2011 HOUSE FINANCE AND TAXATION

HB 1272

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1272
January 26, 2011
#13451

☐ Conference Committee

Committee Clerk Signature	Mary Brucker

Explanation or reason for introduction of bill/resolution:

A Bill relating to limitation of property tax increases; and to provide an effective date.

Minutes:

See attached testimony #1, #2, #3, #4, #5, #6

Representative Koppelman: Sponsor. Support. Property taxes are a problem in North Dakota; they are too high and are rising too fast. We have bought ourselves a bit of time by the proposal that we passed last session. We are calling it property tax relief but I think if we are honest with ourselves, one another, and our constituents we will have to admit that it is not really property tax relief it is really a tax shift. What we are doing is taking money from the state coffers because we have a surplus and sending it to our school districts and we're saying here is some money and you are obligated if you accept it to lower your property tax by an equal amount. That results in our constituents getting a lower bill so it looks great to them as it looks like they are saving money but the bottom line is no one has tightened their belts one notch and no one has tightened their budgets one dollar. The question is, are property taxes a problem in North Dakota, do they continue to be a problem? I don't know what's happening in your neck of the woods but what I'm hearing around the state is report after report of local taxing entities rushing if able to make up for that reduction in property taxes by increasing property taxes by floating bond issues, etc. I am familiar with one case where it was one of the talking points of the proponents of the bond issue to say your property taxes are lower now so you can afford this. That is what we are dealing with. We funded the property tax shift for the school district tax bailout (someone called it) and funded that for four years and I suspect we will pass it again this year and I support that. We don't know what will happen after that. We don't know if North Dakota will have the surplus we hope it will and we don't know if it will have the surplus it has today. The people have passed the legacy fund provision which takes some of the oil money off the table beginning this year and I favored that but it takes money off the table. If we are going to continue to sustain what we have started and continue to pay school districts to keep their property taxes lower it is going to cost the state more and more money all the time. It may come to the point someday not this year and maybe not next session but some legislative assembly is going to be faced with the dilemma that we've created for them which is either you quit doing what you are doing by giving schools this money to supplement property taxes or you are going to have to raise some other tax, income tax, sales tax, or some other taxes the state can collect. So we've kicked the can down the road but I don't know if we really solved the problem in a substantive way. HB

1272 doesn't lower one tax, doesn't cut one tax, all it does is says let's make sure it doesn't grow too fast, let's curb the growth, that's all it does. The level is 3%, it says that taxes on property cannot go up more than 3% in a given year. There are several exclusions in the bill which try to anticipate things like tax abatements, things like new property coming on the tax rolls, and other things. With those things aside we're saying your property tax should not go up by osmosis more than 3%. Taxes are not necessarily based on need; they are based on a formula and based on mill levy rates and so on. So a taxing district, be it a city, county, school district, park district, or whatever gets this pot of money based on that formula. Most of them think it is their job to spend it. I don't know very many who will look at that pot of money and say is this really what we need or can we tighten our belt a bit or lower our mills or can we give some of the money back. It's not happening very often, understandably so, it's human nature. Your property taxes are going up because your house is worth more than it was last year or three years ago or whenever they do the calculation. That doesn't necessarily mean you are able to pay more in property tax. I've had constituents come to me and say the good news is I've paid off my house and accomplished one of my lifetime goals but the bad news is my tax bill is now more than my mortgage payment was when I had one. Property tax reform is going on all over the country because of those kinds of problems. People are being forced out of their home as they are unable to afford to live in their house. There's a homestead tax credit for seniors and I applaud that. That doesn't mean because you bought a house 30 years ago that was worth $60,000 that you can afford the tax on a house that is worth $225,000 today by somebody's calculation simply because you've lived in it that long. I fear that if we don't do something constructive we will end up where the state of California did many years ago with proposition 13 and that's a disaster. They froze property tax valuations at purchase prices. I fear there's enough unrest in our state over this issue that we are headed for something like that if we don't do something in this assembly. There was a provision last session to eliminate property taxes. I didn't favor that but I did favor studying it to see if it was feasible. We didn't even study it. There was a proposal to put that on the ballot this year but it didn't get enough signatures. That pot is still stirring. Please refer to attached testimony #1.

Dustin Gawrylow, Executive Director of ND Taxpayers Association: Support. Last session NDTA reluctantly opposed the idea of caps or limits on the basis of local control. This session we reluctantly support the idea simply to keep it in the mix of a broader discussion of property tax reform. There is another bill, I believe 1194, that would address the issue of automatic tax increases through adjusting the mill levy based on how the values went up. Our contention is that all of these issues and approaches to property taxes should be left on the table for discussion on the larger bill. If we don't leave these various approaches in the larger discussion then the issue of the property tax shift should be addressed itself head on.

Sandy Clark, ND Farm Bureau: Support. We have supported this concept for a number of years and we think that limiting property taxes levied in dollars is good policy. This bill limits growth to 3% increase in dollars on any parcel of property. There was a time when we said that should be 0% and it should be frozen because they are still getting an increase in the increased valuations. We believe that government has grown out of control and this is a way to slow down that growth. It forces local officials and taxpayers alike to establish priorities on what services they really want. We as taxpayers on the local level have to also make that decision on what we really want to fund and what is important to us. Our members are very pleased with the property tax relief package that the legislature awarded last session. We do have concern that other political subdivisions see this property tax as a reason to raise their taxes from those other political subdivisions. We also believe that this property tax relief package is not an all time solution it is a short term solution and it is just replacement dollars. What we really need is property tax reform and we think HB 1272 is a step in the right direction. Despite the fact that property taxes are a local tax and should be administered locally and we do believe in local control but local authorities do not seem to have the discipline to restrain their spending. Instead of lowering the mill levies to raise the same dollars as the previous year they take that increase in valuations. They do this because they are afraid they might not get the same amount next year. In a time of increasing valuations the whole scenario just compounds the problem. Even though property tax is a local tax the state legislature still has the authority over property taxes and to establish the parameters. We support this bill, particularly subsection 4 which allows the local taxing districts to increase its levying authority with a majority vote of the people. If the taxpayers want to increase their taxes they should have that option. We think this represents a positive step on the road to property tax reform. It will be a long term property tax reform. We strongly support limiting the growth of government through property taxes and dollars.

Gilbert Herbel: Support. I am very pleased with what you did last session and took the 75 mills off the school funding and put it on the state instead. Please refer to attached testimony #2 of a copy of the property tax receipt. I would really like to encourage you to do something this term so we don't continue down the road to allow all the political subdivisions to continue these types of increases.

Julie Ellingson, ND Stockman's Association: Support. We have long standing policy looking and seeking property tax relief and property tax reform and helping bring that virtual tax tool that we talk about into balance and keeping in balance. We are very grateful for the recognition of the legislative body over the last several sessions to provide some relief through the property tax relief package from last year. We want to keep this idea open to search for a long term solution for a long term plan for this problem. We believe that the exceptions and exemptions indicated in this bill are appropriate. We also believe in local control where local people have the opportunity to raise those taxes if they have needs that are necessary and that are a vote of the people. We ask for your favorable consideration of this bill.

Kevin Ternes, City Assessor in Minot: Opposition. Please refer to attached testimony #3.

Representative Dave Weiler: The bill states that it can't go up more than 3%. You gave an example of a nicer and newer home going up 5% market value and the older home only went up 2% market value. This bill does not state that you have to go up 3% so that couple that lives in that older home doesn't necessarily need to pay 3% they could pay 2% more.

Kevin Ternes: My point is that the home that appreciated faster and is frozen at 3% increase will eventually after a few years get a better discounted effective tax rate on the value of their home. Those homes aren't changing much in value.

Terry Traynor, Association of Counties: Opposition. Please refer to attached testimony #4.

Cindy Hemphill, Finance Director of the City of Minot: Opposition. Please refer to attached testimony #5.

Bill Wocken, City Administrator for the City of Bismarck: Opposition. The city of Bismarck has been able to stay under that 3% cap but the problem is that I don't know if we can do that forever. We have had some favorable budget years in which we have taken only the growth in new properties. We haven't taken the effects of inflation on the mill levies so we've been able to hold those rates down. There are some events that could force us above that I'm afraid and one of those is the uncertain nature of our snowfall. We spent over a half million dollars in December removing snow in the city of Bismarck. If we had a heavy snow year following a light snow year that would put this 3% in jeopardy. There are capital improvements, a new fire station for example, about $900,000 in salaries to staff a new fire station. There are fluctuations that affect the city. For the most part my board has been very clear to me that we want to keep our property taxes as low as possible. There are sometimes when the 3% will not allow us to meet the needs of the citizens and to respect that 3% cap. I must disagree with the bill and ask for a Do Not Pass.

Larry Syverson, North Dakota Townships Office Association: Opposition. We are struggling to maintain the demanded services that we were providing years ago. At the inflating values of the homes reflects what is happening to the market for the services we provide. We are just barely keeping pace with inflation.

Marcy Dickerson, State Supervisor for Assessments: Opposition. This bill will produce inequity. Over time there will be a difference in the percentage of property tax rate on certain homes the value has increased on compared to other homes that is hasn't increased on. A political subdivision will have to levy the same number of mills throughout the political subdivision. That is required; they can't change the number of mills to match a 3% increase on one property and then a 3% increase on a different type of property. It will create inequities. It will also create some administrative problems. (Made reference to Fargo City Assessors testimony #4) One of the additional issues Ben brings up there is from an administration standpoint there are few if any assessment systems I am aware of in the state with the ability for assessors to designate different types of the total valuation on a parcel for which the varying tax rates are to be applied. That in response to the tax rate can be different on a portion of a parcel which constitutes a new improvement as opposed to the property that was in place. I think that is worth consideration also. This is probably an expensive if not impossible bill to administer.

Representative Shirley Meyer: Is there a sunset clause on the property tax bill that we have in place now?

Marcy Dickerson: I believe that it has been funded for four years and then would have to be re-enacted to go on. The intent was for it to go on indefinitely but the funding was only provided for four years.

Representative Bette Grande: Distributed testimony from Ben Hushka, Fargo Assessor. See testimony #6.

Leon Samul, Tax Director of Morton County: Neutral testimony. One of the things I am looking at for equalization is look at your farm land valuations. Farm land valuations are done by NDSU for every county. Each year when those values come out one county might go up 6% or down 2% or whatever. If you're looking at per parcel and limiting to 3% per parcel you are going to cause some inequity between one county and another county. NDSU came up with these values; they are using the same criteria for every county. I think there would be some inequities on that basis. If a city of county revalues all of its properties as ordered by the state board to do so, for instance a city has to go through a re-valuation and your spending a couple thousand dollars for a company to come in and do that and they recommend a parcel go up 2% or 4% and if you're limited to 3% are you causing an inequities when you do this revaluation? I think you need to consider this when you consider this bill.

Representative Dave Weiler: When you talk about properties going up 2%, some 8%, some 6%, correct me if I'm wrong but I don't think this bill touches on property values it touches on the amount of dollars per parcel that can be increased each year. It doesn't have anything to do with the value of the property. The values of the property can still go up 2% here or 6% here or whatever. That's the way I read it.

Chairman Wesley R. Belter: It reads in dollars.

Representative Dave Weiler: It reads "property taxes in dollars levied by a taxing district may not exceed more than 3% of the amount levied by that taxing district in the preceding taxable year." Property values are not affected by this.

Leon Samul: That is something that needs to be looked at because my understanding is if the house is valued at $10,000 and you go up 3% which is $300 and if you go up 5% that would be $500 and that would exceed the 3% limit. I think we need some clarification on the bill.

Representative Dave Weiler: The property value can go up whatever the property value goes up. If I pay $3,000 last year in property taxes and we passed this bill I will not be paying more than $3,300 if that's 3%. I guess its $3,030. My concept is correct, my math isn't so good. My valuation can still go up 7.7% which is what it did in the city of Bismarck last year. However, what they are going to tax me in dollars is not more than $330, or whatever.

Leon Samul: That's for interpretation so you need to find this out.

Kevin Ternes: That's just the point. If my valuation goes up 7% and the mill levy stays the same for everybody then my taxes go up 7%. If your valuation goes up 3% your taxes go up 3% if the mill levy is adjusted accordingly. How can that be fair when we both go up 3% in dollars owed but my house went up more than yours? In a few years the person living in the better home will be paying less percent of his parcel than the person living in the older home that is not appreciated as much.

Representative Dave Weiler: He got a good deal.

Kevin Ternes: Can I quote you on that?

Ben Koppelman, School Board in Fargo: Neutral testimony. We've been watching a lot of the legislation coming out that deals with property tax and as a school district you can imagine that has an effect especially on a school district like ours that is growing bar none. So I certainly understand the concerns about doing it. I also look at the other proposals that have been suggested, bills such as HB1194 and other bills that look to cap the total dollars levied in terms of what you levied last year. If some political subdivision had a $10 million budget and regardless of what mills equal next year they have another $10 million budget or they have to go through hearing process or go to a vote of the people. That's a lot tougher of a standard to make sure you have ongoing growth for plowing snow and blading roads and things like that. When we know we need tax reform I think we need to be mindful that nothing is going to be painless to everybody and we should consider which bills are better than others in doing that. I think this bill at least has reasonable mechanisms to do that. We should lay all the options on the table and pick which one is best.

Duane Erickson, Foster County Commissioner: As a Commissioner I don't like the 3% limit on there because the people limit us by if you spend too much then out you go. The taxpayer on the other side is who pays my real estate taxes and I'm a farmer but just barely because I'm down to ¼ that I farm the rest of it is rented out. All of the costs are going up on the county. People are calling us asking where the blade is and we have to say the blade is broken down. They expect that and we don't have the reserves or the ability to deal with that. Please do not look at California as an example of a good thing or Michigan or Nevada or a number of other ones as a pilot type thing to do to this state.

Chairman Wesley R. Belter: No further testimony. Closed hearing on HB 1272.

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1272
February 8, 2011
#14223

☐ Conference Committee

Committee Clerk Signature Mary Brucker

Explanation or reason for introduction of bill/resolution:

A Bill relating to limitation of property tax increases; and to provide an effective date.

Minutes:

No attachments.

Vice Chairman Craig Headland: Made a motion for a DO NOT PASS.

Representative Wayne Trottier: Seconded.

A roll call vote was taken: YES 11 NO 3 ABSENT 0
MOTION CARRIED—DO NOT PASS.

Representative Wayne Trottier will carry HB 1272.

FISCAL NOTE STATEMENT

House Bill or Resolution No. 1272

This bill or resolution appears to affect revenues, expenditures, or fiscal liability of counties, cities, or school districts. However, no state agency has primary responsibility for compiling and maintaining the information necessary for the proper preparation of a fiscal note regarding this bill or resolution. Pursuant to Joint Rule 502, this statement meets the fiscal note requirement.

Becky Keller
Senior Fiscal Analyst

Date: 2-8-11
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1272

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. Headland Seconded By Rep. Trottier

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) 11 No 3

Absent Ø

Floor Assignment Rep. Trottier

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

REPORT OF STANDING COMMITTEE

HB 1272: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **DO NOT PASS** (11 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). HB 1272 was placed on the Eleventh order on the calendar.

2011 TESTIMONY

HB 1272

Testimony #1 HB 1272 1-26-11

Many States Currently have Limits on the growth of property taxes.

Following are just a few examples, but this is not by any means, an exhaustive list. Other states have recently-passed measures and, still others are considering proposals to limit growth in property taxes.

California	2%
District of Columbia	10 % (5% for qualifying low income)
Florida	Lesser of 3% or the rate of inflation
Georgia	Freeze (0%)
Iowa	4%
Michigan	Lesser of 5% or the rate of inflation
New Mexico	3%
New York	6% (if you own fewer than three units)
Oklahoma	5%
Oregon	3%
South Carolina	15% over 5 years

Testimony #1 HB 1272
p. 2

Other states:

- **Washington** Limits increases in taxes by individual taxing districts to 1 percent annually

- **New Jersey** 2 percent cap per year (2010)
- **Indiana** In 2010, voters put property-tax caps in the state constitution with an amendment that would make them permanent: Indiana property taxes cannot exceed 1% of the assessed valuation for residential homes, 2% for rental properties and farms, and 3% for businesses.

- **Nevada** 3% cap on the tax bill of the owners primary residence and a higher cap on the tax bill of other properties

Proposals

- **New York** Proposed 2 percent ~~or~~ or the rate of inflation, whichever is less.

- **West Virginia** Kanawha County commissioners are asking the governor to limit property tax increases to 5 to 10 percent – no formal proposal

2009 Real Estate Tax Statement

Grant County Treasurer
Kelly Bachmeier
PO[redacted]7
Car[redacted] 58529 0277
622-3275

Pay online at www.grantnd.gov

HB 1272
Testimony
#2
p.1

5% discount will be given if **total** taxes for a parcel are paid on or before: February 15th.
First payment consists of one-half of the consolidated tax and the full amount of the yearly installment of special assessments as shown on this statement.
First payment is due on or before March 1. After March 1 use the following penalty schedule for first payment amount:
March 2: 3 percent **May 1:** 6 percent **July 1:** 9 percent **October 15:** 12 percent (to January 1)
Second payment consists of the remaining one-half of the consolidated tax.
Second payment is due on or before October 15. After October 15 use the following penalty schedule for second payment amount:
October 16: 6 percent (to January 1)
An interest of 12 percent per annum will begin after January 1 on any outstanding tax.
The true and full value represents the starting point used by your assessor in determining the assessed valuation of residential and commercial property for tax purposes and is his estimate of what your property would sell for on an open market assuming a willing seller and willing buyer. If you feel this figure is in error, please contact your local assessor.

HERBEL, GILBERT & ELNA MAE

Pd 10-15-09
64

HERBEL, GILBERT & ELNA MAE
9399 ND HIGHWAY 49 SW
LEMMON, SD 57638

TAXPAYER ID
751

Reminder: If taxes are paid by escrow, this notice is for information only.

PARCEL # 43064000 SEC - TWP - RNG 15 - 130 - 90

Parcel Values		Taxing Districts	Legal Owner / Legal Description
AG ACRES	160.00	130-90	HERBEL, GILBERT & ELNA MAE 1011 KETTSON AVE
RES ACRES	0.00	ELGIN/NEW LEIPZIG SCHOOL	GRAFTON, ND 58237-
COMM ACRES	0.00	NEW LEIPZIG FIRE DISTRICT	**Legal Description**
TRUE & FULL VALUE	24,600		15-130-090 W1/2W1/2
ASSESSED VALUE	12,300		
TAXABLE VALUE	1,230		
TOTAL MILLS	307.28		

Allo[redacted]f Taxes	2009	2008	2007
ST[redacted]	$1.23	$1.17	$1.23
COUN[redacted]	$185.55	$153.32	$143.15
T[redacted]SHIP/CITY	$25.13	$25.15	$25.08
SCHOOL	$159.90	$242.64	$245.28
FIRE	$6.15	$6.09	$6.13
WATER	$0.00		
OTHER	$0.00		
CONSOLIDATED TAX	$377.96	$428.37	$420.87

Special Assessments

21% increase

TOTAL SPECIALS	$0.00

Taxes Due

FIRST PAYMENT	$188.98
SECOND PAYMENT	$188.98
TOTAL:	$377.96
DISCOUNT IF PAID BY FEB.15TH	$18.90
TOTAL LESS DISCOUNT	$359.06

PARCEL # 43066200 SEC - TWP - RNG 21 - 130 - 90

Parcel Values		Taxing Districts	Legal Owner / Legal Description
AG ACRES	160.00	130-90	HERBEL, GILBERT & ELNA MAE 1011 KETTSON AVE
RES ACRES	0.00	ELGIN/NEW LEIPZIG SCHOOL	GRAFTON, ND 58237-
COMM ACRES	0.00	NEW LEIPZIG FIRE DISTRICT	**Legal Description**
TRUE & FULL VALUE	12,400		21-130-090 NE
ASSESSED VALUE	6,200		
TAXABLE VALUE	620		
TOTAL MILLS	307.28		

Allocation of Taxes	2009	2008	2007
STATE	$0.62	$0.61	$0.63
COUNTY	$93.52	$78.96	$74.17
TOWNSHIP/CITY	$12.67	$12.95	$13.00
SCHOOL	$80.60	$124.93	$127.15
FI[redacted]	$3.10	$3.13	$3.17
W[redacted]	$0.00		
OTHER	$0.00		
CONSOLIDATED TAX	$190.51	$220.58	$218.12

Special Assessments

19% increase

TOTAL SPECIALS	$0.00

Taxes Due

FIRST PAYMENT	$95.26
SECOND PAYMENT	$95.25
TOTAL:	$190.51
DISCOUNT IF PAID BY FEB.15TH	$9.53
TOTAL LESS DISCOUNT	$180.98

Testimony #2 p.2
HB 1272

HERBEL, GILBERT [illegible]LNA MAE

PARCEL # 43066400 **SEC - TWP - RNG** 21 - 130 - 90

Parcel Values	
[redacted]S	76.20
R[redacted]ES	0.00
COMM ACRES	0.00
TRUE & FULL VALUE	17,700
ASSESSED VALUE	8,850
TAXABLE VALUE	885
TOTAL MILLS	307.28

Taxing Districts
130-90
ELGIN/NEW LEIPZIG SCHOOL
NEW LEIPZIG FIRE DISTRICT

Legal Owner
HERBEL, GILBERT & ELNA MAE 1011 KETTSON AVE
GRAFTON, ND 58237-

Legal Description
21-130-090 L 1-2 - PT L 3

Allocation of Taxes	2009	2008	2007
STATE	$0.88	$0.84	$0.91
COUNTY	$133.46	$109.62	$106.33
TOWNSHIP/CITY	$18.08	$17.98	$18.63
SCHOOL	$115.05	$173.46	$182.21
FIRE	$4.43	$4.35	$4.55
WATER	$0.00		
OTHER	$0.00		
CONSOLIDATED TAX	$271.90	$306.25	$312.63

Special Assessments
22% increase

TOTAL SPECIALS $0.00

Taxes Due	
FIRST PAYMENT	$135.95
SECOND PAYMENT	$135.95
TOTAL:	$271.90
DISCOUNT IF PAID BY FEB.15TH	$13.60
TOTAL LESS DISCOUNT	$258.30

PARCEL # 43066600 **SEC - TWP - RNG** 22 - 130 - 90

Parcel Values	
AG ACRES	158.67
RES ACRES	0.00
COMM ACRES	0.00
TRUE & FULL VALUE	24,900
AS[redacted]D VALUE	12,450
T[redacted]ALUE	1,245
TOT[redacted]ILLS	307.28

Taxing Districts
130-90
ELGIN/NEW LEIPZIG SCHOOL
NEW LEIPZIG FIRE DISTRICT

Legal Owner
HERBEL, GILBERT & ELNA MAE 1011 KETTSON AVE
GRAFTON, ND 58237-

Legal Description
22-130-090 NE

Allocation of Taxes	2009	2008	2007
STATE	$1.25	$1.20	$1.27
COUNTY	$187.80	$155.97	$148.40
TOWNSHIP/CITY	$25.44	$25.57	$26.00
SCHOOL	$161.85	$246.77	$254.29
FIRE	$6.22	$6.19	$6.35
WATER	$0.00		
OTHER	$0.00		
CONSOLIDATED TAX	$382.56	$435.70	$436.31

Special Assessments
20% increase

TOTAL SPECIALS $0.00

Taxes Due	
FIRST PAYMENT	$191.28
SECOND PAYMENT	$191.28
TOTAL:	$382.56
DISCOUNT IF PAID BY FEB.15TH	$19.13
TOTAL LESS DISCOUNT	$363.43

PARCEL # 43066700 **SEC - TWP - RNG** 22 - 130 - 90

Parcel Values	
AG ACRES	102.83
RES ACRES	0.00
COMM ACRES	0.00
TRUE & FULL VALUE	17,100
ASSESSED VALUE	8,550
TAXABLE VALUE	855
TOTAL MILLS	307.28

Taxing Districts
130-90
ELGIN/NEW LEIPZIG SCHOOL
NEW LEIPZIG FIRE DISTRICT

Legal Owner
HERBEL, GILBERT & ELNA MAE 1011 KETTSON AVE
GRAFTON, ND 58237-

Legal Description
22-130-090 L 1-2-3

Allo[redacted] of Taxes	2009	2008	2007
ST[redacted]	$0.86	$0.82	$0.91
CO[redacted]	$129.03	$107.01	$106.33
TOWNSHIP/CITY	$17.47	$17.55	$18.63
SCHOOL	$111.15	$169.33	$182.21
FIRE	$4.28	$4.25	$4.55
WATER	$0.00		
OTHER	$0.00		
CONSOLIDATED TAX	$262.79	$298.96	$312.63

Special Assessments

TOTAL SPECIALS $0.00

Taxes Due	
FIRST PAYMENT	$131.40
SECOND PAYMENT	$131.39
TOTAL:	$262.79
DISCOUNT IF PAID BY FEB.15TH	$13.14
TOTAL LESS DISCOUNT	$249.65

Testimony to the House Finance & Taxation Committee, Chairman Wesley R. Belter
1/26/2011 by
Kevin Ternes, City Assessor
City of Minot
kevin.ternes@minotnd.org

House Bill 1272
Mr. Chairman, my name is Kevin Ternes and I am the City Assessor in Minot.
I would like to speak against this bill as it relates to fairness and equity for all property owners statewide and especially for those in Minot. In addition, this bill complicates our property tax assessment procedure to the point that no assessor or county auditor software in ND is written to comply.

The purpose of this bill as I read it is to keep property taxes from going up more than 3% per year on each parcel unless the property has been improved. This concept is great, but how do we administer this cap? The assessor is still required by existing law to estimate every taxable property's True and Full Value. Now, the assessor calculates a true and full value and sends those valuations to the county auditor every year. Yet counties don't have the software to handle all the separate mill levy property tax dollar caps as a portion of the True and Full Valuation increase over 3%. Also, assessors don't have the software to break out the value of the improvement separately from the prior value of the property. We would need software that displays 2 columns, prior component value and improvement component value. Also, what is this bill's definition of improvements? Does this mean new construction, like decks, garages and building additions? Could it be the replacement of original components like windows, siding, new kitchens and bathrooms, and new flooring throughout?

In addition, we physically review about 10% of the property in Minot every year to include and exterior and interior inspections with owner's permission and this proposal would keep those properties that have an increase in True and Full Value beyond 3% from paying their fair share or furthermore the same tax rate as their friends and neighbors. The taxpayer who is under-assessed as compared to the actual market value going into the year this would take affect has an immediate tax advantage because if the assessor makes the correction, the property tax percentage will be capped less than similar homes.

Homes that are of original condition and built in the 1960's can receive construction updates upwards of around $50,000 in cost and will sell for much more than the current assessed value. Are "updates" to homes considered *improvements* in this bill's definition? If not, how does this relate to fairness in the neighborhood when homes that have been assessed at market value are now higher than ones that just received "updates" and would now be eligible for 3% property tax caps? For instance, there are two homes side by side that were assessed at the same level for years and paid similar property tax because they are the same age, same location and condition. One home receives major updates like a new kitchen, all new flooring, and new bathrooms. We know this home will sell for more than the similar home next door that is still original condition. Probably as much as 30% to 50% more. Under this proposal, would these improvements be assessed at market value? Will the taxpayer consider an improvement only something that requires a local building permit? Will the taxpayer say that new siding, windows, floor cover and cabinets are just maintenance and not an additional improvement? If not, there will be two homes that will differ greatly in market value yet will pay a similar tax levy. This doesn't sound like property tax reform for the citizens of Minot when we move from what was fairness and equity to something that is not fair or equitable.

Regarding improvements to a home like living additions, or garages, or basement finishes, appraisals completed by assessors for property tax valuations are done with a view to market value of the ***completed*** project. What would the home be worth now with the work completed is the question appraisers/assessors ask themselves. That is a task that can be accomplished because assessors can research other comparable homes in the market and estimate the true and full value of the property when the project is completed. However capping the original portion of the home at a 3% property tax levy and then estimating the value of the addition, garage, basement finish etc. will require an appraisal that is not based on market or any interaction in the market. *What is the value of an addition alone? Or the value of the garage alone if it is not considered as part of the overall value of the home altogether?* Trying to estimate the market value of components of their home rather than the overall value of the home cannot be easily explained to taxpayers. Shouldn't all tax policy be understood by the citizens? Under current law, their total property is assessed at market value, not just certain components of their home.

Would these 3% property tax caps apply to vacant lots that have been assessed under state statutes with consideration of the time it takes to sell these lots and the supply that is available? Are lots that now sell for twice the assessment not to pay their fair share of tax? What about the new lots that would be currently assessed at market in an adjoining subdivision. Would there now be concerns of equity with existing lots under a 3% cap giving them a property tax levy advantage but other newly subdivided lots assessed at market value?

For instance, an existing subdivision has lots that under this bill would be subject to a 3% property tax levy cap. Three years later, a new subdivision opens up and lots are selling for the current price at that time which could be 15 to 25% more. These new lots are assessed at market value as the law states and pay the normal property tax levy. However, lots from older subdivisions have been capped at a 3% property tax levy growth per year for the last 3 years. Wouldn't this proposal just have created inequity of property tax rates among similar lots and similar subdivisions? Lots in adjoining subdivisions that are similar to each other would be assessed at different levels? Is have taxpayers paying different amounts of taxes on similar lots called property tax reform? **Bottom line is, similar vacant lots would be assessed at the same True and Full Value, but would be paying different levels of property tax.**

Because this bill states that property taxes can go up no more than 3% from the previous taxable year, those properties in certain areas of town that are showing market appreciation faster than other less desirable areas of town will gain a property tax advantage in the first year. There are areas in every city and county where market value of property appreciates faster than in other areas. Should the less desirable areas be penalized while the more popular areas for residential and commercial use are subsidized? Within one year, some neighborhoods will be paying more in taxes as a percentage of their true and full value than others. This is not equitable for taxpayers.

For instance, let's assume a small home in an older part of town is probably worth 2% or 3% more than last year. We study these trends by analyzing quadrants and map factors now so this information is available to us. This bill would keep the property tax levy increase to 3% the following year. Yet in another section of town, we may have market growth in the 6% to 10% range. Yet these areas are also capped at 3%. Within a few years in Minot, you could have some sections of town with a 25% property tax advantage, while the older, more mature parts of a community are maybe only receiving a 4% or 5% property tax discount as a percentage of actual market value? Some neighborhoods 4% to 5% tax discount, others with a 20 to 25% property tax discount as a percentage of the their actual market value? This proposal would prevent the same tax rate on each property from being applied. Homes in more popular neighborhoods will have a lower tax rate on their True and Full Value than the rest of the city.

There are numerous bills being proposed by this legislature to give seniors some property tax relief consideration, yet it's the seniors who under this proposal will be paying a higher percentage of property tax on their homes then other newer and higher valued properties will be paying.

Finally, this bill would be effective for 2011. Assessors have already been working on their assessment rolls for a year, calculation programs have been run, sales equity has been completed, values have been upload to computer billing packages, township assessor books are being printed, properties have been visited, calculations have been made to homestead credits, veteran's, blind and wheelchair exemptions using the statutes in place as of 2010. The state board of equalization study has been mostly completed and been used to comply with state board rules and most city notices will have been printed and mailed to comply with the state's mandate by the time this bill could be passed. It simply isn't possible to comply with the December 31st, 2010 effective date in this bill.

Thank you for your consideration.

Testimony #4 p.1

Testimony To The
THE HOUSE FINANCE & TAXATION COMMITTEE
Prepared January 26, 2011 by
Terry Traynor, Assistant Director
North Dakota Association of Counties

REGARDING HOUSE BILL No. 1272

Thank you Chairman Belter and committee members for the opportunity to address HB1272 on behalf of county government. County commissioners from across the State agree with the goal they understand the sponsors are seeking in this bill – that of a reduction in property tax growth that is equitable for all taxpayers. Unfortunately they believe that this bill would not be fair to all taxpayers, would be difficult if not impossible to implement, and at the county level at least, would ultimately conflict with statutory and constitutional requirements.

The first sentence of the proposed new section of law limits the increase in taxes "on any parcel" to three percent. As this Committee understands, changes in true & full value, and therefore taxable value, vary greatly from parcel to parcel and year to year. Creating a "per parcel" limitation would have the effect of either forcing a reduction in overall tax collections each year or the creation of individual parcel-specific mill rates – a violation of the State Constitution's requirement to provide equal taxation within property classes, and certainly not an equitable implementation of tax reform.

In either situation, the entire local government budgeting process would be reversed. Each jurisdiction, regardless of current service levels, emerging needs or emergencies, and even State and federal requirements, would have to begin their budgeting with the single parcel of the district with the greatest value increase for the year, and work backwards to ensure that this parcel (and therefore all parcels) did not see more than a 3% increase. The staff time and computer technology is currently unavailable in counties to budget in this manner.

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Even if the intention of this bill was an overall average three percent limitation, county officials believe the concept would have disastrous consequences for our citizens. Road material and construction costs have increased 50% over the last seven years. This winter, close to half of the counties have already experienced extraordinary snow removal costs rivaling the record-breaking 2008-09 winter. And, while PERS health premiums will only increase 8% next year, they have increased by 20+% each of the last two biennia. These costs are fairly obvious to our citizens and one could argue that the "excess levy" allowed in the final subsection should be the answer. However, those are probably not the costs to worry about.

State mandated indigent defense of sex offenders is a cost that is 1000% higher than anticipated when enacted – how many counties would be successful in convincing voters to approve a tax increase for this state-mandated (and U.S. Constitutionally-protected) purpose? Together, the software, hardware, and consultants to value agland through soil classifications was a new $2+ million investment that is still ongoing, resulting from 2007 Legislation. The state-mandated county share of foster care grants (25% of the non-federal amount) is driven by the FMAP and state court decisions, not by what county commissioners choose to levy. Staffing costs for food stamp eligibility, in-home care of the growing population of elderly, and the dozens of other human service programs counties are required to deliver; increase and decrease with the economy and federal mandates. If these costs rise by more than 3% and voters fail to approve a tax increase, what is a county's option under HB1272 – particularly a county with a stagnant (or shrinking) tax base?

The final subsection of the bill is possibly hardest to understand. To commissioners it implies that the voters in those home rule counties and cities didn't know what they were voting for, and don't understand their local initiation and referral powers – so the Legislature will supersede those powers through this bill.

For these reasons, our Association urges a Do Not Pass recommendation on House Bill 1272.

Testimony #5 p. 1

Testimony to the House Finance & Taxation Committee
Chairman Wes Belter
Prepared by Cindy K. Hemphill, Finance Director
City of Minot
Cindy.hemphill@minotnd.org

HOUSE BILL NO. 1272

Mr. Chairman, my name is Cindy Hemphill and I serve as the City Auditor and Finance Director for the City of Minot. I am representing the City of Minot to encourage a DO NOT PASS on House Bill 1272.

House Bill 1272 encompasses a number of tax issues, which cause me great concern due to the impact the bill will have on the City of Minot. Specifically, I would like to address section 1 – limitation on levies by taxing districts, which will no longer allow home rule cities to govern based on their home rule charters as voted on by their citizens.

House Bill 1272 states, "[property taxes in dollars levied by a taxing district may not exceed by more than three percent the amount levied in dollars by that taxing district on any parcel of taxable property in that taxing district in the preceding taxable year . . ." The law goes on to include a number of exceptions.

Forecasting and budgeting costs for a municipality are difficult. So many factors come into play that are difficult to foresee and predict. For example, portions of North Dakota, to include Minot, are on their third year of record snow amounts. The past two years our emergency fund has been depleted by snow removal costs. Another unforeseen event was the 100-year rain-event in Minot June 17, 2010. The dollars necessary for this unplanned event required us to reduce our normal street maintenance program.

The City receives continuous calls from tax-paying citizens unhappy about snow removal and street repairs. These services are funded by property taxes. It creates quite a quandary on

Testimony #5 p. 2

how a city should proceed. The increase in my street department budget from 2010 to 2011 is 12.8 percent. A significant portion of the increase can be attributed to the increase in fuel, sand, cutting edges, and hot asphalt mix. We bid these items trying to obtain the lowest bid but the increases are still there.

To limit municipalities' abilities to levy dollars to overcome unforeseen shortfalls and to provide the basic services identified by the municipality, a municipality's financial viability quickly comes into question.

Without the ability to levy as necessary, the City will have to draw on our reserves. As soon as the reserves begin declining, it will affect the City's ability to borrow money. As the reserves decline, it will affect our bond ratings. The City will have to borrow at a higher interest rate, which will ultimately be passed on to the property tax owners.

House Bill No. 1272 will have a negative effect on our ability to borrow money for highway projects. The majority of our highway projects are financed through general obligation bonds, which are serviced by property taxes. With a cap of three (3) percent, it will not allow us much latitude to participate in highway projects.

When reviewing our General Fund expenses 51 percent are for public safety to include police, fire, communications, and the municipal court. It will be difficult to continue to provide services for public safety at the level we now maintain and we will not be able to respond to the incredible growth we are experiencing.

Again, we encourage a DO NOT PASS on House Bill No. 1272.

Testimony # 6 p. 1

Written Testimony on House Bill 1272
House Finance and Taxation Committee
Chairman Honorable Representative Wesley Belter
by Ben Hushka, Fargo Assessor
January 26, 2011

Mr. Chairman and members of the House Finance and Taxation Committee, my name is Ben Hushka. I am the City Assessor for Fargo.

The official position taken by the Fargo City Commission is to oppose this bill.

There are two main concerns I have with items in this bill. One relates to the efficient administration of the statute by assessors and, the other relates to the uniformity of the property tax on the same class of property and possible shifts from one class to another.

The bill limits taxes levied, at the parcel level, to no more than 3% levied the prior year with the exception of improvements to the parcel or where exemptions may expire. In a case where improvements are added, the tax on the original value is capped at 3% over the prior year and, additional tax may be levied on the increased value of the improvements.

From an administration standpoint, there are few if any assessment systems I am aware of in the state with the ability for assessors to designate different types of the total valuation on a parcel for which the varying tax rates are to be applied.

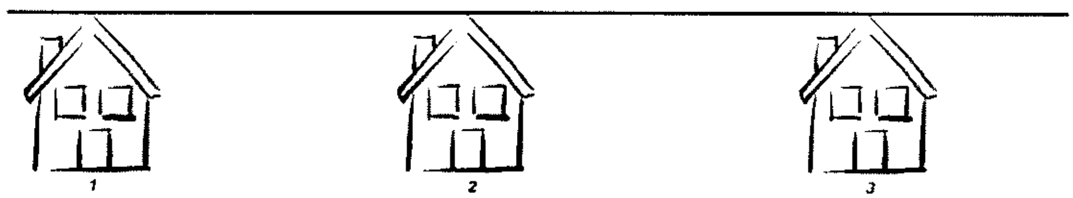
With respect to the uniformity issue, Article X, Section 5 of the North Dakota Constitution states that taxes shall be uniform upon the same class of property. Over time, passage of this bill will clearly create inequities in taxes levied on the same class of property and likely would introduce more regressivity in the tax than may already exist.

With over thirty years of case history in the country, there is a fair amount of data relating to the outcomes of placing caps on both the property tax and on assessment values. Quite simply, not all properties within the same class or across classes appreciate in value at the same rate. The tax burden will shift to the properties which appreciate below or near the cap and away from those enjoying appreciation in real value above the cap rate.

Historical studies where caps have been in place tend to show that non-residential properties, slowly appreciating residential properties, and even some residential properties with appreciation above but near the cap will end up paying higher taxes than they would without the cap. The following is an illustration of the likely unintended consequence of caps.

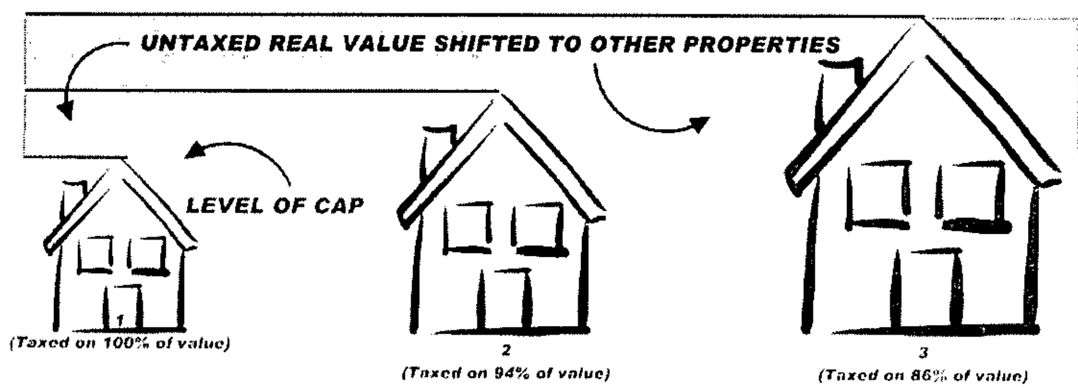
PROPERTY TAX CAPS - Unintended Consequences

Without tax caps, all properties pay at the same effective tax rate as related to real value.



Assume three groups of property with the same starting value, a tax increase cap of 3%, a pre-cap effective tax rate of 1.5%, and different market appreciation rates.

Group	Start Value	Pre-Cap Tax	Value Appreciation	Appreciated Value	Capped Tax
1	$100,000	$1,500 (1.5%)	3%	$103,000	$1,545 (1.5%)
2	$100,000	$1,500 (1.5%)	10%	$110,000	$1,545 (1.4%)
3	$100,000	$1,500 (1.5%)	20%	$120,000	$1,545 (1.3%)



The tax burden shifts from properties where value appreciates more than the cap to the rest. Case history of caps indicate the shift is often to lower valued properties, creating regressivity.

This concludes my testimony. Thank you for your consideration.