it an emergency.

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 motor vehicle excise tax exemption on manufacturers' incentives contained in SB 2184 is made an emergency in this bill. This is expected to reduce state general fund and state aid distributions fund revenues by \$535,000 in the final two months of the current biennium, as shown above.

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.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	04/28/2009

Date: 01/19/09
Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 2201

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Senator Hogue Seconded By Senator Anderson

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 2201: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2201 was placed on the Eleventh order on the calendar.

2009 SENATE APPROPRIATIONS

SB 2201

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2201

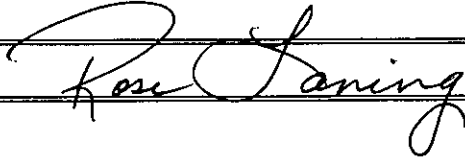
Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 01-27-09

Recorder Job Number: 7809

Committee Clerk Signature



Minutes:

Chairman Holmberg called the committee hearing to order at 10:00 am in regards to SB 2201 concerning property tax credit for disabled vets.

Senator Dwight Cook, District 34, Mandan

This bill deals with the veteran's exemption. It doesn't change the veteran's exemption. We passed this or extended it last session what we didn't do is fund it, so what it becomes is a property tax shift. If the county gives this exemption as it's written here, then it's just a shift in property tax to the other taxpayers. So what we're doing here is funding the exemption of veteran's.

Chairman Holmberg: Did you hear any stories about counties that were somewhat reluctant to provide tax breaks for disabled veterans because they knew it would be a shift of taxation.

Dwight Cook: I heard some stories, but the association of counties would probably be able to answer that question. .

Senator Krauter: Does this go back and make right for the last calendar year or just moving forward.

Dwight Cook: Just moving forward.

Chairman Holmberg: As the law was written, counties didn't really have a choice? They had to grant it if the person was disabled or did they have an option?

Dwight Cook: Yes, they had an option.

Terry Traynor, Assistant Director, North Dakota Association of Counties

Testified in favor of SB 2201. (Written attached testimony # 1)

Chairman Holmberg: Would your passion for this be as strong if we determined the money was going to come out of existing increases in funding that are going to political subdivisions?

Terry Traynor: Probably not because we don't see this as a revenue for counties. It's just a taxation fairness. We would hate to see revenue that's coming in because that would reduce our budget. The amount of money that the counties, cities and mostly schools get is going to be the same. It's just who pays.

Senator Krauter: Would this be an unfunded mandate for the current biennium?

Terry Traynor: It would be an unfunded mandate on you, and you and everyone else. The counties did not see a budget change.

Marcy Dickerson, State Supervisor of Assessments and Director, Property Tax Division for the Office of State Tax Commissioner

Testified in favor of SB 2201. (Written attached testimony # 2)

Senator Krauter: Can you provide to the committee a survey you received from county by county?

Marcy Dickerson: Yes, I have and it has some 2008 information. (Attached #3)

V. Chair Bowman: The amount of money that is reimbursed to the counties comes out of the \$2.7 M?

Marcy Dickerson: That is correct. The counties further reimburse all the other political subdivisions.

V. Chair Bowman: And then the tax credit to that county from the reimbursement is figured on the percentage of disability, in other words, if you're 50% disabled, you don't get 100%. I may be unclear about that.

Marcy Dickerson: That is correct. According to legislation that was enacted in 2007, the percentage of credit against the \$120,000 which is the maximum that you can get, is tied to the disability. If they are 50% disabled, they get 50%. If they are 80% disabled, they get 80%.

Chairman Holmberg asked for any additional questions.

Closed the hearing on SB 2201.

Chairman Holmberg stated that this is a substantial amount of money and we need to look at the big picture a little more before we start sending out bills with this amount of money.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2201

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: February 17, 2009

Recorder Job Number: 9641

Committee Clerk Signature

Minutes:

Chairman Holmberg opened discussion on SB 2201.

V. Chair Grindberg moved Do Not Pass on SB 2201.

Senator Fischer seconded.

Discussion followed:

A Roll Call vote was taken. Yea: 8 Nay: 6 Absent: 0

Date: 2-17-09
Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2201

Senate _____ Committee _____

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☐ Do Pass ☒ Do Not Pass ☐ Amended

Motion Made By Grindberg Seconded By Fischer

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 8 No 6

Absent 0

Floor Assignment Grindberg

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

REPORT OF STANDING COMMITTEE (410)
February 17, 2009 5:05 p.m.

Module No: SR-31-3180
Carrier: Grindberg
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2201: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO NOT PASS (8 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING). SB 2201 was placed on the Eleventh order on the calendar.

2009 HOUSE FINANCE AND TAXATION

SB 2201

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2201

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 03/09/09

Recorder Job Number: 10456

Committee Clerk Signature

Lou Engelson

Minutes:

Chairman Belter opened the hearing on SB 2201.

Sen. Dwight Cook: For the record, Dwight Cook, state senator, District 34 in Mandan. I'm here to introduce SB 2201 and ask for your favorable consideration. If you'll remember last session we passed legislation that expanded the property tax credit that was offered to disabled North Dakota veterans. We passed that bill, but we left the funding up to county governments. As you know when you allow a particular piece of property or property owned by a particular type of individual to be exempt, it does not affect the revenues of the local political subdivisions. It simply shifts the tax burden to the other taxpayers. The bill we passed last session gave an option to county government commissioners to elect whether or not they would take this option. Of course, they did what most thought they would do, they all took it, and so all it did was create a shift in tax liability to other property owners. The bill you have before you simply moves that exemption and treats it like we do our homestead tax credit exemption for low-income elderly. The state then reimburses them. That's the intent of the bill is if we're going to accept this policy, I believe we should fund it. I would urge you give this a favorable consideration.

Chairman Belter: Is there not a fiscal note on this?

Sen. Cook: I didn't see it. I asked my intern to get me the fiscal note, and she said there is not one. I can't believe that. I'm sure there should be one. It should be for about \$2.6 million.

Chairman Belter: I know that former state representative Mark Owens sent me an email that said there was a need for a correction in one of the areas. Are you aware of that particular correction?

Sen. Cook: Rep. Owens made the same indication to me. I told him to talk to you. I know he had a minor correction.

Rep. Kelsh: In Section 3 of the bill there is a direct appropriation of \$2.7 million.

Chairman Belter: Further testimony in support of 2201.

Terry Traynor, Assistant Director of the Association of Counties offered testimony in support of SB 2201. See Attachment #1.

Rep. Headland: Any time we start funding with local property tax issues that have been funded at the county before with a state appropriation, I know we've talked about how this bill shifted, but now with state dollars coming in as a revenue to the county, is the shift going to go back?

Mr. Traynor: Counties, in most cases, their levies are capped, so they are regulated by the dollars that they levy the previous year. That's why it shifted because they are at their dollar cap, and they have to move it away. They are still at their dollar cap, so it shouldn't change the amount of money that they can collect. It just means that they will collect it from the state as well as the local property tax payers.

Rep. Schmidt: Do you know how much that appropriation is for the homestead tax credit for the low-income and elderly?

Mr. Traynor: I do not. The Tax Department is here, and I believe they will be speaking to the bill. Maybe they can answer that more accurately.

Chairman Belter: Further testimony in support of 2201.

Marcy Dickerson, State Supervisor of Assessments and Director of the Property Tax

Division for the Office of State Tax Commissioner offered testimony in support of SB2201.

See Attachment #2. We are creating a new section to chapter 57-02 rather than just putting a new subsection of 57-02-08. The current exemption for veterans is in 57-02-08, and that is an exemption which is not funded at all by the state. All of the exemptions in 57-02-08 are like that. The reason the homestead credit is in a separate chapter is because that is funded by the state. Since this bill creates a similar type of mechanism for the veterans, it was appropriate to take it out of 57-02-08 and put it into a new section. This is just to make sure that our veteran who currently is living in a mobile home and is eligible for exemption, continues to remain an exemption when this moves into a different section of law.

Rep. Headland: When we passed this bill last session, somebody's taxes went up. So if we pass this bill, those people whose taxes went up because of the last bill, are they going to go down because of this bill?

Ms. Dickerson: There are many different issues that will go into whether a person's taxes are going to go up or down this year regardless of this bill. Let's say if you don't pass this bill, then the taxpayers who do not have the benefit of an exemption will continue to be absorbing the amount of taxes that would otherwise be paid by the veterans who do benefit from the exemption. If you do enact this bill and the state reimburses the political subdivisions for the exemption, then those taxpayers will not have to pick anything additional. I will pay my taxes only because I won't have to pick up a share of someone else who lives in Bismarck who is eligible for an exemption.

Rep. Headland: I understand that something else may raise the taxes, but what I'm concerned about is we have \$2.7 million in state money going out to relieve a tax increase that

we caused last session, and I want to make sure that the people that saw that tax increase are relieved of that burden.

Ms. Dickerson: The way the whole system works, they will have to be adjusted because the whole reason that somebody does pick up an exemption rather than the political subdivision losing money when there is an exemption granted, is that the factor of the century code that provides that instead of being limited by mill levies, x number of mills for a particular reason, instead the political subdivisions, almost all of them do use the provision that provides that they can raise the same number of dollars they raised in the previous year. There are exceptions and adjustments for new property. Assuming a political subdivision has exactly the same property in it that it had last year, it can raise the same number of dollars that it raised last year regardless of the value of that property. If that property all of the sudden skyrockets in value, then they will have to reduce the mill levy. If the property goes down in value for any particular reason, then they can increase the mills so they get the same number of dollars. They are going to get the same number of dollars if the value of taxable property is reduced by this exemption. That's what happened last year. The political subs got the same number of dollars because the law provides for that. This year, again assuming no change in property, if the state is going to reimburse them for the dollars they would lose in the exemption, they will only be raising the dollars to apply to the other properties, not the exempt properties. So in that case the dollars paid by us other taxpayers will be reduced by the amount of the state reimbursement.

Rep. Wrangham: Does this disabled veterans exemption apply to those veterans who rent?

Ms. Dickerson: There is no provision for renters unless they might be eligible for the homestead credit, but in this particular exemption there is none.

Rep. Weiler: You alluded to a section of the code that talks about the ability of the subdivision to raise at least the amount of money that they raised last time.

Ms. Dickerson: That is correct. It's 57-15-01.1. That section supersedes all mill levies.

Rep. Weiler: You say the amount of money raised, does that mean from the homeowners and businesses in that area, or does that include all the money because here we're getting some money from the state.

Ms. Dickerson: We're talking only property taxes on property in the district. But before they calculate their budget for property taxed under any circumstances, they have to account for funding from other sources so that they don't levy against property for money that they are also receiving from another source.

Rep. Schmidt: I asked the question before, what is the appropriation now for the homestead tax credit?

Ms. Dickerson: Based on the bill that you just heard, it would be \$8.1 million for the next biennium . At the present time, I think what we are going to be using is going to come up to slightly under \$6 million in this past biennium because we put in a request for more money which, as we explained earlier, we did not have as many homeowner applicants as we had anticipated. This is a lot smaller universe of applicants than the homestead credit.

Rep. Schmidt: It's \$2.7 now in this bill. Isn't that right? That seems to be a lot of disabled veterans compared to the homestead tax credit. You said \$8 million?

Ms. Dickerson: I believe that's why we have in here for the fiscal note. The fiscal note was only for the addition. It was \$9.87 million. We had \$8.1 million for 2007-2009 biennium for the existing law and a total amount of \$9.87 million, the 2009-2011 if 2402 passes. But that is the total amount the appropriation that is in the Tax Commissioner's budget plus the additional appropriation in 2402.

Rep. Brandenburg: Last session when we passed this and it ended up the counties absorbed the cost of this, they had to in order to generate the money to offset this, they had to raise the mills to do that?

Ms. Dickerson: Yes. That is correct.

Rep. Brandenburg: So the county went and raised the mills to offset the cost of this program, and now we're going to reimburse them with this program of \$2.7 million, so my question is, is the county going to lower the mills then to offset what they raised? If we give them another \$2.7, is there a guarantee that they are going to lower that \$2.7? Lower the mills back down?

Ms. Dickerson: They will have to with the way that 57-15-01.1 works because they will be looking at the taxable value that they have. They will be looking at the anticipated reimbursement of this \$2.7 which, of course, will be over two years. They will be deducting that from the budget that they would otherwise be raising from property tax.

Rep. Brandenburg: That's 57-17.

Ms. Dickerson: 57-15-01.1. The mechanics are in there as to how they have to reduce this and increase that. It's all spelled out in that section.

Chairman Belter: Any other questions? Further testimony in support of 2201.

Jerry Hjelmstad, North Dakota League of Cities: My name is Jerry Hjelmstad. I'm here on behalf of the North Dakota League of Cities. We'd like to go on record in support of SB 2201 so that the property tax exemption for disabled veterans would be funded in a similar matter as the homestead tax credit which has worked very well.

Chairman Belter: Further support for 2201. If not, is there any opposition to 2201. Any other testimony on 2201. If not we'll close the hearing on 2201.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2201**

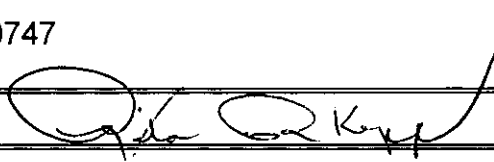
House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 11, 2009

Recorder Job Number: 10747

Committee Clerk Signature



Minutes:

Chairman Belter: Let's look at SB 2201. I have an amendment here .0102. They want to make sure the disability gets based on the disability set forward by the VA, just a clarification as I guess there has been some disagreement as to who makes the rules here as I understand it. Then on line 17....does anybody have any discussion on that? We have a motion from Representative Headland to move the .0102 amendments as well as .01TX and a second from Representative Brandenburg. Any discussion? **The motion to approve the amendments passed by a voice vote.** What are your wishes on 2201? I have a **"do pass as amended and rerefer to appropriations"** on SB 2201 from Representative Drovdal and a second from Representative Brandenburg. A roll call vote resulted in 9 ayes, 3 nays, 1 absent/not voting (Froelich). Representative Brandenburg will carry the bill.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2201

Page 1, line 16, after "veteran's" insert "disability compensation rating for"

Page 1, line 17, replace "disability" with "disabilities as"

Renumber accordingly

PROPOSED AMENDMENTS TO SENATE BILL NO. 2201

Page 1, line 3, after "57-02-08" insert "and subdivision c of subsection 1 of section 57-55-10"

Page 1, line 4, after "tax" insert "and mobile home tax" and replace "exemption" with
"exemptions"

Page 5, after line 11, insert:

"SECTION 3. AMENDMENT. Subdivision c of subsection 1 of section 57-55-10
of the North Dakota Century Code is amended and reenacted as follows:

- c. If it is owned and used as living quarters by a disabled veteran or
unremarried surviving spouse who meets the requirements of
subsection 20 of section 57-02-08 or section 1 of this Act."

Renumber accordingly

March 11, 2009

VR
3/11/09

PROPOSED AMENDMENTS TO SENATE BILL NO. 2201

Page 1, line 3, after "57-02-08" insert "and subdivision c of subsection 1 of section 57-55-10"

Page 1, line 4, replace "exemption" with "and mobile home tax exemptions"

Page 1, line 16, after "veteran's" insert "disability compensation rating for"

Page 1, line 17, replace "disability" with "disabilities as"

Page 5, after line 11, insert:

"SECTION 3. AMENDMENT. Subdivision c of subsection 1 of section 57-55-10 of the North Dakota Century Code is amended and reenacted as follows:

- c. If it is owned and used as living quarters by a disabled veteran or unmarried surviving spouse who meets the requirements of subsection 20 of section 57-02-08 or section 1 of this Act."

Renumber accordingly

Date: March 11, 2009

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2201

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 0102 + 0178

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:

Motion carries

Date: March 11, 2009

Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2201

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 Drovdal 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) 9 No 3

Absent 1

Floor Assignment Brandenburg

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

Referred to Approp.

REPORT OF STANDING COMMITTEE

SB 2201: 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** (9 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING). SB 2201 was placed on the Sixth order on the calendar.

Page 1, line 3, after "57-02-08" insert "and subdivision c of subsection 1 of section 57-55-10"

Page 1, line 4, replace "exemption" with "and mobile home tax exemptions"

Page 1, line 16, after "veteran's" insert "disability compensation rating for"

Page 1, line 17, replace "disability" with "disabilities as"

Page 5, after line 11, insert:

"SECTION 3. AMENDMENT. Subdivision c of subsection 1 of section 57-55-10 of the North Dakota Century Code is amended and reenacted as follows:

- c. If it is owned and used as living quarters by a disabled veteran or unremarried surviving spouse who meets the requirements of subsection 20 of section 57-02-08 or section 1 of this Act."

Renumber accordingly

2009 HOUSE APPROPRIATIONS

SB 2201

2009 HOUSE STANDING COMMITTEE MINUTES

Bill No. 2201

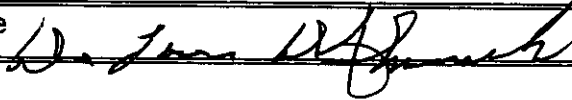
House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: March 23, 2009

Recorder Job Number: 11397

Committee Clerk Signature



Minutes:

Chairman Svedjan: Opened the hearing on SB 2201.

Rep. Wes Belter, District 22, approached the podium to speak on SB 2201. We passed a property tax credit for veterans who are disabled in 2007. They must have 50 percent or greater disability and that was passed last session. It made it optional to the counties as to whether or not they wanted the program. The tax break came out of the county funds. This bill turns the financial responsibility to the state. The Fiscal Note is \$2.7 Million fiscal note. This should be a direct tax reduction at the county level. We did add language that clarified problem areas from the 2007 language. It puts in that the Department of Veterans' Affairs is entirely responsible for determining the level of disability. There are some benefits we gave to veterans for not having their income tax paid and one of the arguments was that we need to save that money for other veterans programs we think this is a program that is very worthwhile and something our disabled veterans could use. Our committee recommended the Do Pass.

Chm. Svedjan: I'm not sure why this needs to be taken over by the state.

Rep. Belter: The sponsors feel that this should be a state obligation. In all fairness I believe that is a fair assessment. There are about 1,000 people that fall into this.

Chm. Svedjan: You indicated that what came out of the last session was optional to the counties. Is that a factor in this now? Maybe the option wasn't exercised by certain counties; now you want the state to take it over so that we have uniform application of this.

Rep. Belter: That is correct.

Chm. Svedjan: This is a property tax exemption for the disabled that will no longer be borne by the counties. Was there any discussion of this being rolled into SB 2199 the big property tax bill as being part of that? (5:50)

Rep. Belter: Not in our committee. But I know it's been discussed by legislators looking at all the different obligations the state is picking up.

Rep. Pollert: (6:36) That was going to be my question because I think Rep. Bellew has one on foster care at the county level as well for about \$13 million. Should they all be rolled into one?

Rep. Williams: Do we have any idea how many counties opted in on this last time?

Rep. Belter: No one opted out.

Chm. Svedjan: All the 1,000 eligibles were able to participate.

Rep. Belter: It means that all counties said they would take the program if they had applicants.

Ch. Svedjan: Did you say the bulk occur in the four counties with the largest populations?

Rep. Belter: That was a comment from me, a gut feeling that veterans with 50 percent or more are likely to live in areas where there are more medical facilities.

Rep. Wald: (8:33) If the disabled veteran is a tenant, is there a rent credit for those that do not own a home?

Rep. Belter: No. There is not a rent credit.

Rep. Kaldor: During the interim I was approached by my city. The counties all opted in, but the cities and school districts did not have an option. Is that correct?

Rep. Belter: Yes.

Rep. Kaldor: I think that is one of the problems I think is that some communities may have more than one or two or more in these situations and then obviously that cost has to be spread against the rest of the taxpayers in the subdivision?

Rep. Delzer: How is this going to be run? I see it is a direct appropriation; it is not a fiscal note.

Rep. Belter: It runs through the tax department; the county has to work with the Department of Veterans Affairs to make sure that the people that are asking for this exemption are qualified for the exemption and they have to deal directly with the tax department to be reimbursed for the credit.

Rep. Delzer: How will this be run? Through the homestead tax credit?

Rep. Belter: It runs through the Tax Department. The county has to work with the Department of Veterans' Affairs so that those asking for the exemption are qualified for the exemption.

Rep. Delzer: Is it part of the homestead tax credit system or is it separate?

Rep. Belter: It is separate.

Rep. Delzer: Is it going to be a separate line item? I think it must be.

Chm. Svedjan: If this program were to continue there would have to be a bill next time.

Rep. Belter: That is correct.

Chm. Svedjan: Do you feel it would be good for us to put a dollar for dollar property tax reduction on this bill? (12:00) Should this be rolled into 2199 as part of that package?

Rep. Belter: I think the people should expect a dollar for dollar reduction. Whether we want to roll it into 2199, I think we should have a separate bill. I think it's important to demonstrate that they should expect a reduction in their property taxes when the state is picking up some of these obligations. (13:00)

Rep. Skarphol: I tend to agree with your (Chm. Svedjan) analysis. Maybe we need (13:30) to roll a number of these into a separate bill, but they should be subtracted from the \$300 million that is being talked about in 2199 as well. I don't know how we accomplish that. Maybe council can take care of that aspect and rolling them together if they pass. Maybe we need to language in that it the intent.

Rep. Berg: Last session we gave the local taxing entities the option to provide this exemption with the exception of cities. What this bill does is take 100 percent of that exemption and we are going to reimburse them for that.

Rep. Belter: That is correct.

Rep. Berg: Maybe we should split the difference. Making sure that in making this decision, they should pay for part of it. Was there any discussion on that?

Rep. Belter: I don't recall any discussion of a cost share. If we are going to have a program like this, it should probably be a state obligation. The veterans are serving all of North Dakota and the nation. I don't think it's necessarily fair that one county that may have more veterans should pick up more of the burden. From a state perspective, the more we can do to make the costs of those needs borne by the state should be an objective of the state.

Rep. Berg: This is a program they decided to do.

Rep. Belter: In defense of the counties, it's pretty hard for the counties to say, "I'm sorry. Your fifty percent disabled and we are not going to fund the program. That is a lot of pressure on the counties. Just like it is a lot of pressure on us to fund these various things.

Rep. Berg: This is a decision they made and we are taking over this responsibility.

Rep. Kaldor: (17:27) We passed this legislation without really funding it last session. We gave the counties the discretion without giving the cities and school districts a choice. We gave them that obligation in a sense. We made our own bed.

Rep. Glassheim: I'm unclear whether now the counties are paying the full amount of property tax relief or just paying their share. Is the county paying for the whole property tax bill? (18:25)

Rep. Belter: Each entity is paying their portion.

Rep. Glassheim: Under this bill, the state would pick up everybody's portion.

Rep. Belter: that is correct.

Rep. Delzer: If this was in place and all the counties did it, do we have the dollar figure they used? What the exemption was?

Rep. Belter: I believe it was \$1.3 million per year.

Rep. Delzer: Is that an estimate or is that exact dollar figure?

Rep. Belter: \$1.3 million per year.

Rep. Wald: (19:55) If a disabled veteran is renting, he put his life on the line and it's a fairness issue. I feel this is not a good fit and fits better into Rep. Bellew's bill.

Chm. Svedjan: My concern is whether or not there should be language that would require a dollar for dollar match. Should this be rolled into a larger property tax issue – whether it's 2199 or separately with the Foster Care bill, all of these result in property tax reductions and if 2199 were to pass (\$295 million) and you keep adding to it, you are over \$300 million in property tax relief? My concerns have to do with giving credit where credit is due and that is the state taking over a significant part of property taxes for the local subdivisions.

Rep. Delzer: As far as the taking over in this one, it's a little different than most. The only ones receiving the exemption are the disabled vets.

Chm. Svedjan: You could make the same argument with the Foster Care bill. All property tax payers receive it.

Rep. Berg: If they're eating \$2.7 (23:707) across all property tax payers right now for the exemption. If we fund this without a dollar for dollar match it makes up for the \$2.7 they have

been spending. If we said OK you made the decision to grant this exemption and we put the money in and we made it dollar for dollar reduction in taxes that would mean there is no impact to this. It would lower the rest of the taxpayers by 2.7.

Rep. Skarphol: I'm not sure how we do this, but I agree that this reflect a direct mill levy reduction. It should be rolled into the \$300 million so I would ask LC if it is possible to require that mill levy reduction and to state that total property reduction may not exceed \$300 million. (23:50) That way the \$13 million would have to be rolled in and any other property tax reduction would have to be roll in. If we can do that I would make that a motion.

Becky Keller, Legislative Council: I think legal should be down here to answer that.

Chm. Svedjan: That hits exactly on my points.

Rep. Nelson: I tend to agree with you philosophically. If that language is acceptable, combining all property tax bill, we run a danger that could arguable be put in a property tax category and we may be here for a long time discussing that issue. I think for this bill it is appropriate.

Chm. Svedjan: It's more the question of whether or not we should require that there be some property tax reduction because of this and rolls them up together. If we were to amend this bill, we could get it into Conference. I see Mr. Walstad is here. The question is whether or not we should include language of a dollar for dollar reduction in property taxes and the state taking this responsibility over. Whether or not there should be language in the amendment says something to the affect that total property tax relief in this session should not exceed \$300 million. We have several bills that added together over \$300 million.

Rep. Skarphol: Our concern is that if we are going to do all these tax exemptions that the total not exceeds the \$300 million in total property tax relief bill proposed by the Governor.

John Walstad, Legislative Council: (28:59) To structure a limitation like that, I think it would be necessary to dictate the terms of what gets reduced if the \$300 million is met by various measures. I assume you are talking about costs to the state, not revenue lost to political subdivisions from an exemption that is provided to the state not funded by the state. I think that could be done. I can't draft it on the spot and what gets reduced if the amount goes over \$300 million.

Chm. Svedjan: Is there an alternative that we should consider that would accomplish the same thing? (30:38)

Mr. Walstad: I think that's probably a good idea that the decision on how all these will be balance would probably best be made when there is an idea of how all these things will add up.

Rep. Skarphol: I asked Council to keep track of those bills that would have an effect of reducing property taxes. (31:50) They have to evaluate the various bills that affect 2199. Someone will have to make the decision of which ones are applicable and uniform.

Chm. Svedjan: The Foster Care bill. That pertains only to the county. No other political subdivisions. This bill has implication for all.

Mr. Walstad: I think what Rep. Skarphol suggested is doable. We could draft an Intent Statement and when everything shakes out, final action needs to be taken that would limit the total relief provided by the state to whatever the dollar amount deemed appropriate would be.

Rep. Nelson: (33:55) Did your committee amend SB 2199 at all?

Rep. Belter: Yes.

Rep. Nelson: The definition of what constitutes property tax relief is a major consideration. We may be better off to kill this bill and roll amended form. Does that make sense?

Chm. Svedjan: If we're going to amend any bill, it might be better to amend SB 2199 and make a determination of whatever else m

Rep. Wald: If you want this in conference, I would offer an amendment. I would a section for Rental Reimbursement. My language would say a qualifying veteran who is a tenant may receive a monthly rental reimbursement not to exceed \$250/month. **I would make that a motion. Seconded by Rep Kerzman.**

Discussion:

Rep. Skarphol: Did you say per month?

Rep. Wald: Per month. It wouldn't take much of a house in terms of taxes if it is \$2000/year taxes statewide average; that probably would not be what a \$100,000 home would be.

Rep. Skarphol: Does Marcy have any idea how many people would be affected by this?

Marcy Dickerson: (37:30) I have no information on how many disabled veterans might be renting property. I do understand the number of homeowners who are disabled veterans is increasing and the cities I was told there are 168 qualifying in Minot. When we did our survey in 2007 there were 141 in mind. So it is an increasing number or they are moving from the rural area into the metropolitan areas.

Rep. Belter: SB 2402 which is a Homestead Credit is being changed. There is a \$250 per year exemption for renters. That amount is being raised to \$400 per year. In your deliberations on Rep. Bellew's bill, we may need to look at a package that says people are getting a direct tax relief. I would discourage you from putting that in SB 2199 which is based on the school formula.

Chm. Svedjan: The language in the Foster Care bill deals dollar to dollar and it is only for counties; not the other subdivisions.

Rep. Berg: (39:37) The amount of rent would be about 20 percent of the rent they pay.

Chm. Svedjan: The amendment would provide for \$250/month rent reduction to a qualifying disabled veteran.

Rep. Wald: It should have been \$50 per month.

Rep. Nelson: If we do package these, how do we put them in a format that is true property tax relief? The people that own these properties may or may not offer property tax relief. There is no component that would show the property tax relief. I am not going to support this amendment.

Rep. Berg: the money would go to the renter. SB 2199, property tax flows through the K-12 funding formula. That's a different mechanism.

Voice vote uncertain.

Roll Call Vote: 11 Yes 11 No 3 Absent Failed

Rep. Skarphol: (44:00)

Chair. Svedjan: Is there any interest in amending it to have a dollar for dollar reduction in property taxes?

Motion Made By Rep. Skarphol to amend to include a dollar for dollar property tax assessment and there be a mill levy reduction in the county to be required to match the dollars association with this.

Rep. Kaldor: Only the count levy?

Rep. Skarphol: It is my understanding that they are the only ones affected.

Rep. Kaldor: Then we would have to address the other subdivisions. The counties made the decisions for the school districts and cities and required them; they are not allowed to levy for that exempt property. How will the counties apply for this? Now the disabled veterans are not uniformly distributed throughout the subdivisions. Will they apply for the reduction?

Chm. Svedjan: Wouldn't that be the question no matter what? Even if we didn't amend it, it would be the county. Does everyone understand the verbal amendment, that it be a dollar for dollar reduction in property tax assessments just for the counties?

Rep. Skarphol: When the county makes a decision to reduce the property tax it applies to everyone. If we apply this only to the county then how are the schools going to collect for the cities, their portion. \$2.7 million is applied to all political subdivisions.

Mr. Walstad: (48:05) I think there's a mechanism already in place – the homestead credit reimbursement. The homestead credit applies to all levies by everybody against the property. The state reimburses the county. When the county receives the money, the money is allocated among the taxing districts according to levy and impact. I think that mechanism is already in this bill.

Chm. Svedjan: So your amendment would not change. It is dollar for dollar to all political subdivisions.

Voice Vote carried.

Rep. Skarphol: (49:56) I make an amendment to compile a registry of property tax bills that would be deducted from the total property tax reduction as proposed in the Governor's budget. Any bills that are passed the result in property tax reductions would be compiled into a registry which would be deducted from the total. Seconded by Rep. Wald.

Discussion:

Mr. Walhstad: The reductions that are funded by the state. There can be property tax exemptions provided they cost the state nothing.

Chm. Svedjan: The motion is basically that there be a list of property tax reduction bills that get folded into the bigger picture before the session ends. The outlying bills do not push the total property tax reduction over \$300 millions.

Rep. Delzer: It has an upper limit of \$300 million?

Rep. Skarphol: Yes.

Rep. Nelson: I agree with the concept but we run a danger of watering down the effects of SB 2199. I think we can make the decision on a case by case basis rather than compiling a list.

Voice Vote carries. (54.40)

Rep. Bellew: The school property tax deduction is taken from the Permanent Oil Tax Trust Fund? Is that how we are going to roll all these up? Do all these property tax relief bills come out of that fund?

Chm. Svedjan: No the assumption here is there would be a roll up of any state funded property relief bill.

Rep. Bellew: If we have another \$25 million in direct property tax relief that 2199 would be reduced by \$25 million. Is that what we are saying?

Roll Call Vote: 11 Yes 10 No 4 Absent Carries.

Do Pass As Amended Motion Made By Rep. Skarphol, Seconded By Rep. Klein.

Vote: 16 Yes 5 No 4 Absent Carrier: Rep. Skarphol.

Hearing closed.

Date: 3/23/09
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2201

May 52

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

TRD

Action Taken

Amend as described below.

Motion Made By

Wald

Seconded By

Kernan

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan		✓			
Vice Chairman Kempenich		✓			
Rep. Skarphol		✓	Rep. Kroeber	✓	
Rep. Wald	✓		Rep. Onstad	✓	
Rep. Hawken		✓	Rep. Williams	✓	
Rep. Klein	✓				
Rep. Martinson		✓			
Rep. Delzer		✓	Rep. Glassheim	✓	
Rep. Thoreson		✓	Rep. Kaldor	✓	
Rep. Berg	✓		Rep. Meyer	✓	
Rep. Dosch		✓			
Rep. Pollert		✓	Rep. Ekstrom	✓	
Rep. Bellew		✓	Rep. Kerzman	✓	
Rep. Kreidt		✓	Rep. Metcalf	✓	
Rep. Nelson		✓			
Rep. Wieland	✓				

Total (Yes) 11 No 11

Absent 3

Floor Assignment Voices Vote -

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

rental reduction
\$450 / month rent reduction (\$3,000/yr)
for disabled veterans

March 11, 2009

PROPOSED AMENDMENTS TO SENATE BILL NO. 2201

Page 1, line 3, after "57-02-08" insert "and subdivision c of subsection 1 of section 57-55-10"

Page 1, line 4, replace "exemption" with "and mobile home tax exemptions"

Page 1, line 16, after "veteran's" insert "disability compensation rating for"

Page 1, line 17, replace "disability" with "disabilities as"

Page 5, after line 11, insert:

"SECTION 3. AMENDMENT. Subdivision c of subsection 1 of section 57-55-10 of the North Dakota Century Code is amended and reenacted as follows:

- c. If it is owned and used as living quarters by a disabled veteran or unremarried surviving spouse who meets the requirements of subsection 20 of section 57-02-08 or section 1 of this Act."

Renumber accordingly

Date: 3/23/09
Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2201

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 781

Action Taken Amended as ind. below

Motion Made By Skarphol Seconded By _____

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Rep. Skarphol			Rep. Kroeber		
Rep. Wald			Rep. Onstad		
Rep. Hawken			Rep. Williams		
Rep. Klein					
Rep. Martinson					
Rep. Delzer			Rep. Glassheim		
Rep. Thoreson			Rep. Kaldor		
Rep. Berg			Rep. Meyer		
Rep. Dosch					
Rep. Pollert			Rep. Ekstrom		
Rep. Bellew			Rep. Kerzman		
Rep. Kreidt			Rep. Metcalf		
Rep. Nelson					
Rep. Wieland					

Total (Yes) _____ No _____

Absent _____

Floor Assignment Voice Vote - carries

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

- \$: \$ red. in prop. tax assess. at County level.
-

VR
3/25/09

PROPOSED AMENDMENTS TO SENATE BILL NO. 2201

In addition to the amendments adopted by the House as printed on page 922 of the House Journal, Senate Bill No. 2201 is further amended as follows:

Page 1, line 4, after the second semicolon insert "to provide for a reduction of appropriation authority;"

Page 5, after line 16, insert:

"SECTION 5. APPROPRIATION AUTHORITY REDUCTION. The total amount of expenditures from appropriations provided by the sixty-first legislative assembly for the biennium beginning July 1, 2009, and ending June 30, 2011, may not exceed \$300,000,000 for funding state reimbursement of property tax relief or property tax reduction or credit funding for programs initiated by 2009 legislation. To the extent appropriations for such programs authorized by the sixty-first legislative assembly exceed \$300,000,000, proportionate reductions must be made in all such appropriations to the end that total expenditures do not exceed \$300,000,000.

The legislative council shall develop and maintain a compilation of all legislative bills and appropriations that could be subject to the reduction of appropriation authority under this section."

Renumber accordingly

Date: 3/23/09
Roll Call Vote #: 5

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2201

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number TBD

Action Taken Amend in ind. below.

Motion Made By Sharphol Seconded By Wald

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Rep. Skarphol	✓		Rep. Kroeber		✓
Rep. Wald	✓		Rep. Onstad	✓	
Rep. Hawken	✓		Rep. Williams		✓
Rep. Klein	✓				
Rep. Martinson	✓				
Rep. Delzer	✓		Rep. Glassheim		✓
Rep. Thoreson	✓		Rep. Kaldor		✓
Rep. Berg	✓		Rep. Meyer		✓
Rep. Dosch	✓				
Rep. Pollert	✓		Rep. Ekstrom	✓	
Rep. Bellew		✓	Rep. Kerzman		✓
Rep. Kreidt	✓		Rep. Metcalf		✓
Rep. Nelson		✓			
Rep. Wieland		✓			

Total (Yes) 11 No 10

Absent 4

Floor Assignment Voice Vote - carries.

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

- compile a registry of prop. tax exempt
dolls that result in p.t. reduction (funded by state)
which would be deducted from the total of
Hr. recomm. (not to exceed \$300 million)
- evaluated subsequent to adjournment.

Date: 3/23/09
Roll Call Vote #: 4

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2201

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number TBD

Action Taken DPAA

Motion Made By Skarphol Seconded By Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Rep. Skarphol	✓		Rep. Kroeber	✓	
Rep. Wald	✓		Rep. Onstad	✓	
Rep. Hawken	✓		Rep. Williams	✓	
Rep. Klein	✓				
Rep. Martinson	✓				
Rep. Delzer		✓	Rep. Glassheim		✓
Rep. Thoreson	✓		Rep. Kaldor	✓	
Rep. Berg	✓		Rep. Meyer	✓	
Rep. Dosch	✓				
Rep. Pollert	✓		Rep. Ekstrom	✓	
Rep. Bellew		✓	Rep. Kerzman	✓	
Rep. Kreidt	✓		Rep. Metcalf	✓	
Rep. Nelson		✓			
Rep. Wieland		✓			

Total (Yes) 16 No 5

Absent 4

Floor Assignment Skarphol

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

REPORT OF STANDING COMMITTEE

SB 2201: Appropriations Committee (Rep. Svedjan, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS** (16 YEAS, 5 NAYS, 4 ABSENT AND NOT VOTING). SB 2201 was placed on the Sixth order on the calendar.

In addition to the amendments adopted by the House as printed on page 922 of the House Journal, Senate Bill No. 2201 is further amended as follows:

Page 1, line 4, after the second semicolon insert "to provide for a reduction of appropriation authority;"

Page 5, after line 16, insert:

"SECTION 5. APPROPRIATION AUTHORITY REDUCTION. The total amount of expenditures from appropriations provided by the sixty-first legislative assembly for the biennium beginning July 1, 2009, and ending June 30, 2011, may not exceed \$300,000,000 for funding state reimbursement of property tax relief or property tax reduction or credit funding for programs initiated by 2009 legislation. To the extent appropriations for such programs authorized by the sixty-first legislative assembly exceed \$300,000,000, proportionate reductions must be made in all such appropriations to the end that total expenditures do not exceed \$300,000,000.

The legislative council shall develop and maintain a compilation of all legislative bills and appropriations that could be subject to the reduction of appropriation authority under this section."

Renumber accordingly

2009 SENATE FINANCE AND TAXATION

CONFERENCE COMMITTEE

SB 2201

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2201

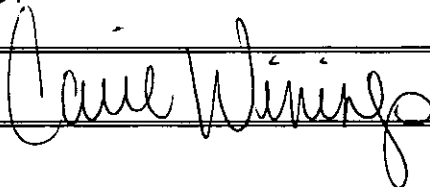
Senate Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: 04/20/09

Recorder Job Number: 11981

Committee Clerk Signature



Minutes:

Chairman Cook: Opened the conference committee on SB 2201.

Representative Skarphol: It was the House Appropriations Committee opinion that they wanted to let it be known that we feel there are a number of property tax issues out there that do give real property tax relief in addition to the proposal from the Governor's office. This amendment was to make that statement that we would anticipate in the final analysis that there will be consideration given to those. We did have a bill that was defeated in the Senate that would be a prime example. If we are in fact going to do property tax relief, we should hope as an appropriations committee that we would take into account the overall number and that is what this amendment was designed to do.

Chairman Cook: I think the bill you are referring to is HB 1425 and that is in conference committee. We turned it into a study which is probably killed it in your mind. Hopefully we can hold that position. If that is the case, is this important then?

Representative Skarphol: Part of this amendment originated in a discussion we had earlier and we asked council to prepare us a list of any and all bills that had direct effect on property tax reductions that were meaningful. I think the list was, there were five bills, most of them were relatively small but that one at \$13 million got our attention and got us thinking about the

fact that if we did more of that type of thing that we had to be very cognizant of it. When it was changed to a study it came off the list. I would have no objection to the House action (inaudible) with regards to this.

Marcy Dickerson, State Supervisor of Assessments: See attachment #1 for additional information.

5.15 **Chairman Cook:** The current fiscal note is at what?

Marcy Dickerson: \$2.7 million. That would be \$3.8 or \$3.9 million based on these estimates.

Chairman Cook: You are saying that if there was another fiscal note written today that it would have a different number?

Marcy Dickerson: Yes.

Chairman Cook: What do we have to do to get a new fiscal note?

Marcy Dickerson: I think there has to be a request from the committee procedure wise.

Senator Miller: Is there an estimate how 2199 would impact the fiscal note?

Marcy Dickerson: Definitely 2199 would proportionately reduce any of these numbers; even the original \$2.7 million. If you have approximately the 75 mill decrease in all taxes, that would be a 15% to 20% decrease. This was figured stand alone and not with 2199.

Representative Belter: During this last biennium I think there was some misunderstanding as to who was eligible or not. Do you know if there were some people that got the exemption that won't be eligible under the new guidelines that we put in this section?

Marcy Dickerson: I don't think so. The changes this session don't really change the eligibility or the requirement for the veterans. It remains the same as you came up with in 2007. The eligibility percentage is the same as the percentage of disability and the total amount of the homestead that can be exempt is the \$120,000 and that does not change. The big thing that changes here is that it will be a state funded program.

Representative Belter: Do you think that with this increase there will be a decrease in the regular homestead exemption or not?

Marcy Dickerson: I think there might be a slight one, but not much. We have always allowed the homestead credit to be used in addition to the veteran's exemption. If there is still someone that has land valuation left over that is not subject to exemption here, if they have a low enough income to meet the homestead credit requirements then they would be allowed to have an additional homestead credit exemption on the portion that was not eligible for the veteran's exemption. That has been ongoing policy.

Chairman Cook: That has strictly been policy?

Marcy Dickerson: Yes.

Chairman Cook: I suggest that we wait on our decision to find the final demise of HB 1425, and the other question is, do we want to request another fiscal note?

Representative Belter: The way this reads then, unless we appropriate more money, it would be up to the counties to cover any of the excess?

Chairman Cook: Yes.

Senator Miller: Is there a way to make this an automatic deal?

Representative Skarphol: Is the cost of this in the current biennium going to be the \$841,406 plus the \$1,328,000; is that the anticipated cost in this biennium?

Chairman Cook: There is a \$2.7 million dollar appropriation which I would guess reflected the fiscal note.

Representative Skarphol: The estimated cost of the current biennium, what is it?

Marcy Dickerson: The estimated total taxes exempted for 2008 (which is payable in 2009) is \$1,328,884 and the total reported for 2007 is \$1,292,184; which comes out pretty close to the \$2.7 we were looking at for the next biennium. But the number of increase in applicants and

dollars related to the applicants has come out to be a much bigger percentage increase than what we were anticipating. The reason we checked with these cities is because it is where the predominate number of the veteran were.

Representative Skarphol: The total of that \$2.7 million was absorbed by the counties entirely?

Marcy Dickerson: That is correct.

Representative Skarphol: If you had to make a projection, and provide us with a fiscal note, you are anticipating that amount could be as much as \$4.1 million?

Marcy Dickerson: If the increase the next year takes place at the same percentage as it is taking place right now, that would be the number. I cannot tell you that I know that is the way the percentage will increase. It was a surprise to all of us how big the increase is for those signing up for 2009. It was much greater than anticipated.

Chairman Cook: It is safe to assume that we have peaked now that we have captured them all. You also made the comment that you are not considering the effects of 2199, which would be a 15% deduction in this.

Marcy Dickerson: That is correct. This is a stand-alone estimate with no relationship to any other bill.

Chairman Cook: Can we request a fiscal note that considers SB 2199?

Donnita Wald, Legal Counsel to the Tax Department: I think that you have to amend the bill to get another one.

Chairman Cook: We will figure that out. Adjourned.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2201

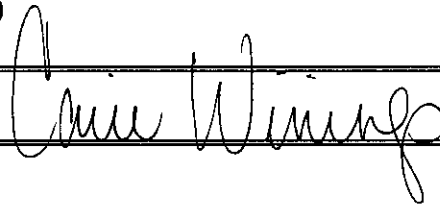
Senate Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: 04/24/09

Recorder Job Number: 12189

Committee Clerk Signature



Minutes:

Chairman Cook: Reopened the conference committee on SB 2201.

Representative Belter: Passed out amendments Attachment #1.

John Walstad, Legislative Council: Explained the amendments.

4.15 Representative Belter: So you are saying that the whole has an emergency clause on it then.

John Walstad: 2201 will have to be an emergency measure to take effect immediately, and we also have to put an emergency clause by amendment into 2184 to make that an emergency measure. It is a double emergency.

Senator Miller: Didn't we already pass out 2184?

Chairman Cook: It is passed and it is signed.

Senator Miller: So do we have to then recall that somehow and vote on it again?

Chairman Cook: No. This is called magic. This is one of those things that are so fun that you just do it because it is fun.

John Walstad: I might point out when an emergency clause get amended into 2184, that emergency clause will not relate back to the date that bill got filed with the Secretary of the State, it will be effective no earlier than the date this bill gets filed with the Secretary of State.

That date in all likely hood will be later than May 1st. So there may be some purchasers who will have to apply for a refund from the tax department for the period of May 1st until it does get filed and implemented.

Chairman Cook: OK and that is no problem.

7.19 **Senator Dotzenrod:** The amendments we just had explained to us, what version of the bill is that?

Chairman Cook: The 100 version.

Senator Miller: Moved amendments 98254.0105.

Representative Pinkerton: Seconded.

Chairman Cook: Any further discussion?

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

Senator Cook and Representative Belter will carry the bill.

Date: 04/20/09

Roll Call Vote #: _____

2009 SENATE CONFERENCE COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2201 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				Representatives			
	Attend	Yes	No		Attend	Yes	No
Senator Cook	✓			Representative Belter	✓		
Senator Miller	✓			Representative skarphol	✓		
Senator Dotzenrod	✓			Representative Pinkerton	✓		

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 _____

PROPOSED AMENDMENTS TO SENATE BILL NO. 2201

That the House recede from its amendments as printed on page 1169 of the Senate Journal and page 922 and page 1094 of the House Journal and that Senate Bill No. 2201 be amended as follows:

Page 1, line 2, after "Code" insert "and a new section to Senate Bill No. 2184, as approved by the sixty-first legislative assembly" and after "veterans" insert "and to declare Senate Bill No. 2184, as approved by the sixty-first legislative assembly, to be an emergency"

Page 1, line 3, after "57-02-08" insert "and subdivision c of subsection 1 of section 57-55-10" and after "Code" insert "and section 2 of Senate Bill No. 2184, as approved by the sixty-first legislative assembly"

Page 1, line 4, replace "exemption" with "and mobile home tax exemptions", after "veterans" insert "and the effective date of Senate Bill No. 2184, as approved by the sixty-first legislative assembly", and remove "and"

Page 1, line 5, after "date" insert "; and to declare an emergency"

Page 1, line 16, after "veteran's" insert "disability compensation rating for"

Page 1, line 17, replace "disability" with "disabilities as"

Page 5, after line 11, insert:

"SECTION 3. AMENDMENT. Subdivision c of subsection 1 of section 57-55-10 of the North Dakota Century Code is amended and reenacted as follows:

- c. If it is owned and used as living quarters by a disabled veteran or unremarried surviving spouse who meets the requirements of subsection 20 of section 57-02-08 or section 1 of this Act.

SECTION 4. Section 2 of Senate Bill No. 2184, as approved by the sixty-first legislative assembly, is amended and reenacted as follows:

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable events occurring after ~~June~~ April 30, 2009.

SECTION 5. A new section to Senate Bill No. 2184, as approved by the sixty-first legislative assembly, is created and enacted as follows:

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

Page 5, line 13, replace "\$2,700,000" with "\$3,000,000"

Page 5, line 17, replace "This Act is" with "Sections 1 through 3 of this Act are"

Page 5, after line 18, insert:

"SECTION 8. EMERGENCY. Sections 4 and 5 of this Act are declared to be an emergency measure."

Renumber accordingly

Date: 4/24/09
Roll Call Vote #: 1

2009 SENATE CONFERENCE COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2201 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) 1169 --

☐ **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 Miller Seconded By Rep. Pinkerton

Senators				Yes	No	Representatives				Yes	No
	Attend						Attend				
Senator Cook				✓		Representative Belter				✓	
Senator Miller				✓		Representative skarphol				✓	
Senator Dotzenrod				✓		Representative Pinkerton				✓	

Vote Count 60 Yes 0 No _____ Absent

Senate Carrier Senator Cook House Carrier Representative Belter

LC NO. 98254 0105 of amendment

LC NO. _____ of engrossment

Emergency clause added or deleted _____

Statement of purpose of amendment _____

REPORT OF CONFERENCE COMMITTEE

SB 2201: Your conference committee (Sens. Cook, Miller, Dotzenrod and Reps. Belter, Skarphol, Pinkerton) recommends that the **HOUSE RECEDE** from the House amendments on SJ page 1169, adopt amendments as follows, and place SB 2201 on the Seventh order:

That the House recede from its amendments as printed on pages 1168 and 1169 of the Senate Journal and page 922 and page 1094 of the House Journal and that Senate Bill No. 2201 be amended as follows:

Page 1, line 2, after "Code" insert "and a new section to Senate Bill No. 2184, as approved by the sixty-first legislative assembly" and after "veterans" insert "and to declare Senate Bill No. 2184, as approved by the sixty-first legislative assembly, to be an emergency"

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Page 5, line 13, replace "\$2,700,000" with "\$3,000,000"

Page 5, line 17, replace "This Act is" with "Sections 1 through 3 of this Act are"

Page 5, after line 18, insert:

"SECTION 8. EMERGENCY. Sections 4 and 5 of this Act are declared to be an emergency measure."

Renumber accordingly

SB 2201 was placed on the Seventh order of business on the calendar.

2009 TESTIMONY

SB 2201

#1
Testimony To
THE SENATE TAXATION COMMITTEE
Prepared Monday, January 19, 2009 by
Terry Traynor, Assistant Director
North Dakota Association of Counties

*Same given
to Senate
Approp.*

REGARDING SENATE BILL No. 2201

Chairman Cook and members of the Senate Taxation Committee, our Association and the North Dakota County Commissioners Association both passed resolutions at their convention this fall requesting State funding to eliminate the property tax shift that resulted from the exemption this bill addresses. Additionally, our county directors of tax equalization asked for a number of technical corrections to improve the implementation of this exemption in the future.

Counties recognize the valid and important reasons that convinced the Legislature to establish this expanded property tax exemption for disabled veterans last Session. We also recognize that it would have been difficult to accurately predict the fiscal effect of the exemption at that time. Now however, we have a much clearer picture of the number of persons qualifying and applying for the exemption. A Tax Department survey after the 2007 tax cycle indicated over a 1,000 qualifying properties and a total exemption of \$1.3 million in local property taxes. It appears that the numbers will increase slightly for tax year 2008.

This committee is quite aware that an exemption such as this does not reduce revenues for schools, counties, cities, townships and other taxing districts. State statute allows political subdivisions to maintain their previous year tax collections; therefore the exemption simply raised the property taxes on all other property by \$1.3 million last year.

The long-standing Homestead Property Tax Credit program for low-income elderly and disabled property owners is, we believe, a better model for such an exemption. The Homestead program provides a State appropriation to reimburse all taxing districts for the reduced collections – preventing the tax shift.

SB2201 establishes in statute a similar mechanism for reimbursement and it is strongly supported by county officials. The bill also clarifies issues regarding joint ownership and two disabled veterans sharing a home. It clarifies the appropriate documentation for disability, provides a mechanism to ensure that a single individual can receive the exemption for only one home, and it establishes a means to reevaluate eligibility in future years.

Mr. Chairman and committee members, county government urges a "Do Pass" recommendation on Senate Bill 2201.

#2

TESTIMONY OF THE OFFICE OF STATE TAX COMMISSIONER
BEFORE THE
SENATE FINANCE AND TAXATION COMMITTEE

SENATE BILL 2201

JANUARY 19, 2009

*Same given
to Senate
Approp.*

Chairman Cook, members of the Senate Finance and Taxation Committee, I am Marcy Dickerson, State Supervisor of Assessments and Director of the Property Tax Division for the Office of State Tax Commissioner, and I am here today on behalf of the Commissioner to testify in support of Senate Bill 2201.

BACKGROUND

In 2007, the Legislative Assembly made several changes to the property tax exemption for disabled veterans with a service-connected disability of 50 percent or greater, including removing the former income limitation, tying the percentage of exemption to a disabled veteran's disability percentage, and increasing the maximum amount of exemption available to \$120,000 true and full value of fixtures, buildings, and improvements of the veteran's homestead. A provision was added that after the initial filing of a claim for exemption, the exemption is automatically renewed each following year unless the veteran or veteran's unremarried surviving spouse sells the property or no longer claims it as a primary place of residence, or if the veteran dies or receives a change in the percentage of disability. A county, by resolution of the board of county commissioners, may disallow the exemption.

The maximum true and full value that may be exempted for a paraplegic disabled veteran or any veteran who has been awarded specially adapted housing by the veterans' administration was also increased to \$120,000.

REASONS FOR PROPOSED CHANGES

The legislative changes made in 2007 made the veterans' exemption available to many more veterans and unremarried surviving spouses than before and substantially decreased the property tax dollars that were collected from disabled veterans' homesteads. Those taxes were shifted to other taxpayers when a disabled veteran's exemption was granted prior to annual mill levies being set. Dollars lost due to exemptions being granted by abatement could not be recovered by the affected political subdivisions. The major proposed change in Senate Bill 2201 is to move the disabled veterans' exemption out of N.D.C.C. § 57-02-08(20) and create a

property tax credit for disabled veterans, funded by the State, in a new section to chapter 57-02 of the North Dakota Century Code. Other changes include clarifying some ambiguities that appear in the 2007 legislation and changing references to the veterans' administration to the department of veterans affairs. Language concerning reapplication, which appeared in the veterans' exemption statute prior to the 2007 amendment, was reinstated at the request of assessment officials: "A person shall thereafter furnish to the assessor or other assessment officials, when requested to do so, any information which is believed will support the claim for credit for any subsequent year."

EXPLANATION OF THE BILL

Section 1. Creation of a new section to chapter 57-02. The terms of the exemption remain similar to those in current subdivision b. of subsection 20 of § 57-02-08.

In subsection 1 of the new section to chapter 57-02, the existing language "certified rated service-connected disability" has been replaced with "service-connected disability certified by the department of veterans affairs for the purpose of applying for a property tax exemption."

The reasons for this are:

- (1) The language "certified rated service-connected disability" is not used by the department of veterans affairs or any other government agency.
- (2) It is unclear whether the existing language means the sum of individual disability percentages for a disabled veteran or the disability percentage at which the veteran is being compensated. The Office of State Tax Commissioner took the position that a veteran should be granted a property tax exemption at the higher percentage when there was a discrepancy.
- (3) Some of the documents provided by the department of veterans affairs as evidence of an applicant's disability included personal medical details that some veterans were unwilling to divulge.
- (4) The department of veterans affairs developed a standard form that they now provide for a veteran who applies for property tax exemption. The form contains only the necessary certification of the percentage of disability at which the veteran is being compensated and does not contain unnecessary personal information.

Subsection 2 clarifies that if two disabled veterans are married to each other and living together, their combined credits may not exceed 100 percent of \$120,000 of true and full value of the fixtures, buildings, and improvements of the homestead. That language is similar to language found in the homestead credit statute, N.D.C.C. § 57-02-08.1. It also provides that if a disabled veteran co-owns the homestead property with someone other than the disabled veteran's spouse, the credit is limited to that disabled veteran's interest in the fixtures, buildings, and improvements of the homestead, to a maximum amount calculated by multiplying \$120,000 of true and full valuation by the disabled veteran's percentage of interest in the homestead property, and multiplying the result by the applicant's certified disability percentage. This provision, also, is similar to language in the homestead credit statute.

Subsection 3 contains provisions similar to existing law concerning required documentation and includes the language about furnishing information for a subsequent year, mentioned above under REASONS FOR PROPOSED CHANGES.

Subsections 4, 5, and 6 include language currently in existing law.

Subsections 7, 8, 9, 10, and 11 provide for counties to certify property tax credits granted to disabled veterans to the Tax Commissioner for audit and further certification to the State Treasurer for payment to each county and for deposit in the state medical center fund. The language is similar to that in § 57-02-08.2 Homestead credit – Certification.

Section 2. Amendment of subsection 20 of § 57-02-08. This section changes the reference to "veterans' administration" to "department of veterans affairs" in subdivision a. It deletes subdivision b., which is replaced by the new section to chapter 57-02 created in Section 1 of this bill. It renumbers existing subdivision c. as subdivision b. It removes subsequent references to provisions of the deleted subdivision b. It reinstates the language about providing information for subsequent years. It replaces a reference to "veteran" with "qualifying owner" because subsection 20, to which the reference applies, includes an exemption for permanently and totally disabled persons permanently confined to use of a wheelchair and unremarried surviving spouses. Those persons are not required to be veterans.

Section 2 also removes the language enacted in 2007 that provides for a county to disallow an exemption "under this subsection". It is my understanding that the intent of that language was to permit a county to disallow the disabled veterans' exemption under

subdivision b. because of the additional cost to political subdivisions caused by the 2007 legislation, but use of the word "subsection" extended the provision to subdivisions a. and c. also.

Section 3. Appropriation. Section 3 provides an appropriation of \$2,700,000 for the purpose of paying the state reimbursement under the disabled veteran credit for the biennium beginning July 1, 2009, and ending June 30, 2011.

Section 4. Effective date. This Act is effective for taxable years beginning after December 31, 2008.

CONCLUSION.

The Office of State Tax Commissioner favors changing the disabled veterans' exemption to a disabled veterans' credit, funded by the State. The Tax Commissioner respectfully requests that you give favorable consideration to Senate Bill 2201.

Val Ex 2007-2008.xls

2007							2008 so far					% change in T&F Exempted 2007-2008
No.	County	No. of Applicants	T&F Value	Tax \$ Exempted	Avg. T&F Exempt per Applicant	Avg. \$ Exempt per Applicant	No. of Applicants	Estim. T&F Value	Estim. Tax \$ Exempted	Avg. T&F Exempt per Applicant		
1	Adams	0	0	0.00	0		4	87,764		21,941		
2	Barnes	29	1,471,968	28,548.99	50,758	\$984.45	34	1,801,168		52,976		
3	Benson	1	40,320	570.54	40,320	\$570.54	2	47,818	678.00	23,909		
4	Billings	0	0	0.00	0		0	0				
5	Bottineau	5	158,200	2,442.34	31,640	\$488.47	6	174,800		29,100		
6	Bowman	2	177,976	2,393.65	88,988	\$1,196.83	2	164,761		82,381		
7	Burke	0	0	0.00	0		1	13,658	224.60	13,658		
8	Burleigh	34	2,463,630	32,560.00	72,460	\$957.65	47	2,631,253		55,984		
9	Cass	36	3,106,100	50,686.00	86,281	\$1,407.94	36	3,106,100		86,281		
10	Cavalier				#DIV/0!					#DIV/0!		
11	Dickey	2	65,903	1,434.83	32,952	\$717.42	4	172,858		43,215		
12	Divide	0	0	0.00	0		0	0				
13	Dunn	4	190,000	2,990.00	47,500	\$747.50	5	225,000		45,000		
14	Eddy	4	178,240	4,115.95	44,560	\$1,028.99	4	178,240		44,560		
15	Emmons	0	0	0.00	0		2	68,404		34,202		
16	Foster	4	177,310	3,488.15	44,328	\$872.04	2	177,310		88,655		
17	Golden Valley	0	0	0.00	0		1	11,600		11,600		
18	Grand Forks	52	2,902,500	53,630.00	55,817	\$1,031.35	55	3,132,800		11,800		
19	Grant	0	0	0.00	0		3	61,200		56,856		
20	Griggs	1	21,300	959.00	21,300	\$959.00	3	61,200		20,400		
21	Hettinger	2	48,790	961.64	24,395	\$480.82	4	96,284		24,074		
22	Kidder	3	112,400	1,715.22	24,395	\$480.82	2			0		
23	LaMoure				37,467	\$571.74	3	112,400		37,467		
24	Logan	3	119,900	1,972.03	#DIV/0!					#DIV/0!		
25	McHenry				39,967	\$657.34	5	144,030		28,806		
26	McIntosh				#DIV/0!					#DIV/0!		
27	McKenzie	4	98,521	1,383.69	#DIV/0!					#DIV/0!		
28	McLean	11	668,100	8,970.66	24,630	\$340.82	4	98,521		24,630		
29	Mercer	7	205,480	3,749.14	60,736	\$815.51	1	79,800		79,800		
30	Morton	41	2,349,450	50,730.52	29,354	\$535.59	6	160,480		26,747		
31	Mountain	3	71,000	1,304.10	57,304	\$1,237.33	41	2,349,450	50,730.52	57,304		
32	Nelson	6	92,223	1,714.00	23,667	\$434.70	2	45,900		22,950		
33	Oliver				15,371	\$285.67	7	143,368		20,481		
34	Pembina	16	571,974	9,497.67	#DIV/0!					#DIV/0!		
35	Pierce	0	0	0.00	0	\$593.60				#DIV/0!		
36	Ramsey	8	468,128	8,068.20	58,516	\$1,008.53	9	388,218		42,913		
37	Ransom	11	387,915	6,911.59	33,447	\$628.33	11	540,334		49,121		
38	Renville	4	61,376	922.08	15,344	\$230.52	1	16,208		0		
39	Richland	11	623,700	10,415.14	56,700	\$946.83	11	624,400		16,208		
40	Rolette	3	75,428	1,644.86	25,143	\$548.29	5	147,484		50,764		
41	Sargent	5	150,211	3,034.00	30,042	\$606.80	5	147,484		29,493		
42	Sheldon	0	0	0.00	0		6			0		
43	Sioux	1	31,734	495.40	31,734	\$495.40	1	12,470		12,470		
44	Slope	0	0	0.00	0		1	31,734		31,734		
45	Stark	28	1,890,300	36,537.00	67,511	\$1,304.89	0	0				
46	Steele	7	92,724	1,925.16	13,246	\$275.02	29	2,166,240		75,388		
47	Stutsman	7	358,300	6,704.41	50,900	\$957.77	8	159,766		19,971		
48	Towner	1	2,750	72.30	2,750	\$72.30	6	256,300		42,717		
49	Trail	18	1,094,743	21,084.88	60,819	\$1,171.38	3	50,516		16,839		
50	Walsh	14	417,264	6,391.20	29,805	\$456.51				#DIV/0!		
51	Ward	41	2,842,262	34,804.19	64,445	\$848.88	15	482,234		32,149		
52	Wells	1	48,348	994.17	48,348	\$994.17	10	2,835,576		283,558		
53	Williams	13	714,846	11,535.00	54,988	\$887.31	1	48,348		48,348		
					54,988	\$887.31	13	778,256		59,943		
					Avg. - Counties	\$748.01						
54	Valley City	Included in Barnes County										
55	Bismarck	124	10,825,100	198,000.00	85,686	\$1,580.85	126	10,789,300		85,629		
56	Fargo	132	10,118,100	220,600.00	76,660	\$1,671.21	138	10,650,600		77,178		
57	West Fargo	33	2,465,100	49,584.00	74,700	\$1,502.55	33	2,465,100		74,700		
58	Grand Forks	100	7,297,000	159,168.37	72,970	\$1,591.68	103	7,941,900		77,106		
59	Mandan	Included in Morton County report					32	1,718,700				
60	Devils Lake	11	801,520	27,069.00	54,884	\$2,460.82	0	0				
61	Wahpeton	6	312,200	6,777.94	52,033	\$1,129.68	6	482,300		80,383		
62	Dickinson	Included in Stark County report										
63	Jamestown	42	2,287,400	53,341.00	54,462	\$1,270.02	40	2,225,900		55,648		
64	Grafton	3	213,600	4,924.71	71,200	\$1,641.57	4	260,200		65,050		
65	Minot	93	7,383,600	139,476.00	79,394	\$1,499.74	121	8,412,800		69,527		
66	Williston	16	889,480	17,905.00	54,343	\$1,119.06	16	1,006,320		63,020		
	Total	1,003	66,503,412	\$1,292,183.68	66,304	\$1,288.32	1,043	69,794,759	51,633.12	66,917	4.95%	

Total disabled veterans 50% and greater as of September 2006 =

2,490

Using Stutsman County 2007 avg. mill rate

Testimony To
THE HOUSE FINANCE & TAXATION COMMITTEE
Prepared March 9, 2009 by
Terry Traynor, Assistant Director
North Dakota Association of Counties

REGARDING SENATE BILL No. 2201

Chairman Belter and members of the Committee, our Association and the North Dakota County Commissioners Association both passed resolutions at their convention this fall requesting State funding to eliminate the property tax shift that resulted from the exemption this bill addresses. Additionally, our county directors of tax equalization asked for a number of technical corrections to improve the implementation of this exemption in the future.

Counties recognize the valid and important reasons that convinced the Legislature to establish this expanded property tax exemption for disabled veterans last Session. We also recognize that it would have been difficult to accurately predict the fiscal effect of the exemption at that time. Now however, we have a much clearer picture of the number of persons qualifying and applying for the exemption. A Tax Department survey after the 2007 tax cycle indicated over a 1,000 qualifying properties and a total exemption of \$1.3 million in local property taxes. It appears that the numbers will increase slightly for tax year 2008.

This committee is very likely aware that an exemption such as this does not reduce revenues for schools, counties, cities, townships and other taxing districts. State statute allows political subdivisions to maintain their previous year tax collections; therefore enactment of this exemption in 2007 simply raised the property taxes on all other property by \$1.3 million for 2008 and that increase will be continued in 2009.

The long-standing Homestead Property Tax Credit program for low-income elderly and disabled property owners is, we believe, a better model for such an exemption. The Homestead program provides a State appropriation to reimburse all taxing districts for the reduced collections – preventing the tax shift.

SB2201 establishes in statute a similar mechanism for reimbursement and it is strongly supported by county officials. The bill also clarifies issues regarding joint ownership and two disabled veterans sharing a home. It clarifies the appropriate documentation for disability, provides a mechanism to ensure that a single individual can receive the exemption for only one home, and it establishes a means to reevaluate eligibility in future years.

Mr. Chairman and committee members, county government urges a "Do Pass" recommendation on Senate Bill 2201.

**TESTIMONY OF THE OFFICE OF STATE TAX COMMISSIONER
BEFORE THE
HOUSE FINANCE AND TAXATION COMMITTEE**

SENATE BILL 2201

MARCH 9, 2009

Chairman Belter, members of the House Finance and Taxation Committee, I am Marcy Dickerson, State Supervisor of Assessments and Director of the Property Tax Division for the Office of State Tax Commissioner, and I am here today on behalf of the Commissioner to testify in support of Senate Bill 2201 and to offer an amendment to be inserted as Section 3 of this bill. Our proposed amendment is attached to my testimony.

BACKGROUND

In 2007, the Legislative Assembly made several changes to the property tax exemption for disabled veterans with a service-connected disability of 50 percent or greater, including removing the former income limitation, tying the percentage of exemption to a disabled veteran's disability percentage, and increasing the maximum amount of exemption available to \$120,000 true and full value of fixtures, buildings, and improvements of the veteran's homestead. A provision was added that after the initial filing of a claim for exemption, the exemption is automatically renewed each following year unless the veteran or veteran's unremarried surviving spouse sells the property or no longer claims it as a primary place of residence, or if the veteran dies or receives a change in the percentage of disability. A county, by resolution of the board of county commissioners, may disallow the exemption.

The maximum true and full value that may be exempted for a paraplegic disabled veteran or any veteran who has been awarded specially adapted housing by the veterans' administration was also increased to \$120,000.

REASONS FOR PROPOSED CHANGES

The legislative changes made in 2007 made the veterans' exemption available to many more veterans and unremarried surviving spouses than before and substantially decreased the property tax dollars that were collected from disabled veterans' homesteads. Those taxes were shifted to other taxpayers when a disabled veteran's exemption was granted prior to annual mill levies being set. Dollars lost due to exemptions being granted by abatement could not be recovered by the affected political subdivisions. The major proposed change in Senate Bill 2201

is to move the disabled veterans' exemption out of N.D.C.C. § 57-02-08(20) and create a property tax credit for disabled veterans, funded by the State, in a new section to chapter 57-02 of the North Dakota Century Code. Other changes include clarifying some ambiguities that appear in the 2007 legislation and changing references to the veterans' administration to the department of veterans affairs. Language concerning reapplication, which appeared in the veterans' exemption statute prior to the 2007 amendment, was reinstated at the request of assessment officials: "A person shall thereafter furnish to the assessor or other assessment officials, when requested to do so, any information which is believed will support the claim for credit for any subsequent year."

EXPLANATION OF THE BILL

Section 1. Creation of a new section to chapter 57-02. The terms of the exemption remain similar to those in current subdivision b. of subsection 20 of § 57-02-08.

In subsection 1 of the new section to chapter 57-02, the existing language "certified rated service-connected disability" has been replaced with "service-connected disability certified by the department of veterans affairs for the purpose of applying for a property tax exemption."

The reasons for this are:

- (1) The language "certified rated service-connected disability" is not used by the department of veterans affairs or any other government agency.
- (2) It is unclear whether the existing language means the sum of individual disability percentages for a disabled veteran or the disability percentage at which the veteran is being compensated. The Office of State Tax Commissioner took the position that a veteran should be granted a property tax exemption at the higher percentage when there was a discrepancy.
- (3) Some of the documents provided by the department of veterans affairs as evidence of an applicant's disability included personal medical details that some veterans were unwilling to divulge.
- (4) The department of veterans affairs developed a standard form that they now provide for a veteran who applies for property tax exemption. The form contains only the necessary certification of the percentage of disability at which the veteran is being compensated and does not contain unnecessary personal information.

Subsection 2 clarifies that if two disabled veterans are married to each other and living together, their combined credits may not exceed 100 percent of \$120,000 of true and full value of the fixtures, buildings, and improvements of the homestead. That language is similar to language found in the homestead credit statute, N.D.C.C. § 57-02-08.1. It also provides that if a disabled veteran co-owns the homestead property with someone other than the disabled veteran's spouse, the credit is limited to that disabled veteran's interest in the fixtures, buildings, and improvements of the homestead, to a maximum amount calculated by multiplying \$120,000 of true and full valuation by the disabled veteran's percentage of interest in the homestead property, and multiplying the result by the applicant's certified disability percentage. This provision, also, is similar to language in the homestead credit statute.

Subsection 3 contains provisions similar to existing law concerning required documentation and includes the language about furnishing information for a subsequent year, mentioned above under REASONS FOR PROPOSED CHANGES.

Subsections 4, 5, and 6 include language currently in existing law.

Subsections 7, 8, 9, 10, and 11 provide for counties to certify property tax credits granted to disabled veterans to the Tax Commissioner for audit and further certification to the State Treasurer for payment to each county and for deposit in the state medical center fund. The language is similar to that in § 57-02-08.2 Homestead credit – Certification.

Section 2. Amendment of subsection 20 of § 57-02-08. This section changes the reference to "veterans' administration" to "department of veterans affairs" in subdivision a. It deletes subdivision b., which is replaced by the new section to chapter 57-02 created in Section 1 of this bill. It rennumbers existing subdivision c. as subdivision b. It removes subsequent references to provisions of the deleted subdivision b. It reinstates the language about providing information for subsequent years. It replaces a reference to "veteran" with "qualifying owner" because subsection 20, to which the reference applies, includes an exemption for permanently and totally disabled persons permanently confined to use of a wheelchair and unremarried surviving spouses. Those persons are not required to be veterans.

Section 2 also removes the language enacted in 2007 that provides for a county to disallow an exemption "under this subsection". It is my understanding that the intent of that language was to permit a county to disallow the disabled veterans' exemption under

subdivision b. because of the additional cost to political subdivisions caused by the 2007 legislation, but use of the word "subsection" extended the provision to subdivisions a. and c. also.

Section 3. Appropriation. Section 3 provides an appropriation of \$2,700,000 for the purpose of paying the state reimbursement under the disabled veteran credit for the biennium beginning July 1, 2009, and ending June 30, 2011.

Section 4. Effective date. This Act is effective for taxable years beginning after December 31, 2008.

New amendment: Our proposed amendment updates the language referring to exemption of a mobile home owned and occupied by a disabled veteran or unremarried surviving spouse, found in subdivision c of subsection 1 of § 57-55-10, to refer to both subsection 20 of section 57-02-08, where the property tax exemption for a paraplegic disabled veteran remains, and to section 1 of this Act, where the property tax credit for a disabled veteran is now found.

CONCLUSION.

The Office of State Tax Commissioner favors changing the disabled veterans' exemption to a disabled veterans' credit, funded by the State. The Tax Commissioner respectfully requests that you approve the amendment I have proposed today and give favorable consideration to Senate Bill 2201 as amended.

This concludes my prepared testimony.

SB 2201

2007 City	No. of Parcels	% of Total Reported	Total T&F Exempted	% of Total Reported	Average T&F Exempted	Total TV Exempted	Mill Rate	Reported Tax Exempted	% of Total Reported
Bismarck	124		10,625,100		85,686	478,130		196,000	
Fargo	132		10,119,100		76,660	455,360		220,600	
Grand Forks	100		7,297,000		72,970	328,365		159,168	
Jamestown	42		2,287,400		54,462	102,933		53,341	
Minot	93		7,383,600		79,394	332,262		139,476	
West Fargo	33		2,465,100		74,700	110,930		49,584	
Subtotal	524	52.24%	40,177,300	60.41%	76,674	1,807,979		818,169	63.32%
Total Reported	1003		66,503,412					1,292,184	

2008 City	No. of Parcels	% of Total Reported	Total T&F Exempted	% of Total Reported	Average T&F Exempted	Total TV Exempted	Mill Rate	Estim. Tax Exempted	% of Total Reported
Bismarck	126		10,789,300		85,629	485,519	400.61	194,504	
Fargo	138		10,650,600		77,178	479,277	455.43	218,277	
Grand Forks	103		7,941,900		77,106	357,386	472.72	168,943	
Jamestown	40		2,225,900		55,648	100,166	511.53	51,238	
Minot	121		8,412,800		69,527	378,576	421.27	159,483	
West Fargo	33		2,465,100		74,700	110,930	441.38	48,962	
Subtotal	561	53.79%	42,485,600	60.87%	75,732	1,911,852		841,406	NA
Total Reported	1043		69,794,759					NA	

2009 City	No. of Parcels	% of Total Reported	Total T&F Exempted	% of Total Reported	Average T&F Exempted	Total TV Exempted	2008 Mill Rate	Estim. Tax Exempted	% of Total Reported
Bismarck	141		12,537,200		88,916	564,174	400.61	226,014	
Fargo	176		14,760,600		83,867	664,227	455.43	302,509	
Grand Forks	125		10,094,800		80,758	454,266	472.72	214,741	
Jamestown	44		2,384,800		54,200	107,316	511.53	54,895	
Minot	170		13,607,300		80,043	612,329	421.27	257,956	
West Fargo	46		3,781,200		82,200	170,154	441.38	75,103	
Subtotal	702	NA	57,165,900	NA	81,433	2,572,466		1,131,217	NA
Total Reported	NA					NA		NA	NA

Parcel Increase - 2008 to 2009

		%	Increase - 2008 to 2009	%
Bismarck	15	10.64%	31,510	16.20%
Fargo	38	21.59%	84,232	38.59%
Grand Forks	22	17.60%	45,797	27.11%
Jamestown	4	9.09%	3,658	7.14%
Minot	49	28.82%	98,473	61.75%
West Fargo	13	28.26%	26,141	53.39%
Subtotal	141	20.09%	289,810	34.44%

Six cities' % of total taxes exempted - 2007	63.32%
Six cities total taxes exempted - 2008	841,406
Estimated total taxes exempted - 2008	1,328,884
Six cities' % increase in total taxes exempted 2008-2009	34.44%
Estimated total taxes exempted - 2009	1,786,599
Estimated total taxes exempted - 2010	2,401,968 (same annual % increase for 2010)
Estimated total taxes exempted - 2010	2,094,284 (50% of reported annual increase)
Estimated total taxes exempted 2009-2011 biennium	4,189,000 (same annual % increase for 2010)
Estimated total taxes exempted 2009-2011 biennium	3,881,000 (50% of reported Increase for 2010)

*Note: Assumes mill rates stay the same as 2008. Any mill rate reduction will reduce tax dollars exempted.
Any mill rate increase will increase tax dollars exempted.