

2011 HOUSE FINANCE AND TAXATION

HB 1048

# 2011 HOUSE STANDING COMMITTEE MINUTES

## House Finance and Taxation Committee Fort Totten Room, State Capitol

HB1048

1-5-11

12580

☐ Conference Committee

Committee Clerk Signature

*Mary Brucker*

### Explanation or reason for introduction of bill/resolution:

A BILL relating to extension of the deadline for counties to implement use of soil survey data in agricultural property tax assessments; and to provide an effective date.

### Minutes:

**Chairman Wesley R. Belter:** We will open the hearing on HB 1048.

**Senator Dwight Cook:** Sponsor, support. This bill came out of the tax interim committee which I chaired. This bill deals with soil testing. Since 1981 state law has required assessment of agriculture property to implement soil testing. Many of the counties have done it. Some of the counties have had challenges in getting that done. A few sessions ago legislature, to ensure that all counties came on board imposed a penalty that would start in 2012 if the soil testing didn't take place. This was in the interim committee to see how the counties were doing as far as meeting that goal. During that discussion the State Tax Department raised a small concern on how the penalty would be imposed. That's what this bill is here for today. There was some discussion on whether we should extend the time frame. There was no interest in that in the interim committee. Mr. Walstad is here to notify you on where the counties are with this.

**Mr. John Walstad, Legislative Counsel:** Attached testimony (#1). As you know I'm never for or against anything, just here to provide the facts. This bill doesn't do a lot but the provision that is affected here is rather significant. I will give you a bit of background. Back in 1981 the legislature completely restructured property tax assessment. At that time, agricultural property was taken off market assessment and put into a system of assessments based on a formula that includes a number of factors. That is of significant benefit to agriculture property as it keeps assessments at less than market value. One of the most significant advantages is that it stabilizes valuations from year to year. They still fluctuate according to market factors but they don't jump up and down like they used to when market value was the measure. At the time of the 1981 restructuring a provision was put into law requiring counties to use soil survey data whenever possible when evaluating property within the county. On a statewide basis there is control over valuation through the formula. NDSU figures out cropland and non-cropland values for each county individually, provides that information to that county and then the county applies those numbers county-wide to reach an average that should meet or be very close to the NDSU numbers. But within the county to keep things uniform, if every county uses soil surveys then all counties

within the county to keep things uniform, if every county uses soil surveys then all counties and each district within counties should be uniform with what the formula says and spreading valuations. When that provision was put into law in 1981 soil surveys had not been completed for the entire state and I'm not sure when they were done but it was sometime after that so the legislature didn't mandate the use of that information and had a suggestion in there that counties should use the information when it becomes available. Those soil surveys have been done for a long time now, not all counties had implemented that use but many counties had and it cost them some money to do it. For the counties that hadn't done it concern arose in 2007 that a long time had passed now and we really need counties to get serious about finishing the job and that's why the penalty was put into law. Originally the deadline was 2010 implementation. In 2009 that was extended to 2012 and that's what the provision is now before you. There are a few technical things, one of which is when it was first wrote in 2007 the monthly allocation was to be deducted by 5%. It is not a monthly allocation from the state a distribution formula; it's a quarterly allocation so this is a technical correction. No harm has been done yet because no penalty has been imposed. The Tax Department also suggested that February 1 be added. That's the assessment date within the state and that gives a date certain for implementation. The Bill doesn't do a lot but you may get suggestions on how the penalty is implemented. At the bottom of the information that I handed out is the most current information that the interim committee got where the counties are in implementing soil survey use and assessments. Twenty-one had the soil survey in place, one implemented it in 2010 and about 31 are still unfinished with that job. About half of them expected to implement it this year and the other half expected to implement it next year. They would all avoid the penalty provision if that comes to pass.

**Chairman Wesley R. Belter:** Are there any questions. Thank you John. Further testimonies for 1048.

**Terry Traynor, ND Association of Counties:** Support. Attached testimony (#2). Association of Counties do not oppose, we certainly support the technical correction this bill provides because it actually makes it easier to implement from the Tax Department standpoint. We've always opposed the penalty but I don't think we're going to repeal that but I think that the bill can be improved further with amendments that I've provided there or something similar. As we've said before to this committee as we get closer and closer to the deadline it becomes more apparent that those counties most likely to be penalized are generally the smallest and the poorest counties in the state. We've testified in the past that the very rural counties, particularly those counties with a lot of nontaxable reservation land lack the revenue capacity to quickly complete the transition to the use of soil type and soil classification data as required by law. Taking money away from these counties doesn't really solve the problem it just makes it worse. On the table on the back of my testimony it illustrates what the penalty means based on the calendar year 2010 allocations. It's equivalent to 7 mills in Sioux county, 3 ½ mills in Roulette county. These are two of the 31 that aren't done and the ones that I'm most fearful of not meeting that requirement. It must be remembered that most of these rural counties have been at their mill levy cap for their general fund for quite some time and really don't have the option of raising revenue to replace this or to do more than they are already doing. If the penalty must remain we would like to suggest that the funds be withheld the first quarter of the budget year for the counties following the deadline. We still would agree to stick with the February 1<sup>st</sup> of the taxable year of 2011, which would basically make the drop dead date February of 2012

they would have to be in compliance. This would give those counties, rather, the Tax Department the ability to actually after that drop dead to go out and find out if they are or are not in compliance. It would give them some time and allow the counties to budget in July and August for the loss of that revenue come January. We think that's a little less harsh of a penalty particularly for when we consider the counties that are going to be hit. And then also the current statute doesn't really say what the Treasurer is supposed to do with when they withhold the money. They just withhold the money. It doesn't say if that goes back into the fund so those large counties that have had the resources to meet this requirements for many years get some of Sioux and Roulette's money or does it just disappears or goes to the general fund. There's really no reference to where this money goes. We would like to suggest that the State Treasurer transfer that withheld money to the Tax Department so the Tax Department could use it to assist those counties that haven't been able to get it done. Those counties that haven't been able to get it done are those that have short resources, they're faced with road issues, they're faced with social service costs and they just haven't been able to dedicate the resources there. This would be one way of taking that money out of those other priorities and through the Tax Department funnel it back just to meet this requirement because it's obviously important to the state, it's important to the legislature and we think that would improve the bill; it would improve the process and we would hope you would consider these amendments. This is the end of my testimony I will now take any questions.

**Representative Bette Grande:** When you talk about these counties do you have it broke down which of the 21 are in compliance and what are the 31 that are not?

**Mr. Traynor:** I do not. I know the Tax Department did a survey a number of years ago. They went out and actually physically looked at each one of those. They do have a map of those at which that time were in compliance and which ones were not. I don't have that. I know Sioux and roulette were not there yet.

**Representative Bette Grande:** Can we have that information brought to us?

**Chairman Wesley R. Belter:** Can we get this information? Would the Tax Department have this information? Further questions?

**Representative Dwight Wrangham:** In these counties that are not in compliance, where's the public on this? Has there been a public outcry calling for the counties to get it done?

**Mr. Traynor:** I'm not aware of any. Generally the outcry comes when they do implement it because obviously, when you change things there are adjustments. When you go from one system to another some people's value go up and some will go down. Part of the reason it seems to take quite a bit of time is mapping the soils. Overlaying them with the parcels is a technically pretty cut and dried process. It takes time and it takes money to do that but then running that and finding out how it changes the values for each parcel and each land owner and then looking at modifications and rocks and slopes and things like that and working that all in takes time to make sure there aren't any real big problems. So generally I can't say that there's no county that's ever complained that it wasn't done but it seems like the complaints come in the transition rather than before.

**Representative Dwight Wrangham:** The counties that complied with this early on, where there some problems with the counties that they had to address after that? Some of these counties, I recall, said they wanted to take it slow, go easy and do it right rather than do it wrong and have to redo it over and over. Are we seeing the counties that are later getting into the implementation being correct?

**Mr. Traynor:** One of the more recent ones that brought on this bill was Grant County. That had land owners warring. That was a fairly recent one. I don't know if it's more prevalent now or before. It's an issue.

**Vice Chairman Craig Headland:** Can you tell the committee what the average cost of implementation has been to a county?

**Mr. Traynor:** I cannot. There is a tax director that's involved in the process and maybe be able to talk too. I don't know.

**Vice Chairman Craig Headland:** The point I'm trying to make here is that these rules have essentially been into effect since 1981 and why a county in 2010 has not implemented something that they really should have done years ago. The thought that some counties don't have the money to do it as a reason why they're not doing it kind of concerns me a bit as I see counties in some areas of the state sitting with millions of dollars in excess funds that they are just unwilling to spend on certain things. I guess where I'm at with this is that I see the need to continue to have the penalty and I think the reason it's there is because the legislature has seen that the county commissions in some counties have just decided they really didn't want to move forward with it.

**Mr. Traynor:** I don't know if there was a question there but I guess we're not opposing the penalty, we're not saying repeal that what we're advocating is first of all the bill because it does make it something that can be implemented but if the money is going to be taken away we would like to see it dedicated to accomplishing the goals here because just taking the money away I don't think moves those small rural poor counties ahead very far. But if it could be taken away and dedicated to this I think that you'd see the result that this section of law was hoping to accomplish.

**Chairman Wesley R. Belter:** Further testimony on 1048?

**Carlee McLeod, Deputy State Treasurer, Treasurer's Office:** Attached testimony (#3). We come here with just a couple technical concerns. As Mr. Traynor said as there is no direction as to what to do with this money so if you could provide direction where it should be placed that would be helpful. Our other concern is that the language as it is, it seems that this is not a refundable penalty once it's imposed the money stays with the state. I would just like that to be confirmed in the legislative history. That would help us in moving forward with the policy. With that, are there any questions?

**Representative Steven L. Zaiser:** Would you prefer that the money stay with the state as a standing penalty or that it be returned back to the county for the goals of doing soil survey?

**Carlee McLeod:** Our office has no opinion on where the money goes.

**Representative Lonny B. Winrich:** Mr. Traynor proposed amendment would direct the funds to the tax department where they would be used to assist counties to comply. Does that meet your request that you'd be told whether it is refundable or not?

**Carlee McLeod:** Yes, that would give us clarification.

**Chairman Wesley R. Belter:** further testimony in support of 1048? Is there any opposition to 1048? Any neutral testimony on 1048?

**Sara Meier, Property Tax Specialist for Office of State Tax Commissioner:** I do have a map that was handed out in August 2010 to the interim taxation committee. Hopefully this will shed some light on it for Representative Bette Grande what counties are in compliance and what counties are working on it. I don't have any prepared testimony but I would take any questions.

**Chairman Wesley R. Belter:** Any other neutral testimony on 1048? Any questions of committee members? If not, we will close the hearing on 1048. We do have a question.

**Representative Glen Froseth:** Could you briefly explain the colors on the map and which counties are in compliance.

**Sara Meier:** I'm sorry; I didn't put a legend on this map. The yellow counties are the ones that are in compliance. The blue counties are the ones that are working on it. The D in parenthesis stands for detailed soil survey. That means every soil that's in that county has its specific value. The G stands for general which means that several soils are grouped together into one class and that class is given a value. The M in parenthesis stands for modifiers and those are modifiers that have been approved by the state supervisor of assessments which is provided in the law. And then the year that is listed are the years that the county intends to implement this method and that was from a survey that I took last spring. Where it has NS they were non-specific. They are hoping to be implemented by 2012 but they want to make sure everything is correct before they actually go through that last step.

**Chairman Wesley R. Belter:** did everybody get this written down? Thank you for that clarification.

**Representative Wayne Trottier:** Who does these surveys for the counties? Is it from NRCS from the USDA surveys?

**Chairman Wesley R. Belter:** Yes, I believe that's correct. All the information is provided from NRCS.

**Representative Wayne Trottier:** So they have to work with NRCS and it's just a matter of bookkeeping or detailing for the counties to get that information from NRCS, is that right?

**Chairman Wesley R. Belter:** The information is provided to the counties and then once that information is provided the counties amongst themselves work with their township supervisors if they have townships and go through it and set their evaluations as I understand it.

**Representative Wayne Trottier:** Would this eliminate tax assessors for rural property?

**Chairman Wesley R. Belter:** No, it will not. In fact, it may initially it would put additional work load on assessors to get this but as far as eliminating rural assessors, no, it will not change that.

**Representative Dave Weiler:** The concern is the withheld money refundable if the county becomes complaint and by what mechanism. I think that what she's getting at is that a county is late getting this information in and so they are going to be fined or penalized and then once they comply they will get this money back. I'll use the example of a professional athlete that is under contract that doesn't show up for training camp because he wants to hold out for more money. He doesn't show up for a month and then when he shows up they give him his money but they fine him for every day that he's gone and then when he shows up they give him his money back. That's not the purpose of a fine so I would hope that if we're going to fine them we fine them and they don't get the money that's the purpose of the fine is that they lose the money. It doesn't make sense to fine them and then once they come into compliance give them the money back. The fine does absolutely no good so I would just hope we would keep that in mind going forward.

**Representative Shirley Meyer:** I think the concern during the interim tax committee hearing on that provision, many of these rural counties, like four or five of mine, they think they can be compliant and they've been working on it and they think they can be compliant but not until March. If they get fined in February they were concerned with the provision there that if they're a month late, is there any way if working on this as hard as they can, is there any way that this penalty could be placed to that it wouldn't be so punitive to them? That was a concern that was expressed during the interim.

**Representative Dave Weiler:** When I'm driving down interstate 94 I know what the speed limit is. And if I pass the speed limit and I'm picked up I don't expect to get out of it. They've known for a long time the deadline and if they're not getting it done they should be fined.

**Chairman Wesley R. Belter:** My perspective is that I'm not in support of refunding the penalty. My question is whether we want to adopt the suggestion that this money be used to help counties get into compliance. I'm not so sure I would support that type of issue. Is there any comment on that provision?

**Representative Steven L. Zaiser:** I would concur with your viewpoint. That is sort of like giving a kid a candy bar after he's failed the first time. The people that have been diligent and met the requirements did it on their own time. Then to use that money to help those that sort of lagged behind to me seems a little unfair. So I would concur with your view that it not be used to assist those counties that haven't met the requirements.

**Vice Chairman Craig Headland:** I would tend to agree that we do need to clarify to the tax department if we are going to keep the money that it is going to be put somewhere. I agree with Chairman and other members who have spoken that I don't see the need to set aside these funds. I don't know if there's an amendment that needs to be drafted but I would be happy to go in that direction if you do care to go there.

**Representative Dave Weiler:** Terry Traynor had a few proposed amendments and I do agree with the first one where he states beginning of the first calendar quarter of 2013 if you find them right away in 2012 they have already set their budget for that year in the previous year so they would be able to allow them to budget for whatever they're being fined. I think that's how that it is intended to read. I think that's probably a wise thing to do. At least give them the opportunity to budget for their mistake.

**Representative Glen Froseth:** Some of these counties have been struggling for a long time to find the funds to comply with this. I kind of sympathize with that. Maybe it would be quite an incentive if you withheld 5% as a penalty until they would come into compliance. It would give them more incentive if they knew they would get that 5% back. I understand Representative Dave Weiler and Representative Steven L. Zaiser withholding money but they have been trying to do this. I know Divide County just came under compliance. There was an article in their newspaper the difference it made with their county. It makes a lot of difference. Divide County has a lot of different soil types. It goes from basically rocks to the best farmland in the state. That evaluation difference is that some of the land value really went up and some really took a decrease in value. The landowners in Divide County seem to be satisfied with the results. The ones with the good land realize they have better conditions to make more money off the land. I think it would be a good thing to see it finally completed. Whether you want to penalize those that haven't completed it or offer an incentive to get it done is a tossup. I would favor the incentive to get it done.

**Chairman Wesley R. Belter:** My thought is we've been dealing with this issue for three sessions or more. The very fact is that we really had little testimony and that there are a lot of problems out there on behalf of the counties. I think we've reached the point where everybody kind of realizes that they're going to get into compliance and that there are situations where it might be questionable. But I think that if there was a lot of concern on behalf of the counties I think we would have heard a lot more opposition to the time lines that we've set here. So I guess my thought is to clean up these issues that were brought forward here. We can pretty much leave the penalties and the deadlines in effect as was our original legislative intent. Any comments?

**Representative Mark S. Owens:** I agree we leave the time line in and the penalty in but so far the only two options we've heard as far as what we do with the money is that we use it as a carrot to get them to do what they had almost 20 years to do to begin with or we take the money away from the people who aren't doing it and provide it back to them to finance them to do it which seems a little silly to me. So what's the third option of where the money goes? Are we just keeping it as a penalty?

**Chairman Wesley R. Belter:** I guess that's the issue. Do we put it back into the general fund or do we just prorate it out to return it back to all the counties? These are the only two options I see.



**Representative Steven L. Zaiser:** I would suggest that we actually set aside some fund or if there is a fund that brings it back to the agriculture community I think that would be appropriate because that's where it comes from and that's where it's intended to go. I don't think putting it in the general fund is appropriate but I don't know the formula in terms of distribution if there's some other fund. The bean counters may have another idea but I would like to see it go back to the agriculture community.

**Chairman Wesley R. Belter:** We will end the discussion here and the committee members can give it some thought. But I think maybe Vice Chairman Craig Headland will discuss it too and maybe get some amendments drafted. If you have some suggestions you can bring them to Vice Chairman Craig Headland and maybe we could get this bill out next week.

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

HB 1048  
January 19, 2011  
#13074

☐ Conference Committee

Committee Clerk Signature

*Mary Brucker*

## Explanation or reason for introduction of bill/resolution:

A Bill relating to extension of the deadline for counties to implement use of soil survey data in agricultural property tax assessments; and to provide an effective date.

## Minutes:

*See attached testimony #1*

**Vice Chairman Craig Headland:** Reviewed amendments. See attached testimony #1. The Treasurer's Office they didn't have direction where the money should be distributed or put in the amendment. The bill will simply reallocate it through state aid distribution to the other counties in the state.

**Chairman Wesley R. Belter:** I would entertain a motion on the amendment.

**Representative Bette Grande:** Motion to accept the 228.02001 amendments.

**Representative Mark S. Owens:** Seconded.

**Representative Lonny B. Winrich:** I am troubled by this amendment because I think what it means are that certain counties in the state will never implement this program. From what we heard from the Association of Counties there are no resources in some of those counties where there is maybe 100 taxpayers and they are always scrambling for money. It seems to me that the state would benefit in the long run from getting the program implemented and that a much better approach would be what was suggested by the counties to try and help those counties rather than punish them. This bill is primarily punishment rather than getting the job done.

**Representative Dwight Wrangham:** I would agree with what Representative Lonny B. Winrich just said. I don't think these counties are doing this because they don't want to. There have been a lot of problems through the years getting it done. To exclude them from even getting their share of the amount back from what has been fined is really going too far.

**Representative Shirley Meyer:** Representative Headland, could you explain what the bottom sentence means?

**Vice Chairman Craig Headland:** Counties that have not implemented these they will have their percentage withheld and that is going to be distributed back through state aid distribution to the counties that have moved forward but it wouldn't be distributed to them.

**Chairman Wesley R. Belter:** I think the overall goal here is this piece of legislation has been on the books for a long time and at some point you have to impose some type of penalty in order to get compliance. From my perspective the groundwork had already been laid for the penalty and it was just a question of what you are going to do with the penalty money. To me the most equitable thing is that it went back to the general fund and the state could have kept it but I think it would be more equitable to return these funds to the counties through the distribution fund and that's what the amendment does.

**Voice vote was taken. MOTION CARRIED.**

**Representative Bette Grande: Motion for a DO PASS AS AMENDED.**

**Representative Patrick Hatlestad: Seconded.**

**Representative Steven L. Zaiser:** My question is what are those counties that simply don't have the money and probably will never have the money, what are they going to do? What is the state going to do?

**Chairman Wesley R. Belter:** My thought is that these counties will get it done.

**A roll call vote was taken. YES 8 NO 5 ABSENT 1**

**MOTION CARRIED-DO PASS WITH AMENDMENTS.**

**Representative Patrick Hatlestad will carry HB 1048.**

**FISCAL NOTE**  
Requested by Legislative Council  
03/31/2011

Amendment to: Engrossed  
HB 1048

**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.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

This bill withholds 5% of the state aid distribution from counties failing to use soil type and classification. The amount is placed in a state held fund until compliance is achieved and the withheld amount is repaid to the compliant county.

**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.*

**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.*

The appropriation in this bill is no longer necessary, as the overall costs to reprogram the State Aid distribution has been included in the Office State Treasurer budget and reflects the changes needed for all both this bill and other pending legislation affecting State Aid.

Name:	Carlee McLeod	Agency:	Office of State Treasurer
Phone Number:	328-2643	Date Prepared:	03/31/2011

# FISCAL NOTE

Requested by Legislative Council  
03/01/2011

Amendment to: HB 1048

**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.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$17,000	\$0	\$0	\$0

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

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

This bill withholds 5% of the state aid distribution from counties failing to use soil type and classification. The withheld amount is redistributed to compliant counties. The fiscal impact of the bill reflects the \$17,000 needed to reprogram the Office of State Treasurer's TDOC system.

**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.*

**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.*

This bill requires the addition of \$17,000 to the executive budget for the appropriation for the Office of State Treasurer.

<b>Name:</b>	Carlee McLeod	<b>Agency:</b>	Office of State Treasurer
<b>Phone Number:</b>	328-2643	<b>Date Prepared:</b>	03/01/2011

V/K  
1/19/11

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1048

Page 1, line 15, after the period insert "The amount withheld from the allocation must be reallocated among counties through the state aid distribution fund, excluding any counties that have had amounts withheld from their allocations under this subsection."

Renumber accordingly

Date: 1-19-11  
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1048

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Grande Seconded By Rep. Owens

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Scot Kelsh		
Vice Chair. Craig Headland			Shirley Meyer		
Glen Froseth			Lonny B. Winrich		
Bette Grande			Steven L. Zaiser		
Patrick Hatlestad					
Mark S. Owens					
Roscoe Streyle					
Wayne Trottier					
Dave Weiler					
Dwight Wrangham					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Aye 9

No 5

MOTION CARRIES

Date: 1-19-11  
Roll Call Vote # 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1048

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken: ☒ Do Pass ☐ Do Not Pass ☒ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Grande Seconded By Rep. Hatlestad

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	✓		Scot Kelsh		✓
Vice Chair. Craig Headland	✓		Shirley Meyer		✓
Glen Froseth	✓		Lonny B. Winrich		✓
Bette Grande	✓		Steven L. Zaiser		✓
Patrick Hatlestad	✓				
Mark S. Owens	✓				
Roscoe Streyle	✓				
Wayne Trottier	✓				
Dave Weiler	AB				
Dwight Wrangham		✓			

Total (Yes) 8 No 5

Absent 1

Floor Assignment Rep. Hatlestad

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



**REPORT OF STANDING COMMITTEE**

**HB 1048: Finance and Taxation Committee (Rep. Belter, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (8 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). HB 1048 was placed on the Sixth order on the calendar.

Page 1, line 15, after the period insert "The amount withheld from the allocation must be reallocated among counties through the state aid distribution fund, excluding any counties that have had amounts withheld from their allocations under this subsection."

Renumber accordingly

**2011 SENATE FINANCE AND TAXATION**

**HB 1048**

# 2011 SENATE STANDING COMMITTEE MINUTES

## Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

HB 1048  
3/2/2011  
Job Number 14810

☐ Conference Committee

*A. Rittmiller*

### Explanation or reason for introduction of bill/resolution:

Relating to extension of the deadline for counties to implement use of soil survey data in agricultural property tax assessments

### Minutes:

Written Testimony Attached

Chairman Cook opened the hearing on SB 1048.

**John Walstad, Legislative Council** – The bill started off as a pretty simple thing. When it came from the interim committee the only change was what you see on line 10 that this penalty provision would apply quarterly instead of monthly because quarterly is when the state aid distribution fund allocations are made. This provision of law requires counties to get into compliance and use detailed soil surveys in agricultural property assessments. In 1981 the legislature completely redid the property tax systems, introduced a formula valuation for ag land based on productivity and at that time included a provision saying counties shall use detailed soil surveys whenever possible. At that time soil surveys hadn't been completed for the whole state, but many years ago now, those soil surveys were completed for the entire state and back in 2007 Chairman Cook initiated the inquiry that, how many counties are not using those surveys and it turned out the majority were not. Some had implemented those but for the most part it hadn't been done. The idea behind the use of soil surveys is to make ag assessments fair and uniform state wide and within counties so because of that concern the legislature put a provision in place that initially, beginning in the 2010 tax year, 5% would be withheld from state aid distribution fund allocations to counties if they were not using detailed soil surveys. In 2009 that was amended to delay the penalty imposition until the 2012 tax year and that is where we are at now. The couple changes that were made here on line 8 and 10, February 1<sup>st</sup> is the assessment date each year so that is inserted here to create a date certain during each year when that system has to be in place and then the monthly to quarterly. The language on lines 15-17 that is underscored was added in the House and that provides that if counties are subject to that penalty, beginning in 2012, the amount withheld from the allocation would be reallocated among other counties that were in compliance. If that provision were not there, what would happen I believe is that the money would stay in the state aid distribution fund and at the next quarterly allocation it would become part of what gets allocated among all of the counties. So, some of that money would go to counties that were not in compliance and some to counties that are in compliance. The amendment

would provide that what's withheld goes to the counties that are in compliance, that's the only difference it would make.

**Terry Traynor, North Dakota Association of Counties** – (See attached testimony A in favor of HB 1048)

**Cory Fong, Tax Commissioner** – I just want to lend support for the general concept of the bill. It was a bill that came through the interim process to try to help with the timing of the penalty so that counties that came in compliance would not see a reduction of their entire state aid distribution but it would be in a quarterly basis, so we do support the bill. I do have some concerns about the amendment that was put on in the House. I understand perhaps the concern in the House was there has to be some place to put these dollars and why not give them back to the counties that have come into compliance. I'm not sure that achieves the goal. I think that Mr. Traynor from the Association of Counties has said it well. I think his amendments are very well put together. I'm not going to get into the issue of whether it would be delayed until 2013, but I think the concept of transferring those dollars that are pulled from counties out of compliance and allocating them to the state tax department where we can then help those counties come in to compliance makes more sense than to spread those dollars across the complying counties. I would point out one thing however, and I think that Sara Meier from the Tax Department is going to present to you which counties are in compliance and which are working on complying, we believe that getting this right makes sense. There are some counties out there that are working diligently to put in place a soil survey. I think they have all gotten the message for the most part that they need to work on this. The effort that you started in 2007 to say counties this has been the law of the land you better get it together and get these soil surveys put in place. I think they got the message, but to rush it now at the very end and force these counties to just put something in place I think may cause more problems than waiting a little bit longer and having them all go on in 2013. I do like the provision at the bottom of Mr Traynor's amendments, I think that makes more sense, and I think in some ways so does the delay until 2013.

**Sara Meier, Property Tax Specialist, Office of State Tax Commissioner** – (See attached testimony B and B1 in favor of HB 1048)

Discussion followed on the map (B1).

**Senator Hogue** – Do you think it's clear in the law now that, for example the Tax Commissioner is the one who would officially decide either you are not in compliance or you are in compliance with this statute and therefore you don't have to have the 5% withheld, or is that something that needs to be clarified?

**Sara Meier, Property Tax Specialist, Office of State Tax Commissioner** – It's not just calling up and saying we are in compliance. We do a review of their valuation method and there are key points that they have to have. They have to have their soils, all of the acres counted in their county that are taxable acres. They have to provide maps and values; it's not just calling and saying we are in compliance. There are tests that they have to pass.

**Senator Hogue** – You are satisfied that the Tax Commissioner would have the authority in the event that there is a dispute saying we have sent you all the information and you are saying we are not in compliance, we think we are in compliance, your satisfied that the Tax Commissioner would have the authority to say no you are not and therefore the 5% is withheld.

**Dan Rouse, Tax Department** – I'm refreshing my recollection with the entire section of law and as Ms. Meier previously testified, it lays out in a pretty lock step fashion the requirement that the county must comply with before that issue comes before the state supervisor of assessments and the tax commissioner for a determination. I'm comfortable that the authority is there. I'm comfortable that we have the progress that's necessary and once a determination is made the authority is present for the Tax Commissioner to make a determination.

**Chairman Cook** asked for testimony opposed to HB 1048. No one came forward.

**Chairman Cook** asked for neutral testimony for HB 1048.

**Carlee McLeod, Deputy Treasurer for the Office of State Treasurer** – (See attached testimony C, neutral on HB 1048)

**Senator Dotzenrod** – The \$17,000 to do the reprogramming, I assume that one of the complications is when we take this 5% penalty out and then try to allocate that proportion out that is, if you looked at the amendment that Mr. Traynor offered, where you just take the 5% out, and that's the end of it essentially. You don't have to go back and try to determine some new level of distributions. If that amendment were adopted would the fiscal note not be a factor or would it change things that way.

**Carlee McLeod, Deputy Treasurer for the Office of State Treasurer** – Yes, what that \$17,000 takes in to account is basically, we are reprogramming a mini distribution within a distribution.

**Chairman Cook** closed the hearing on HB 1048.

# 2011 SENATE STANDING COMMITTEE MINUTES

## Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

HB 1048  
3/29/2011  
Job Number 16145

☐ Conference Committee

*A. B. Miller*

### Explanation or reason for introduction of bill/resolution:

Relating to extension of the deadline for counties to implement use of soil survey data in agricultural property tax assessments

### Minutes:

Committee Work

**Chairman Cook** opened discussion on HB 1048.

**Sara Meier, Tax Department** explained the Tax Departments proposed amendments.

**Chairman Cook** – I thought the amendments before that were offered would use that money to help them get in compliance. Now you are just holding it until they are in compliance and then you give it back to them.

**Sara Meier, Tax Department** – Right.

**Chairman Cook** – Because you would need some sort of appropriation to tell you how to spend that money to a particular county.

**Sara Meier, Tax Department** – Right.

**Chairman Cook** – I suppose the reason they have to do it quarterly instead of annually is because they make payments quarterly and they have to have 5% trimmed off every quarter.

**Carlee McLeod, Deputy State Treasurer** – You actually can do it either way.

**Vice Chairman Miller** – Is there any idea how much money would be withheld?

**Carlee McLeod, Deputy State Treasurer** – I don't know, Mr. Traynor passed out a sheet with all the numbers and that is probably where you would find it. To expand on your other question, you can do it either way. We are looking backwards so we can figure out what that 5% would be and if we are taking out a whole year at a time, we do.

**Vice Chairman Miller** – I'll move adoption of the amendments.

Seconded by **Senator Triplett**.

**Chairman Cook** – All in favor of the amendments signify by saying yea, opposed? (7-0-0)


**Senator Triplett** – I'll move a Do Pass as Amended.

Seconded by **Vice Chairman Miller**.

**Chairman Cook** – Ask the clerk to take the roll. (7-0-0)

Carried by **Vice Chairman Miller**.

March 29, 2011

  
3-29-11

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1048

Page 1, line 1, after "Act" insert "to create and enact a new section to chapter 57-02 of the North Dakota Century Code, relating to creation of the agricultural land valuation fund;"

Page 1, line 3, after the semicolon insert "to provide a continuing appropriation;"

Page 1, line 11, overstrike "until that county has fully implemented use of soil type or soil"

Page 1, line 12, overstrike "classification data from detailed and general soil surveys" and insert immediately thereafter "beginning with the first quarter of 2013. The amount withheld from the allocation must be deposited into the agricultural land valuation fund"

Page 1, line 15, remove "The amount withheld from the allocation must be reallocated among"

Page 1, replace lines 16 and 17 with:

"**SECTION 2.** A new section to chapter 57-02 of the North Dakota Century Code is created and enacted as follows:

**Agricultural land valuation fund - Deposits - Continuing appropriation.**

There is established a special fund in the state treasury to be known as the agricultural land valuation fund. The moneys withheld under subsection 10 of section 57-02-27.2 must be deposited into the agricultural land valuation fund. All moneys deposited in the agricultural land valuation fund are appropriated as a continuing appropriation and must be allocated to the county from which the withholding was made upon certification from the tax commissioner of the implementation of subsection 7 of section 57-02-27.2 by that county.

Renumber accordingly



Date: 3-29-11  
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1048

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Senator Miller Seconded By Senator Triplett

Senators	Yes	No	Senators	Yes	No
Dwight Cook – Chairman			Jim Dotzenrod		
Joe Miller – Vice Chairman			Connie Triplett		
Randy Burckhard					
David Hogue					
Dave Oehlke					

Total (Yes) 7 No 0

Absent 0

Floor Assignment \_\_\_\_\_

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

verbal vote

Date: 3-29-11  
Roll Call Vote # 2

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1048

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken: ☒ Do Pass ☐ Do Not Pass ☒ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Senator Triplett Seconded By Senator Miller

Senators	Yes	No	Senators	Yes	No
Dwight Cook – Chairman	<u>X</u>		Jim Dotzenrod	<u>X</u>	
Joe Miller – Vice Chairman	<u>X</u>		Connie Triplett	<u>X</u>	
Randy Burckhard	<u>X</u>				
David Hogue	<u>X</u>				
Dave Oehlke	<u>X</u>				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Miller

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

**REPORT OF STANDING COMMITTEE**

**HB 1048, as engrossed: Finance and Taxation Committee (Sen. Cook, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1048 was placed on the Sixth order on the calendar.

Page 1, line 1, after "Act" insert "to create and enact a new section to chapter 57-02 of the North Dakota Century Code, relating to creation of the agricultural land valuation fund;"

Page 1, line 3, after the semicolon insert "to provide a continuing appropriation;"

Page 1, line 11, overstrike "until that county has fully implemented use of soil type or soil"

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Renumber accordingly

**2011 TESTIMONY**

HB 1048

Walstad, John M.

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## SOIL SURVEY IMPLEMENTATION FOR AGRICULTURAL ASSESSMENTS

### Background

Since 1981 state law has required county assessment officials, whenever possible, to use soil type and soil classification data from detailed and general soil surveys in determining relative value of agricultural lands within the county. During consideration of legislation in 2007, the Legislative Assembly discovered that most counties have not implemented use of soil surveys in assessments and, as a result, there is a lack of uniformity among agricultural property assessments in the state. House Bill No. 1303 made it mandatory for counties to use soil survey information in agricultural assessments and set a deadline to require all counties to implement use of soil surveys by taxable year 2010 or a noncomplying county would incur withholding of 5 percent of the county's allocation from the state aid distribution fund until the county implements use of soil survey information.

**2009 Senate Bill No. 2052** extended the deadline from 2009 to 2011 for counties to fully implement use of soil type and soil classification data from detailed or general soil surveys in agricultural property assessments. Failure to meet the deadline will subject the county to a reduction of 5 percent in allocations from the state aid distribution fund until full implementation of soil survey use in agricultural property assessments.

Of the 53 counties, 21 counties have the soil survey method of valuation in place, and 1 county is implementing surveys for 2010 assessments. The remaining 31 counties are more than halfway through the process. About one-half of noncomplying counties expect to implement soil survey use in 2011, and the remainder expect to implement soil survey use in 2012.

**Testimony To  
THE HOUSE FINANCE & TAXATION COMMITTEE  
Prepared January 5, 2011  
by Terry Traynor, Assistant Director  
North Dakota Association of Counties**

**REGARDING HOUSE BILL No. 1048**

Mr. Chairman and committee members, while the Association of Counties does not oppose the clarification language contained in HB1048, as it will assist the Tax Department in actually implementing the subsection, we remain opposed to the penalty itself.

As we come closer and closer to the deadline, it becomes more apparent that those counties most likely to be penalized are generally the smallest and poorest of our counties.

We have testified in the past that the very rural counties, and particularly the counties with large tracts of non-taxable reservation land, lack the revenue capacity to quickly complete the transition to the full "use of soil type and soil classification data". Taking more money away from these counties seems counterproductive.

The table on the back of this testimony illustrates what the penalty means in mills to each county. Removing the equivalent of 7 mills from Sioux County, or 3½ mills from Rolette County, because they cannot afford to complete the transition, will not aid their efforts. It must be remembered that most rural counties have long ago reached their general fund mill levy maximum and are prohibited from raising property taxes to replace this loss.

If the penalty must remain, our Association would like to suggest that the funds be withheld beginning the first quarter of calendar (budget) year following the deadline, and further that the funds withheld be dedicated to achieving the goal of the statute. We have drafted possible amendments to the bill to permit this to happen.

\* \* \* \* \*

**Proposed Amendments for House Bill No. 1048**

Page 1, line 9, after "2011," insert "beginning with the first calendar quarter of 2013,"

Page 1, line 15, after the period insert "The state treasurer shall transfer the funds withheld to the state tax department. The state tax department shall use the funds to assist counties in fulfilling the requirements of this subsection."

Renumber Accordingly

# STATE AID DISTRIBUTION FUND - CALENDAR YEAR

## Analysis of 57-02-27.2 Penalty

COUNTY	CY2010 County/Tw p Amount	CY2010 Adjusted County Amt.	5% Impact	Equivalent Impact in Mills 2010 Mills
ADAMS	254,624	234,266	12,731	1.62
BARNES	684,880	597,646	34,244	0.71
BENSON	475,320	420,879	23,766	1.53
BILLINGS	168,536	168,536	8,427	1.38
BOTTINEAU	484,661	425,371	24,233	0.71
BOWMAN	287,392	258,386	14,370	0.98
BURKE	236,901	200,438	11,845	1.26
BURLEIGH	2,204,990	2,097,760	110,249	0.43
CASS	3,625,886	3,357,788	181,294	0.39
CAVALIER	367,623	320,067	18,381	0.67
DICKEY	414,377	364,334	20,719	0.94
DIVIDE	238,971	200,053	11,949	1.16
DUNN	305,468	305,468	15,273	1.08
EDDY	262,904	231,624	13,145	1.88
EMMONS	342,377	332,722	17,119	1.17
FOSTER	313,496	269,544	15,675	1.12
GOLDEN VALLEY	220,845	193,845	11,042	1.80
GRAND FORKS	2,116,108	1,958,412	105,805	0.57
GRANT	267,145	255,873	13,357	1.44
GRIGGS	262,753	228,020	13,138	1.31
HETTINGER	260,783	228,210	13,039	1.27
KIDDER	262,702	232,673	13,135	1.12
LaMOURE	361,059	314,986	18,053	0.90
LOGAN	241,161	229,677	12,058	1.52
McHENRY	425,990	375,590	21,300	0.90
McINTOSH	294,865	293,747	14,743	1.37
McKENZIE	413,367	380,874	20,668	1.05
McLEAN	618,019	572,528	30,901	0.88
MERCER	600,435	600,435	30,022	1.42
MORTON	1,039,612	1,037,494	51,981	0.69
MOUNTRAIL	458,507	405,025	22,925	1.11
NELSON	311,275	274,197	15,564	1.16
OLIVER	227,964	227,964	11,398	1.36
PEMBINA	598,879	508,850	29,944	0.88
PIERCE	359,746	339,542	17,987	1.22
RAMSEY	690,648	620,887	34,532	1.13
RANSOM	421,093	369,453	21,055	1.05
RENVILLE	255,482	220,240	12,774	1.16
RICHLAND	847,031	748,514	42,352	0.76
ROLETTE	733,040	717,248	36,652	3.48
SARGENT	344,144	299,197	17,207	0.96
SHERIDAN	210,040	192,245	10,502	1.51
SIOUX	327,886	325,845	16,394	7.02
SLOPE	162,426	144,440	8,121	1.38
STARK	969,302	969,302	48,465	0.78
STEELE	237,709	203,040	11,885	0.82
STUTSMAN	950,110	851,782	47,505	0.79
TOWNER	269,897	239,041	13,495	1.07
TRAILL	597,400	531,739	29,870	1.00
WALSH	699,625	623,667	34,981	1.00
WARD	1,922,551	1,759,044	96,128	0.60
WELLS	383,522	336,101	19,176	0.97
WILLIAMS	893,509	796,881	44,675	0.73

Bill #1048 203



Andy L. Schmidt  
State Treasurer

STATE OF NORTH DAKOTA

**OFFICE OF STATE TREASURER**

STATE CAPITOL, 600 E. BOULEVARD AVE., DEPT 120, BISMARCK, NORTH DAKOTA 58505-0600

701-328-2643 FAX 701-328-3002

<http://www.treasurer.nd.gov>

**House Bill 1048  
Neutral Testimony  
Committee: House Finance and Tax  
Date: January 5, 2011  
Carlee McLeod  
Deputy Treasurer**

Mr. Chairman, members of the committee:

For the record, I am Carlee McLeod, Deputy Treasurer for the Office of State Treasurer. I am here to go on record with some concerns about this bill.

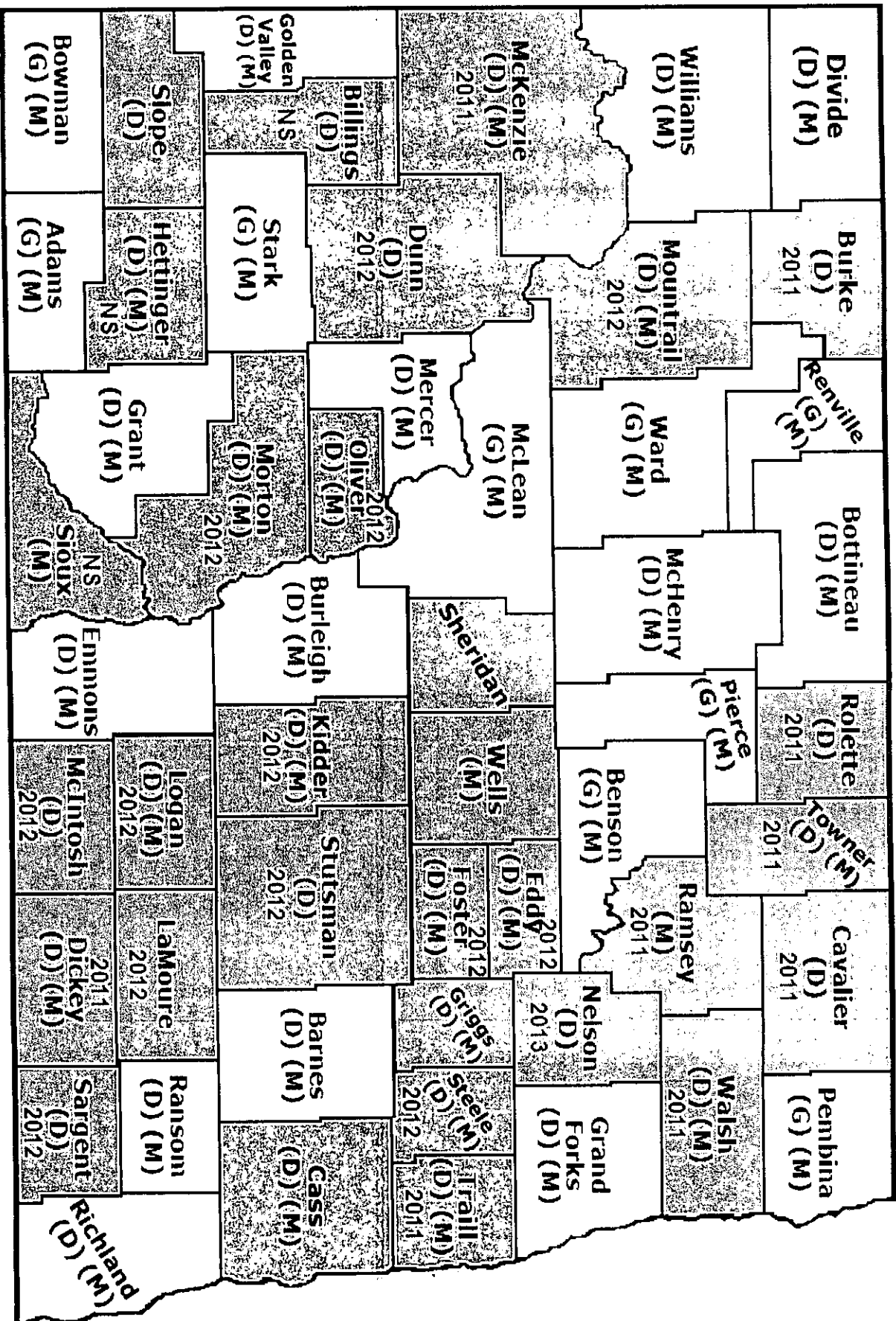
Before the Office of State Treasurer can implement this legislation, we need clarification on two points:

First: What should be done with any funds withheld under this provision? As a general matter, our office needs legislative direction for any funds that are under our control.

Second: Is the withheld amount refundable if the county becomes compliant, and if so by what mechanism?

Thank you.





1-19-11 Testimony #1

11.0228.02001  
Title.

Prepared by the Legislative Council staff for  
Representative Headland  
January 14, 2011

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1048

Page 1, line 15, after the period insert "The amount withheld from the allocation must be reallocated among counties through the state aid distribution fund, excluding any counties that have had amounts withheld from their allocations under this subsection."

Renumber accordingly

**Testimony To  
THE SENATE FINANCE & TAXATION COMMITTEE  
Prepared March 2, 2011  
by Terry Traynor, Assistant Director  
North Dakota Association of Counties**

**REGARDING ENGROSSED HOUSE BILL No. 1048**

Mr. Chairman and committee members, the Association of Counties supports the clarification language recommended for this subsection by the interim Taxation Committee, as it will assist the Tax Department in actually implementing the subsection. We do however, respectfully request consideration of an alternative to the House's proposal for disposing of the "penalty funds". Additionally, we would like the committee to consider a timing issue as it relates to the penalty and the county budget cycle.

As we come closer and closer to the deadline, it becomes more apparent that those counties most likely to be penalized are generally the smallest and poorest of our counties. We have testified in the past that the very rural counties, and particularly the counties with large tracts of non-taxable reservation land, lack the revenue capacity to quickly complete the transition to the full *"use of soil type and soil classification data"*. Taking more money away from these counties may only push the Legislature's goal of 100% completion further into the future.

The table on the back of this testimony illustrates what the penalty means in dollar and mills to each county. Removing the equivalent of 7 mills from Sioux County, or 3½ mills from Rolette County, because they cannot afford to complete the transition, will not aid their efforts. It must be remembered that most rural counties have long ago reached their general fund mill levy maximum and are prohibited from raising general fund property taxes to replace this loss.

Our Association would like to suggest that the funds be withheld beginning the first quarter of calendar (budget) year following the deadline, to allow counties to adequately plan for their loss. And further, that the funds withheld be dedicated to achieving the goal of the statute. We have drafted possible amendments to the engrossed bill to permit this to happen.

\* \* \* \* \*

**Proposed Amendments for Engrossed House Bill No. 1048**

Page 1, line 9, after "2011," insert "beginning with the first calendar quarter of 2013,"

Page 1, line 15, replace "allocated among" with "transferred to the state tax department."

Page 1, remove lines 16 and 17 and insert immediately thereafter, "The state tax department shall use the transferred funds to reimburse counties where funding is withheld, for expenditures made in fulfilling the requirements of this subsection."

Renumber Accordingly

STATE AID DISTRIBUTION FUND - CALENDAR YEAR

Analysis of 57-02-27.2 Penalty

COUNTY	CY2010 County/Twp Amount	CY2010 Adjusted County Amt.	5% Impact	Equivalent Impact in Mills 2010 Mills
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TOWNER	269,897	239,041	13,495	1.07
TRAILL	597,400	531,739	29,870	1.00
WALSH	699,825	623,667	34,981	1.00
WARD	1,922,551	1,759,044	96,128	0.60
WELLS	383,522	336,101	19,176	0.97
WILLIAMS	893,509	796,881	44,675	0.73

SENATE FINANCE AND TAXATION COMMITTEE

HOUSE BILL 1048

MARCH 2, 2011

Presented by Sara Meier  
Property Tax Specialist  
Office of State Tax Commissioner

Chairman Cook, members of the Senate Finance and Taxation Committee, for the record my name is Sara Meier, and I am a Property Tax Specialist for the Office of State Tax Commissioner.

My presentation today is to inform you of the progress being made by counties which must implement the soil survey method of valuation for agricultural land.

Of the fifty-three counties, twenty-two counties have the soil survey method of valuing agricultural land in place. Thirty-one counties are continuing to make progress toward completing this revaluation and implementing the soil survey method for valuing agricultural land.

The attached map depicts the progress and status of all counties.

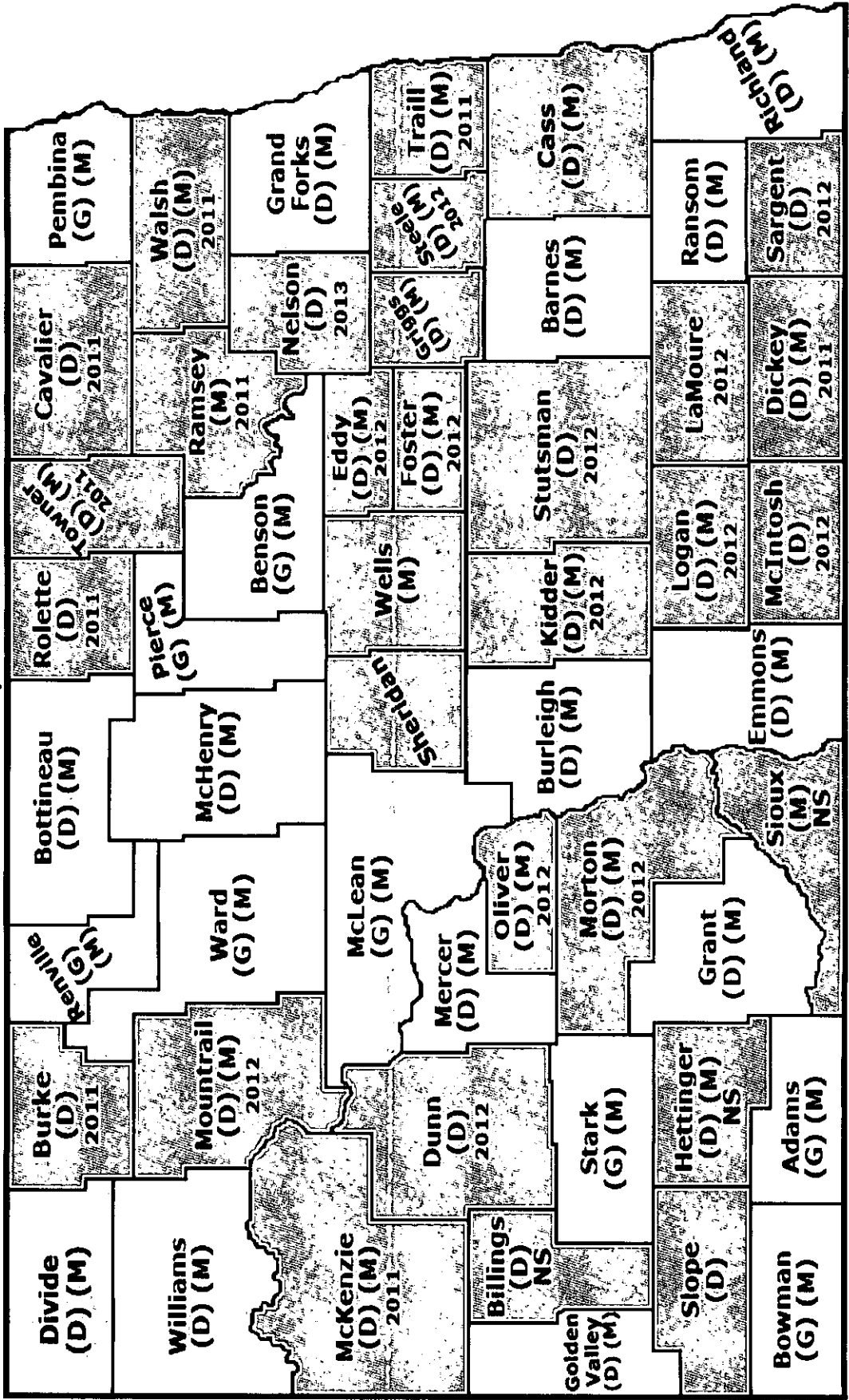
The counties shown in yellow are using the soil survey method as the basis for comparing agricultural properties for the 2010 assessment year. Those that have a (D) under the county name are using the detail soil survey, by which each mapping unit (soil type) in the county has its own value per acre. The counties with a (G) under the county name are using the general soil survey. The general soil survey groups similar soils into classes, and each class is assigned a value per acre.

The counties shown in blue are continuing to make progress toward implementing the soil survey method for valuing agricultural land. The expected year of implementation is listed on counties that are confident they will complete the implementation. Counties that do not have a year listed either have not been contacted or do not have a projected date for completion. Counties that have a (NS) have not stated an implementation date during our conversations.

Also, please note, several counties have implemented modifiers, which have been approved by the State Supervisor of Assessments. Modifiers are used to account for limitations of a soils productive capability. Counties that have an (M) under the county name have implemented modifiers.

Thanks you and I welcome your questions.

Soil Survey Method of Valuation of Agricultural Land – County Progress  
Office of State Tax Commissioner  
March 2, 2011



Yellow

Blue

County using soil survey as basis for agricultural valuation  
County in the process of implementing detailed soil survey method of valuation.

(D) Indicates detailed soil survey  
(G) Indicates general soil survey  
(M) Indicates use of approved modifiers

(NS) Indicates they have not yet stated an implementation date  
Year (i.e. 2011) references indicate anticipated implementation

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STATE OF NORTH DAKOTA

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Kelly L. Schmidt  
State Treasurer

**House Bill 1048**  
**Neutral Testimony**  
**Committee: Senate Finance and Tax**  
**Date: March 2, 2011**  
**Carlee McLeod**  
**Deputy Treasurer**

Chairman Cook, members of the committee:

For the record, I am Carlee McLeod, Deputy Treasurer for the Office of State Treasurer.

This office brought testimony to the House committee on the original version of this bill asking for clarification regarding placement of funds withheld from non-compliant counties. We also asked if the monies would be refundable upon compliance. Those concerns have been met with the amendments put on this bill by the House. The House amended the bill to redistribute the withheld amounts to the rest of the compliant counties within the state aid distribution formula. In order to accomplish this, the Office of State Treasurer will need to rewrite our state aid tax distribution program to accomplish the withholding and a "mini" distribution of the withheld funds, as well as the necessary reports. We have asked ITD for a cost estimate for the rewrite, and they have reported that the amount would be \$17,000. We have included that in a fiscal note to this bill.

As this committee proceeds with this bill, we do ask that you keep in mind the clarification needed by our office relating to the placement of the withheld funds.

Thank you.