

INTERIM TAXATION COMMITTEE  
 Testimony of Marcy Dickerson, State Supervisor of Assessments

March 16, 2010

Mr. Chairman, Members of the Committee, for the record my name is Marcy Dickerson and I am employed by the State Tax Commissioner as State Supervisor of Assessments and Director of the Property Tax Division. My testimony today provides information requested in John Walstad's email to me dated February 17, 2010.

1. Property Tax Levies

Statistics below show the overall reduction in school taxes and modest increases in city and county taxes levied from 2008 to 2009.

<u>Levies</u>	<u>2008</u>	<u>2009</u>	<u>% Change</u>
School Taxes	\$428,311,119.52	\$307,324,035.79	-28.3%
City Taxes	96,755,079.39	100,915,771.63	+ 4.3%
County Taxes	163,616,295.14	176,743,880.34	+ 8.0%
TOTAL TAXES	776,398,476.21	678,749,784.06	-12.6%

Similar statistics by county are shown in the attachment entitled "Change in Property Taxes Levied 2008 to 2009."

2. Valuation Changes in 2009

The next attachment entitled "Change in Taxable Value 2008-2009" shows changes in taxable value of agricultural land, residential property, and commercial property, by county, from 2008 to 2009. Statewide, agricultural values increased 4.19%, residential increased 6.33%, and commercial increased 6.02%. Increases in residential and commercial property value include new property as well as valuation changes to existing properties.

The next attachment entitled "Changes in Taxable Value 2004-2009" shows agricultural land values increased a little over 4% from 2004 to 2005 and a little over 3% from 2005 to 2006, then decreased very slightly from 2006 to 2007 and 2007 to 2008, and again increased a little over 4% from 2008 to 2009.

Residential property value increased more than 10% in both 2005 and 2006, but the increases in 2007, 2008, and 2009 were 9%, 7%, and 6% respectively. It appears that the residential valuation growth seen in recent years is moderating.

Commercial property value growth, also, seems to be moderating. While commercial values increased more than 9% in 2006 and 2007, the increases in 2008 and 2009 were 7% and 6% respectively.

### 3. Effective Tax Rates

The attachment entitled "Effective Tax Rates 2008-2009" shows effective tax rates by county. Statewide, the 2009 effective tax rates were agricultural land 0.48%; residential property 1.47%; and commercial property 1.75%. Rates for all classes of property were calculated by dividing taxes levied by market value as indicated by the sales ratio study. The attachment entitled "Table 9 – Average Prices Per Acre and Median Ratios for Agricultural Land" from the 2009 Sales Ratio Study shows the agricultural median ratio for each county.

You can see residential property statewide is below the goal of 1.50% effective tax rate, thanks largely to the property tax relief enacted by the 2009 Legislature. By county, the residential effective tax rate ranges from 0.61% in Billings County to 2.04% in Towner County.

It will never be possible to get the effective tax rate down to 1.50% on every residential parcel. First of all, it is not possible to ensure that every residential parcel is assessed at 100

percent of market value, or at a uniform percentage of market value. No one knows the actual market value of every parcel. The sales ratio study, which indicates market value, is based on a sampling of many parcels, some of which are assessed close to, but not exactly at, the prices they sold for, and some that are assessed far from the prices they sold for.

Secondly, there would have to be one statewide property tax rate for all purposes, to guarantee that all parcels were taxed at the same mill rate. There are practically unlimited combinations of taxing districts. One school district may serve several townships and cities, all of which have different levies. Some properties lie within fire districts, water management districts, etc. To ensure that no property was taxed at more than 1.50% of its market value, it would be necessary to cap consolidated levies. That would be very difficult to accomplish.

Thirdly, Article X, § 5 of the North Dakota Constitution requires that taxes shall be uniform upon the same class of property including franchises within the territorial limits of the authority levying the tax. Therefore, it would not be possible to change a political subdivision's mill rate to accommodate the various mill rates of other political subdivisions that levy on a particular piece of property.

To keep the effective tax rate on residential property no greater than 1.5% of market value, the consolidated mill rate may not be greater than 333.33 mills. Example:

Market value	\$100,000
Taxable value	4,500
Consolidated mills	333.33
Tax	\$1,499.99

$$\text{Effective tax rate} = \$1,499.99/100,000 = 1.4999\%$$

If School district A levies 145 mills for all funds, County B levies 130 mills, and City C levies 80 mills, the consolidated levy in City C equals 355 mills. It would be unconstitutional for School District A or County B to reduce its levy only in that city. They have to levy the same number of mills in all other cities and townships as in City C. Maybe City C really cannot afford to reduce its levy. Who would decide how to get the consolidated mill rate down to 333.33 mills?

Finally, there will continue to be special circumstances when certain political subdivisions need to levy more for a particular purpose than similar subdivisions do. An example is a county that had to increase its emergency levy because of weather-related expenses during the 2008-2009 winter.

#### 4. Funding Property Tax Relief – 2011-2013

Jerry Coleman, Director – School Finance, Department of Public Instruction, reported to you at your meeting on February 3, 2010, that it appears there will be about \$1 million left over at the end of the 2009-2011 biennium from the \$295 million that was appropriated for property tax relief. That projection excludes the additional payment to school districts that has been approved to make up for the unintended exclusion of several property types from the statutory calculation of mill levy reduction grants. The reason for that additional payment is fully explained in the attachment entitled “Mill Levy Reduction Grant Adjustments.”

The cost of the additional payments to school districts for 2009-2010 is \$2,527,881.35. The estimated cost of a similar additional payment for 2010-2011 is approximately \$2,705,000. The estimated cost of the additional payments for the 2009-2011 biennium is approximately \$5,233,000. That leaves a net shortfall in the appropriation for the 2009-2011

biennium of about \$4,233,000. I anticipate there will be a request for a deficiency appropriation.

The 2011 Legislature will likely be asked to approve some amendments to the property tax relief provisions of Chapter 57-64. Proposed changes will allow the total needed to make up for tax dollars lost by school districts because of reduced mill levies to be determined in a single process.

Assuming annual growth in taxable value remains around 7% and other factors remain constant, I estimate the total appropriation needed for the 2011-2013 biennium will be approximately \$341,791,000, a 14.23% increase over estimated 2009-2011 payments, and a 15.86% increase over the 2009-2011 appropriation. Support for these figures is shown on the attachment entitled "MLRG Estimate 2011-2013.xls."

This concludes my prepared testimony. I will try to answer any questions you may have.

State of North Dakota  
Office of State Tax Commissioner

## Change in Property Taxes Levied 2008 to 2009

	City Taxes			School Taxes		
	2008 Taxes Levied	2009 Taxes Levied	Percent Change	2008 Taxes Levied	2009 Taxes Levied	Percent Change
Adams	98,752.36	123,237.20	24.7%	1,465,875.94	1,020,664.85	-30.4%
Barnes	1,052,088.41	1,093,340.85	3.9%	8,027,947.53	6,185,089.72	-23.0%
Benson	129,566.80	131,620.76	1.5%	2,641,613.05	1,775,042.83	-32.8%
Billings	34,032.45	33,849.76	-0.6%	200,003.34	199,946.59	-0.1%
Bottineau	472,789.40	540,334.83	14.2%	4,938,673.48	3,311,227.68	-33.0%
Bowman	463,192.06	334,582.23	-27.8%	2,044,147.01	1,552,580.05	-24.1%
Burke	93,457.00	95,605.30	2.3%	1,585,817.18	1,101,593.04	-30.6%
Burleigh	15,536,810.14	15,994,146.29	2.9%	54,215,580.39	36,863,731.13	-32.1%
Cass	24,908,462.12	26,181,603.71	5.1%	119,907,545.29	90,226,597.73	-24.8%
Cavalier	416,508.37	426,572.13	2.4%	4,099,885.89	2,977,054.13	-27.4%
Dickey	449,374.06	491,679.31	9.4%	3,953,504.68	2,907,833.14	-26.5%
Divide	125,932.87	123,195.99	-2.2%	1,349,614.56	1,036,663.69	-23.2%
Dunn	124,695.24	126,699.38	1.6%	2,346,302.49	1,596,157.77	-32.0%
Eddy	159,171.04	167,412.76	5.1%	1,192,383.74	838,908.32	-29.7%
Emmons	230,163.67	240,855.49	4.6%	2,507,650.07	1,710,566.44	-31.8%
Foster	403,564.44	476,661.00	18.1%	2,375,004.05	1,635,722.15	-31.2%
Golden Valley	115,578.51	115,802.77	0.1%	1,051,975.05	666,092.76	-36.7%
Grand Forks	15,273,335.25	15,777,543.88	3.3%	38,420,705.33	26,095,082.90	-32.1%
Grant	124,510.07	125,217.36	0.5%	1,721,112.48	1,137,606.05	-33.9%
Griggs	191,977.34	191,181.26	-0.5%	2,051,026.43	1,429,118.93	-30.4%
Hettinger	191,211.88	210,165.38	9.9%	1,810,070.26	1,223,530.22	-32.4%
Kidder	99,660.42	100,114.14	0.4%	1,867,714.77	1,375,141.00	-26.4%
LaMoure	345,848.64	346,426.63	0.1%	3,523,237.14	2,514,093.84	-28.7%
Logan	136,646.90	139,611.41	2.1%	1,343,486.95	933,726.38	-30.5%
McHenry	273,260.68	287,158.95	5.0%	4,149,837.39	2,750,459.09	-33.8%
McIntosh	215,481.42	214,107.53	-0.7%	1,923,582.32	1,275,362.50	-33.7%
McKenzie	194,247.90	203,327.09	4.6%	2,738,789.87	1,935,332.46	-29.4%
McLean	598,564.30	609,644.14	1.8%	5,525,330.96	4,145,925.75	-25.0%
Mercer	697,625.15	774,593.31	11.0%	4,200,789.27	2,818,308.98	-33.0%
Morton	4,103,093.61	4,209,000.61	2.5%	15,781,416.56	11,246,108.36	-28.8%
Mountrail	453,307.92	520,212.26	14.7%	3,418,194.81	2,600,098.63	-24.0%
Nelson	226,230.69	230,149.89	1.7%	2,181,170.52	1,573,455.11	-27.9%
Oliver	40,975.10	41,379.48	0.9%	1,397,169.36	1,019,969.14	-27.0%
Pembina	553,847.09	556,039.16	0.4%	6,506,109.98	4,451,623.60	-31.6%
Pierce	502,423.54	517,054.62	2.9%	2,855,013.34	1,860,294.88	-34.9%
Ramsey	1,361,862.98	1,360,084.79	-0.2%	5,833,407.76	3,906,645.52	-33.1%
Ransom	813,367.53	907,454.77	11.5%	3,762,508.44	2,767,037.83	-26.5%
Renville	175,875.43	180,588.31	2.6%	1,928,976.39	1,323,454.05	-31.4%
Richland	1,901,982.59	1,949,146.35	2.4%	11,655,968.73	7,802,788.58	-33.1%
Rolette	342,575.08	357,249.92	4.2%	2,051,999.26	1,472,785.98	-28.3%
Sargent	347,465.98	378,361.36	8.8%	3,350,942.91	2,613,582.38	-22.0%
Sheridan	45,943.00	45,306.32	-1.4%	1,318,042.49	826,196.60	-37.4%
Sioux	11,055.61	11,274.81	1.9%	415,798.62	269,978.54	-35.1%
Slope	3,710.38	4,002.56	7.8%	668,623.85	480,233.16	-28.2%
Stark	3,642,525.03	3,834,652.06	5.2%	11,164,367.49	7,568,966.65	-32.2%
Steele	143,230.07	150,722.28	5.2%	2,432,390.31	1,870,460.90	-23.1%
Stutsman	3,414,845.20	3,806,904.44	11.4%	12,331,653.47	8,816,314.27	-28.6%
Towner	191,987.20	220,959.32	15.0%	2,146,221.97	1,478,369.12	-31.2%
Traill	651,055.39	690,101.31	6.0%	5,909,979.27	4,130,353.66	-30.2%
Walsh	913,439.30	918,348.16	0.5%	7,192,276.08	5,037,282.99	-30.0%
Ward	11,347,181.48	11,885,138.23	4.7%	27,644,441.35	21,490,595.20	-22.3%
Wells	351,715.70	369,355.25	5.0%	3,433,221.42	2,292,531.27	-33.3%
Williams	2,058,874.60	2,095,994.53	1.8%	9,752,018.23	7,185,749.25	-26.4%
	96,755,079.39	100,915,771.63	4.3%	428,311,119.52	307,324,035.79	-28.3%

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## Change in Property Taxes Levied 2008 to 2009

	2/18/2010	Total Taxes			County Taxes		
		2008 Taxes Levied	2009 Taxes Levied	Percent Change	2008 Taxes Levied	2009 Taxes Levied	Percent Change
1 Adams		2,976,052.68	2,624,698.34	-11.9%	1,061,352.77	1,120,294.22	5.5%
2 Barnes		14,789,364.58	13,727,887.47	-7.2%	3,872,007.45	4,393,956.02	13.4%
3 Benson		4,899,042.81	4,119,654.74	-16.0%	1,612,613.42	1,636,328.00	1.4%
4 Billings		831,409.06	841,989.70	1.2%	342,938.21	354,103.88	3.2%
5 Bottineau		9,254,391.97	8,188,410.07	-11.6%	2,540,517.22	2,788,581.80	9.7%
6 Bowman		3,672,691.06	3,221,419.11	-12.3%	650,052.14	740,561.65	13.9%
7 Burke		2,711,202.37	2,253,599.44	-16.9%	711,890.72	737,784.52	3.6%
8 Burleigh		93,841,508.57	78,687,327.26	-16.2%	12,181,943.98	13,211,457.67	8.4%
9 Cass		192,374,308.90	166,044,018.93	-13.7%	27,265,907.30	28,326,326.00	3.8%
10 Cavalier		8,417,423.00	7,722,848.97	-8.3%	2,923,507.25	3,263,920.16	11.6%
11 Dickey		7,109,172.96	6,612,606.23	-7.0%	2,101,366.52	2,429,429.44	15.6%
12 Divide		2,982,948.22	2,746,153.28	-8.0%	1,000,479.29	1,051,034.55	5.0%
13 Dunn		4,273,670.88	3,587,497.78	-16.1%	1,209,342.05	1,124,063.92	-7.1%
14 Eddy		2,654,308.69	2,283,594.16	-14.0%	983,073.02	941,353.33	-4.3%
15 Emmons		4,879,083.70	4,154,007.71	-14.9%	1,524,730.66	1,536,864.35	0.8%
16 Foster		4,533,214.16	3,993,441.16	-12.0%	1,243,829.41	1,341,686.03	7.8%
17 Golden Valley		1,983,507.69	1,578,394.22	-20.5%	506,839.08	494,900.93	-2.4%
18 Grand Forks		80,567,432.12	70,211,733.24	-12.9%	18,344,774.37	19,560,188.79	6.6%
19 Grant		3,244,946.08	2,891,097.37	-10.9%	1,028,147.17	1,264,088.76	22.9%
20 Griggs		3,878,776.83	3,249,410.68	-16.3%	1,304,800.01	1,289,402.16	-1.2%
21 Hettinger		3,590,757.36	3,088,583.07	-14.0%	1,176,354.33	1,231,931.04	4.7%
22 Kidder		3,356,469.05	3,018,207.10	-10.1%	1,094,319.39	1,205,181.81	10.1%
23 LaMoure		6,188,010.41	5,451,998.32	-11.9%	1,743,868.61	1,963,151.26	12.5%
24 Logan		2,572,944.68	2,251,027.61	-12.6%	812,436.33	878,252.59	8.1%
25 McHenry		6,889,649.50	5,629,268.27	-18.3%	1,673,551.14	1,765,745.90	5.5%
26 McIntosh		3,736,548.42	3,155,895.64	-15.6%	1,264,764.61	1,313,806.68	3.8%
27 McKenzie		4,002,063.38	3,310,266.41	-17.3%	427,968.97	489,252.85	14.3%
28 McLean		8,589,702.86	7,925,796.29	-7.8%	1,401,240.81	1,964,422.22	40.1%
29 Mercer		7,342,704.09	6,161,729.09	-16.1%	1,635,598.91	1,693,234.02	3.5%
30 Morton		31,738,149.48	27,728,111.77	-12.7%	8,136,953.14	8,294,038.72	1.9%
31 Mountrail		6,281,790.64	5,880,366.92	-6.4%	1,884,061.71	2,097,108.68	11.3%
32 Nelson		4,469,943.61	4,305,144.58	-3.7%	1,475,909.08	1,835,657.21	24.3%
33 Oliver		2,327,133.24	2,188,602.61	-6.0%	648,007.76	863,339.20	33.2%
34 Pembina		11,083,061.57	9,340,857.30	-15.8%	2,811,396.89	3,019,451.64	7.4%
35 Pierce		5,072,904.19	4,291,378.94	-15.5%	1,244,713.99	1,431,546.73	15.0%
36 Ramsey		12,158,359.83	10,543,443.29	-13.3%	3,540,282.12	3,708,096.40	4.7%
37 Ransom		7,009,776.91	6,229,225.77	-11.2%	1,697,213.64	1,759,255.84	3.6%
38 Renville		3,370,157.87	2,834,485.63	-15.9%	840,243.43	913,430.07	8.7%
39 Richland		22,854,847.66	19,250,573.76	-15.8%	6,534,536.64	6,708,415.73	2.6%
40 Rolette		3,872,229.11	3,476,151.45	-10.3%	1,147,611.49	1,220,550.22	6.3%
41 Sargent		6,746,025.52	6,151,109.62	-8.9%	1,709,165.31	1,815,704.60	6.2%
42 Sheridan		2,171,027.65	1,791,438.20	-17.5%	591,184.89	695,166.44	17.5%
43 Sioux		821,663.12	680,765.97	-17.2%	293,723.35	292,210.29	-0.6%
44 Slope		1,097,353.69	908,871.55	-17.2%	231,110.12	231,128.57	0.0%
45 Stark		22,435,056.82	19,629,026.31	-12.6%	5,334,239.51	5,786,018.53	8.4%
46 Steele		4,410,479.69	4,186,928.71	-5.1%	1,248,656.46	1,467,176.81	17.5%
47 Stutsman		23,871,028.13	21,566,704.25	-9.7%	5,386,379.07	5,960,735.76	10.6%
48 Towner		4,035,590.81	3,875,815.73	-4.0%	1,147,693.80	1,600,481.05	39.4%
49 Traill		11,603,845.25	9,754,644.54	-16.0%	3,754,151.13	3,719,798.77	-1.0%
50 Walsh		13,433,739.00	12,018,031.44	-10.6%	3,975,072.43	4,645,094.69	16.8%
51 Ward		53,654,842.02	50,650,013.32	-5.6%	9,452,634.72	11,395,838.60	20.5%
52 Wells		6,353,083.84	5,387,885.21	-15.2%	1,900,773.85	2,015,825.20	6.0%
53 Williams		19,383,080.48	17,347,645.53	-10.5%	4,990,365.47	5,156,506.04	3.3%
Totals		776,398,476.21	678,749,784.06	-12.6%	163,616,295.14	176,743,880.34	8.0%

## Change in Taxable Value 2008 - 2009

No.	County	Agricultural Land			Residential Property			Commercial Property		
		2008 Txbl. Value	2009 Txbl. Value	Percent Change	2008 Txbl. Value	2009 Txbl. Value	Percent Change	2008 Txbl. Value	2009 Txbl. Value	Percent Change
1	Adams	5,038,422	4,967,999	-1.40%	1,701,844	1,770,970	4.06%	688,250	687,849	-0.06%
2	Barnes	18,086,216	19,046,425	5.31%	12,569,239	12,857,311	2.29%	4,512,626	5,117,572	13.41%
3	Benson	10,651,664	11,386,009	6.89%	1,894,747	2,034,828	7.39%	1,094,670	1,224,482	11.86%
4	Billings	2,093,877	2,198,059	4.98%	567,136	624,977	10.20%	1,214,584	1,192,503	-1.82%
5	Bottineau	14,125,950	15,159,435	7.32%	9,675,290	13,601,079	40.58%	2,822,450	3,402,884	20.56%
6	Bowman	4,825,133	5,067,957	5.03%	2,725,119	3,222,928	18.27%	2,850,949	3,441,748	20.72%
7	Burke	6,572,349	6,833,925	3.98%	815,862	845,660	3.65%	854,704	901,130	5.43%
8	Burleigh	8,839,601	9,107,783	3.03%	159,964,037	169,879,147	6.20%	70,953,352	75,083,047	5.82%
9	Cass	29,990,555	31,422,255	4.77%	247,339,051	256,030,488	3.51%	162,648,174	168,533,176	3.62%
10	Cavalier	17,717,879	19,346,278	9.19%	2,916,307	2,914,638	-0.06%	1,440,947	1,473,361	2.25%
11	Dickey	12,238,630	12,935,750	5.70%	3,797,738	3,999,009	5.30%	2,148,366	2,339,338	8.89%
12	Divide	8,127,497	8,452,645	4.00%	856,915	907,077	5.85%	545,516	543,250	-0.42%
13	Dunn	6,776,778	7,185,845	6.04%	1,089,393	1,152,978	5.84%	439,665	458,647	4.32%
14	Eddy	4,488,275	4,746,239	5.75%	1,045,731	1,062,562	1.61%	399,280	403,933	1.17%
15	Emmons	10,033,928	10,326,607	2.92%	1,759,335	1,767,180	0.45%	777,880	772,557	-0.68%
16	Foster	6,436,780	6,822,035	5.99%	2,645,073	2,991,552	13.10%	1,944,555	1,926,600	-0.92%
17	Golden Valley	3,555,460	3,598,289	1.20%	968,473	997,047	2.95%	460,320	461,180	0.19%
18	Grand Forks	20,723,334	21,381,364	3.18%	94,642,307	96,069,657	1.51%	61,738,273	65,684,028	6.39%
19	Grant	7,385,850	7,755,250	5.00%	1,091,735	1,109,101	1.59%	344,080	340,585	-1.02%
20	Griggs	7,350,468	7,633,619	3.85%	1,159,549	1,165,446	0.51%	585,774	609,614	4.07%
21	Hettinger	8,639,034	8,811,304	1.99%	968,613	998,910	3.13%	393,515	396,108	0.66%
22	Kidder	7,840,500	8,505,197	8.48%	1,631,075	1,675,436	2.72%	489,098	487,963	-0.23%
23	LaMoure	14,526,020	15,596,135	7.37%	2,176,032	2,201,674	1.18%	900,441	942,021	4.62%
24	Logan	6,023,150	6,282,930	4.31%	1,086,879	1,146,319	5.47%	313,441	348,987	11.34%
25	McHenry	12,213,353	12,642,924	3.52%	3,415,297	3,684,662	7.89%	1,713,851	1,742,001	1.64%
26	McIntosh	6,376,487	6,696,468	5.02%	1,658,663	1,651,250	-0.45%	628,702	638,983	1.64%
27	McKenzie	8,339,438	8,504,999	1.99%	2,453,135	2,716,432	10.73%	2,013,067	2,888,792	43.50%
28	McLean	16,639,294	17,405,700	4.61%	11,505,359	13,978,133	21.49%	2,646,131	3,054,338	15.43%
29	Mercer	5,259,760	5,362,563	1.95%	9,919,068	10,548,734	6.35%	3,629,984	3,734,666	2.88%
30	Morton	8,977,250	9,335,565	3.99%	38,857,859	41,786,689	7.54%	16,689,834	17,174,475	2.90%
31	Mountrail	10,476,070	11,241,335	7.30%	3,380,468	4,210,983	24.57%	1,775,287	2,391,374	34.70%
32	Nelson	9,067,897	9,059,701	-0.09%	1,170,047	1,186,105	1.37%	758,361	780,924	2.98%
33	Oliver	3,915,156	3,915,050	0.00%	1,435,442	1,598,557	11.36%	678,115	675,896	-0.33%
34	Pembina	20,612,603	21,013,418	1.94%	5,700,317	5,795,539	1.67%	3,281,277	3,380,455	3.02%
35	Pierce	7,907,941	8,063,552	1.97%	3,079,849	3,269,997	6.17%	1,330,137	1,371,187	3.09%
36	Ramsey	11,074,210	11,472,347	3.60%	11,253,177	11,726,064	4.20%	5,757,519	6,022,723	4.61%
37	Ransom	9,270,830	9,819,585	5.92%	4,572,883	4,748,703	3.84%	1,933,821	1,969,486	1.84%
38	Renville	8,299,368	8,714,324	5.00%	1,182,325	1,357,368	14.80%	477,294	485,683	1.76%
39	Richland	24,095,058	24,999,713	3.75%	16,571,547	16,912,503	2.06%	9,223,481	9,321,878	1.07%
40	Rolette	6,435,342	6,563,289	1.99%	2,563,888	2,687,070	4.80%	1,134,761	1,118,100	-1.47%
41	Sargent	12,237,574	12,236,545	-0.01%	2,549,140	2,621,676	2.85%	1,169,885	1,222,238	4.48%
42	Sheridan	5,815,858	5,910,812	1.63%	461,056	499,311	8.30%	278,733	305,486	9.60%
43	Sioux	2,005,817	2,152,585	7.32%	112,598	115,388	2.48%	56,044	56,557	0.92%
44	Slope	5,075,550	5,468,836	7.75%	73,289	81,427	11.10%	156,728	232,363	48.26%
45	Stark	8,207,115	8,450,885	2.97%	33,920,229	37,478,804	10.49%	12,657,081	13,693,478	8.19%
46	Steele	9,943,161	10,444,865	5.05%	1,270,509	1,647,387	29.66%	538,994	549,511	1.95%
47	Stutsman	19,538,850	20,525,470	5.05%	22,524,167	23,834,350	5.82%	11,574,099	12,099,208	4.54%
48	Towner	10,154,263	10,862,250	6.97%	940,889	941,349	0.05%	666,768	745,330	11.78%
19	Traill	15,448,501	16,237,936	5.11%	7,345,423	7,736,147	5.32%	5,035,876	5,239,562	4.04%
50	Walsh	22,136,141	22,113,985	-0.10%	7,275,651	7,467,761	2.64%	3,648,651	3,671,343	0.62%
51	Ward	17,087,504	17,945,634	5.02%	83,666,401	92,374,363	10.41%	41,244,850	45,191,314	9.57%
52	Wells	12,649,323	12,978,543	2.60%	2,860,253	2,951,966	3.21%	1,288,382	1,408,905	9.35%
53	Williams	<u>11,243,038</u>	<u>11,450,266</u>	<u>1.84%</u>	<u>24,641,972</u>	<u>29,338,418</u>	<u>19.06%</u>	<u>10,962,067</u>	<u>13,476,382</u>	<u>22.94%</u>
	State	562,589,902	586,158,479	4.19%	861,448,381	915,973,110	6.33%	463,510,690	491,415,201	6.02%

## Changes in Taxable Value 2004 - 2009

Taxable Year	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Agricultural Land</b>						
Taxable Value	505,174,405	526,130,124	564,306,198	562,367,218	562,589,902	586,158,470
Percentage change		4.15%	7.26%	-0.34%	0.04%	4.19%
<b>Residential Property</b>						
Taxable Value	594,953,909	658,405,917	728,876,798	796,529,617	861,448,381	915,973,110
Percentage change		10.67%	10.70%	9.28%	8.15%	6.33%
<b>Commercial Property</b>						
Taxable Value	339,205,977	361,726,355	396,042,057	432,736,825	463,510,690	491,415,201
Percentage change		6.64%	9.49%	9.27%	7.11%	6.02%

## Effective Tax Rates 2008-2009

No.	County	Agricultural Property		Residential Property		Commercial Property	
		2008	2009	2008	2009	2008	2009
1	Adams	0.69%	0.48%	1.82%	1.65%	2.12%	1.87%
2	Barnes	0.78%	0.44%	1.82%	1.44%	2.17%	1.72%
3	Benson	0.91%	0.57%	1.71%	1.27%	1.87%	1.44%
4	Billings	0.05%	0.16%	0.70%	0.61%	0.76%	0.67%
5	Bottineau	0.77%	0.54%	1.34%	1.06%	1.83%	1.35%
6	Bowman	0.46%	0.31%	1.64%	1.21%	1.52%	1.18%
7	Burke	0.87%	0.51%	1.62%	1.29%	1.66%	1.35%
8	Burleigh	0.44%	0.32%	1.61%	1.27%	1.99%	1.52%
9	Cass	0.51%	0.34%	1.85%	1.52%	2.13%	1.74%
10	Cavalier	1.21%	0.82%	1.72%	1.54%	1.82%	1.65%
11	Dickey	0.58%	0.37%	1.81%	1.53%	2.16%	1.77%
12	Divide	0.90%	0.62%	1.73%	1.55%	1.77%	1.63%
13	Dunn	0.59%	0.35%	1.71%	1.42%	2.18%	1.62%
14	Eddy	1.02%	0.75%	2.21%	1.91%	2.47%	2.14%
15	Emmons	0.55%	0.41%	1.75%	1.50%	2.02%	1.73%
16	Foster	0.96%	0.42%	1.79%	1.60%	1.89%	1.62%
17	Golden Valley	0.72%	0.36%	1.62%	1.30%	1.82%	1.51%
18	Grand Forks	1.02%	0.70%	1.94%	1.64%	2.21%	1.89%
19	Grant	0.69%	0.50%	1.98%	1.69%	2.40%	2.08%
20	Griggs	1.28%	0.97%	2.21%	1.79%	2.57%	2.09%
21	Hettinger	0.80%	0.48%	2.22%	1.98%	2.45%	2.23%
22	Kidder	0.70%	0.47%	1.62%	1.31%	1.83%	1.57%
23	LaMoure	0.59%	0.39%	1.86%	1.61%	2.10%	1.81%
24	Logan	0.61%	0.49%	1.88%	1.61%	2.15%	1.83%
25	McHenry	0.83%	0.47%	1.54%	1.26%	1.59%	1.24%
26	McIntosh	0.75%	0.43%	1.93%	1.62%	2.11%	1.81%
27	McKenzie	0.61%	0.34%	1.27%	1.02%	0.97%	0.72%
28	McLean	0.63%	0.39%	1.12%	1.04%	1.44%	1.17%
29	Mercer	0.67%	0.56%	1.68%	1.37%	1.82%	1.46%
30	Morton	0.68%	0.42%	2.06%	1.75%	2.31%	1.88%
31	Mountrail	1.01%	0.46%	1.80%	1.45%	2.15%	1.61%
32	Nelson	1.14%	0.79%	2.08%	1.80%	2.27%	1.95%
33	Oliver	0.46%	0.48%	1.31%	1.18%	1.54%	1.28%
34	Pembina	0.82%	0.51%	1.65%	1.35%	1.96%	1.58%
35	Pierce	0.85%	0.61%	1.81%	1.52%	2.09%	1.77%
36	Ramsey	0.96%	0.66%	2.01%	1.59%	2.59%	2.08%
37	Ransom	0.92%	0.40%	1.94%	1.66%	2.47%	2.11%
38	Renville	0.93%	0.48%	1.78%	1.47%	2.05%	1.70%
39	Richland	0.62%	0.46%	1.93%	1.61%	2.31%	1.87%
40	Rolette	1.14%	0.85%	1.75%	1.61%	2.51%	2.06%
41	Sargent	0.82%	0.61%	1.98%	1.63%	2.27%	1.98%
42	Sheridan	0.65%	0.45%	1.69%	1.37%	1.93%	1.57%
43	Sioux	0.61%	0.46%	2.20%	1.46%	1.91%	1.59%
44	Slope	0.40%	0.29%	0.73%	0.62%	0.61%	0.43%
45	Stark	0.47%	0.38%	2.11%	1.44%	2.58%	1.62%
46	Steele	0.93%	0.58%	1.88%	1.41%	2.44%	1.95%
47	Stutsman	0.71%	0.41%	2.04%	1.81%	2.27%	2.01%
48	Towner	1.37%	0.86%	2.10%	2.04%	2.03%	1.94%
19	Trails	0.81%	0.49%	2.07%	1.57%	2.04%	1.65%
50	Walsh	1.16%	0.74%	2.16%	1.79%	2.33%	2.03%
51	Ward	0.60%	0.34%	1.62%	1.38%	1.96%	1.65%
52	Wells	0.86%	0.62%	1.77%	1.49%	2.08%	1.72%
53	Williams	0.83%	0.60%	1.73%	1.33%	1.99%	1.41%
	State	0.75%	0.48%	1.79%	1.47%	2.11%	1.75%

**Table 9  
Average Prices Per Acre and Median Ratios for Agricultural Land**

County	No. of Sales	Avg. Price Per Acre	Median Ratio
Adams	24	526	30.6
Barnes	58	1151	34.8
Benson	35	574	44.0
Billings	7	792	22.9
Bottineau	18	680	46.3
Bowman	24	562	31.4
Burke	11	390	44.0
Burleigh	32	708	28.5
Cass	45	2087	29.0
Cavalier	31	678	61.4
Dickey	35	1282	26.4
Divide	15	386	48.8
Dunn	5	543	29.0
Eddy	17	489	50.1
Emmons	41	731	30.0
Foster	15	904	33.6
Golden Valley	6	429	29.5
Grand Forks	69	1272	48.6
Grant	14	446	33.3
Griggs	9	667	64.4
Hettinger	20	813	34.9
Kidder	36	434	38.3
LaMoure	30	1595	30.4
Logan	22	666	36.7
McHenry	41	471	41.1
McIntosh	38	601	31.9
McKenzie	12	358	42.5
McLean	39	786	37.0
Mercer	15	420	44.6
Morton	26	543	28.5
Mountrail	4	#N/A	35.0
Nelson	54	577	51.5
Oliver	6	490	36.9
Pembina	47	1912	38.9
Pierce	12	684	47.0
Ramsey	21	685	46.1
Ransom	19	1405	29.7
Renville	6	706	39.7
Richland	39	1946	29.5
Rolette	37	516	57.0
Sargent	29	1210	40.9
Sheridan	24	642	36.1
Sioux	6	404	31.6
Slope	9	528	36.7
Stark	18	772	28.9
Steele	34	1275	42.3
Stutsman	78	1481	30.1
Towner	23	509	59.8
Traill	33	2056	31.8
Walsh	44	1280	47.3
Ward	17	1168	28.1
Wells	52	778	49.3
Williams	17	457	49.3
State	1,419	885	37.0

## MILL LEVY REDUCTION GRANT ADJUSTMENTS

### Background:

The 2009 North Dakota Legislature enacted N.D.C.C. chapter 57-64, which provided property tax relief through mill levy reduction grants (MLRGs) to school districts in amounts representing up to 75 mills. To be eligible for a grant, a school district had to reduce the number of mills it levied for the general fund for 2009 to not more than 110 mills (with exceptions). The intent was for the state grants to make up for the revenue school districts would lose when they reduced their levies.

### Problem:

Chapter 57-64 provides for the preceding year's taxable value to be used in calculation of the MLRGs. After the legislation became effective, some people began to realize how much property on which school districts levy taxes was not included in the common definition of taxable value.

"Taxable value" ordinarily refers to property that is taxable to a taxable owner. In addition to that property, the following types of property have taxable value and are subject to school taxes:

- Homestead credits reimbursed by the State
- Property owned by state agencies that are required to make payments in lieu of taxes:
  - Game & Fish Land
  - Land Owned by Board of University & School Lands or State Treasurer
  - National Guard Land
  - Farmland or Ranchland Owned by Nonprofit Organizations for Conservation Purposes
  - Land Acquired by the State Water Commission
  - Workforce Safety & Insurance Building
- Carbon Dioxide Pipeline
- Mobile Homes

Without a payment to make up for taxes on those properties that were not levied or replaced by the MLRGs, school districts will be deprived of the additional dollars they would have received if they had levied the number of mills represented by their MLRGs against those properties.

Other properties not included in MLRG calculations are subject to payments in lieu of taxes that are distributed to political subdivisions, including school districts, based on their relative levies:

- Payments in Lieu of Taxes under ch. 40-57.1 (PILOTs for new and expanding businesses)
- Forest Stewardship Tax (woodlands)
- Rural Electric Cooperative Gross Receipts Tax

Taxes levied on these three types of property are not based on taxable value but are determined as follows:

- PILOTs for new and expanding businesses are negotiated by the city or county governing body and the project operator.
- The Forest Stewardship Tax is levied at the rate of \$0.50 per acre on qualifying woodlands.
- The Rural Electric Cooperative Gross Receipts Tax is a flat-rate tax per mile based on the cooperative's gross receipts.

These three taxes are distributed to political subdivisions based on their relative levies. They differ from property taxes and taxable-value-based in-lieu taxes because the total tax levied is not dependent on mill rates. Only the distribution of these taxes is determined by the relative levies of the political subdivisions in which the property is located. The total amount of tax levied and distributed remains the same, regardless of the distribution. If one political subdivision increases its levy, that political subdivision will receive a greater percentage of the tax, but other political subdivisions will receive less. The total tax will not change.

Statutory Provision – Why It Will Not Work:

Section 57-64-02(7) states: "For all purposes under law relating to allocation of funds among political subdivisions based on property tax levies, property taxes levied by a school district are the amount that would have been levied without the mill levy reduction grant provided to the school district under this chapter." This provision apparently was intended to apply to rural electric cooperative gross receipts taxes. There is no indication that anyone considered any of the other tax types listed above when ch. 57-64 was being created.

There are two reasons why the above subsection cannot work:

- Taxes levied are fixed amounts and cannot be changed to accommodate a change in distribution. For example, if a school district actually levied 110 mills for 2009 on a property with \$100,000 taxable value, and all other political subdivisions combined levied an additional 130 mills, for a total of 240 mills, the total tax would be \$24,000. The school's share would be 45.83 percent (110 mills divided by 240 mills) or \$10,999.20. All other participating political subdivisions combined would receive 54.17 percent or \$13,000.80.

If the school district received an MLRG equal to 75 mills and the distribution provisions of § 57-64-02(7) were followed, the school district's share would be 58.73 percent (185 mills

divided by 315 mills) or \$14,095.20. All other participating political subdivisions combined would receive 41.27 percent or \$9,904.80. That amounts to a loss of \$3,096.00 or 23.81 percent to all other political subdivisions. That is not acceptable and was not intended when ch. 57-64 was enacted.

- If § 57-64-02(7) were followed, a second distribution formula would have to be calculated for just about every consolidated taxing district in the state. Most consolidated taxing districts have at least one type of property listed above. The regular distribution formula would be used for all property tax distributions other than the types listed above. That would require considerable time and expense for programming, and the opportunities for error would be great. The result would be school districts would be kept “whole” at the expense of cities, townships, counties, fire districts, etc.

### Solution

The only way to prevent a loss to school districts due to MLRGs and not cause an offsetting loss to all other political subdivisions is for the State to provide funding to make up for the lost school district tax dollars.

- Multiply the 2008 taxable value of all property subject to in-lieu taxes in each school district by the number of mills in that school district’s MLRG. Use of 2008 taxable value is consistent with the statutory requirement that 2008 taxable value be used to calculate MLRGs.
- Multiply the total 2008 tax dollars allocated to each school district for PILOTs under ch. 40-57.1 and Forest Stewardship Tax by the number of mills in each school district’s MLRG divided by the school district’s total 2009 mill rate, and multiply the result by the ratio of all 2009 school district taxes levied statewide to all 2009 property taxes levied statewide. The additional step is required because the result of a change in allocation of a tax that remains constant in amount is affected by the ratios of the participants’ percentages.
- Multiply the total 2009 rural electric cooperative tax dollars allocated to each school district by the number of mills in each school district’s MLRG divided by the school district’s total 2009 mill rate, and multiply the result by the ratio of all 2009 school district taxes levied statewide to all 2009 property taxes levied statewide. Taxable year 2009 REC taxes are used because statutory language indicates that is intended.

Add the results of the three calculations for each school district. The sum is the amount required to make up for revenue otherwise lost to school districts from property not included in the original MLRG calculations.

Disabled Veterans Credits were not included in these calculations because the state reimbursement for Disabled Veterans Credit did not exist in 2008. Disabled Veterans Credits should be added to the calculations for 2010-2011.

Total required additional payments to all school districts for the 2009-2010 year equal \$2,527,881.35.

It is difficult to estimate what the cost will be for 2010-2011 to provide similar payments to school districts. The following changes are anticipated:

**Disabled Veterans Property Tax Exemption.** For 2009 the exempted portion is reimbursed to political subdivisions in the same way that Homestead Credit is reimbursed. The MLRG does not include the taxable value for which reimbursement is made, so that will have to be added to the adjustment. At this point we do not have the total taxable value that was exempted for 2009, but we can estimate about \$2,750,000. Based on the 2009-2010 average MLRG, that would require an increase of \$197,100 to the adjustment payment.

**Electric Generation, Distribution, & Transmission Tax under N.D.C.C. ch. 57-33.2.** This tax replaces the Rural Electric Cooperative Gross Receipts Tax beginning with tax year 2010. The rural electric cooperatives estimated it would produce 20 percent less revenue than the gross receipts tax. That would reduce the additional payment for electric taxes by approximately \$215,400.

The 2010-2011 MLRG and MLRG adjustments will be calculated using 2009 taxable values. Statewide taxable value increased by 7 percent from 2008 to 2009. Assuming the taxable value of in-lieu properties increased by a similar percentage, the cost of the 2010-2011 MLRG adjustment payment will be about \$2,705,000.

## MLRG Estimate 2011-2013.xls

2009-2010 MLRG appropriation	\$295,000,000		
2009-2010 MLRG payment	142,377,414		
2009-2010 Additional payment	<u>2,527,881</u>		
TOTAL 2009-2010		144,905,295	
2010-2011 estim. MLRG payment*	151,622,586		6.49% increase
2010-2011 Additional payment	<u>2,691,941</u>		
TOTAL 2010-2011		154,314,527	
<b>ESTIMATED TOTAL 2009-2011 PAYMENTS</b>			<b>\$299,219,822</b>
2011-2012 estim. MLRG payment	165,116,544		
2012-2013 estim. MLRG payment	<u>176,674,702</u>		
		341,791,246	
<b>ESTIMATED TOTAL 2011-2013 MLRG PAYMENTS</b>			<b>\$341,791,000 14.23% increase</b>

\*Appropriation minus 2009-2010 payment minus \$1 million anticipated excess excl. additional payments