

2011 HOUSE FINANCE AND TAXATION

HB 1285

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1285
February 1, 2011
#13780

☐ Conference Committee

Committee Clerk Signature

Mary Brucker

Explanation or reason for introduction of bill/resolution:

A Bill relating to the homestead credit: and to provide an effective date.

Minutes:

See attached testimony #1

Representative Kasper: Sponsor. Support. I have not seen a fiscal note. This bill deals with a change in the statute on the homestead tax credit. We currently do have a homestead tax credit in law but I think it may be a little bit light. It will be interesting to have the data from the Tax Department on how much we paid in the last biennium for homestead tax credit to the citizens of North Dakota. I do not have that data with me. I have not seen a fiscal note. Do you have one?

Chairman Wesley R. Belter: The fiscal note does not indicate an amount.

Representative Kasper: What this bill does is expand the homestead tax credit. On line 1 the homestead tax credit is available to people 65 years of age or older and who are permanently or totally disabled. The first major changes are on line 7. I am changing the word "income" to "taxable income." Currently to qualify for the homestead tax credit the gross income of the individual is used which is social security income, retirement income, interest income, and so on. Maybe that's one of the reasons why the homestead tax credit is not being able to be utilized by our citizens. I'm changing it to "taxable income" as it relates to federal and state income tax return. Moving down to line 16 we have a series of income levels. Lines 16-20 talking about the taxable income of an individual not in excesses of \$24,000 the individual will be eligible for 100% reduction of their property tax up to a maximum of \$4800 of tax per year. So we're jumping from \$18,000 to \$24,000 for that first bracket and making it taxable income and not grossable income. On line 21 which is our second bracket we are dealing with individuals who have taxable income from \$24,000 to \$30,000 and there we are providing a homestead tax credit of 80% of the first \$100,000 of property tax up to a maximum of \$3600 per year in property tax relief. At the top of page 2 line 3 our next bracket moves from \$30,000 to \$35,000 of taxable income and there the eligible recipient would receive a maximum of 60% of property tax relief up to \$2,880 per year. Our last bracket is line 8 number 4 where the taxable income is from \$35,000 to \$40,000 and there the law would provide a 40% tax relief up to \$920 per year. Then we strike lines 13-16 because we have covered all the tax brackets that I intend to in this bill. On the bottom of page 2 beginning on line 26 "a person is ineligible for the

exemption under the subsection if the value of the assets of the person and any dependent residing with the person excluding the unencumbered value of the person's residence that the person claims on a homestead current law exceeds \$75,000." I am amending that to exceeds \$150,000 so we are doubling the amount of assets that an individual can have and still be eligible for the homestead tax credit. If you flip to the top of page 3 we define assets. Currently, all the assets that an individual has with the exception of their homestead counts against that \$75,000 level including your retirement accounts. Assets does not include the value of any amount held in the name of or for the benefit of the person or the person's spouse or dependent in a qualified retirement plan, etc. Representative Kasper continued to review HB 1285. It's a substantial increase of the homestead tax credit to benefit the people of our state. With our budget surplus I believe it's another way that we can give people dollars back particularly targeting our seniors, many of who live on a fixed income and as they age need more help to stay in their home. I believe that everything we can do to help our citizens stay in their home as opposed to having to go to an apartment or sell their home to live on their assets we should be doing.

Chairman Wesley R. Belter: I'm surprised that we didn't receive a fiscal note. I would think with the change you made it would be quite a substantial number we are dealing with here.

Representative Kasper: I agree but I believe it might just be impossible to calculate. I would assume whatever we've paid out in homestead tax credit in the past it's going to grow substantially higher.

Representative Lonny B. Winrich: I printed out a fiscal note from the law system and it just said it's not possible to estimate the likely growth and eligibility due to the provisions of HB 1285 as information regarding the taxable income of applicants and detailed home owner information is not known.

Chairman Wesley R. Belter: We've got that one.

Representative Kasper: It may be wise to add in the bill a section that requires the Tax Department to begin to compile data on how many dollars we pay out on a biennium on homestead tax credit amounts. That might be useful for future sessions as well.

Claus Lembke, ND Association of Realtors: Support. I think it's time to expand the homestead tax credit. I think it's a great way to extend the life and the enjoyment of the older citizens will have in their residences. It keeps them long in their residences and is a more dignified way of living and it's a less burden on government services. Instead of becoming a burden of the state or the county I think this is a good way to support the elderly.

Dustin Gawrylow, Executive Director of ND Taxpayers Association: Support. This allows for mitigating the impact on older residents. I would like to suggest that this should be in the mix with the overall property tax reform but should not be thought of as a way to reduce further reforms because those further reforms are still needed. This is just something that should be done regardless of what the other reforms may be.

Marcy Dickerson, State Supervisor of Assessments: Neutral. Please refer to attached testimony #1.

Representative Scot Kelsh: Other than the changes to savings how do we fix it?

Marcy Dickerson: I really don't think taxable income is going to be workable. If you want to be able to include more people raise the income limits from all sources. I think that would probably be worthwhile. I definitely agree with raising the asset limitation and raising the amount of the homestead that can be deducted from those assets. Frankly I think that the main reason why we haven't had much of an increase in home owner applications the past couple of years even though you raised the income from \$17,500 to \$26,000 that was a pretty good increase last session. We didn't have any more homeowners than we had the previous year. On the other hand we had many more renters. Renters are not subject to the asset limitation. I really think the current asset limitation with or without considering how much of the homestead is excludable I think that asset limitation is probably keeping the homeowners from applying because today most people do have a couple hundred thousand dollars in retirement savings through some kind of retirement plan. I think the asset limitation is the main reason why we saw an increase in renters but stayed pretty much status quo with homeowners because they are subject to that limit.

Representative Glen Froseth: Would you repeat the numbers of the impact?

Marcy Dickerson: This was just one year. We had 3,977 homeowners and we paid \$2,912,719.00 to homeowners and we had 2,400 renters and paid \$550,955.00 to renters.

Representative Glen Froseth: That's for the 2009 tax year?

Marcy Dickerson: 2009 tax year paid in 2010. Of the homeowners there were 62% of all the people that received something and they got 84% of the dollars paid out.

Representative Patrick Hatlestad: Is there anything sacred of February 1, could you move that date to make it possible to get tax returns?

Marcy Dickerson: February 1 is the official assessment date, all property is assessed as of February 1, and at least all locally assessed properties. The assessment date is the date by which people are supposed to get their applications in. If they don't get them in by then they can file an application for abatement but that is more work for me and including the applicant. Most cities and counties accept applications after February 1 if they are not too far after it.

Vice Chairman Craig Headland: On top of page 3 when we talk about assets if we put some type of cap on that amount of assets, say \$200,000 of retirement assets. Would you be willing to determine a fiscal note then?

Marcy Dickerson: We have no way of knowing what these assets are. We don't know how many people might have been applying for the homestead credit for the past couple years except they have too much money or too much in assets. We have no way of

knowing what anybody's assets are. Even from income tax except if your looking at dividends where you could possible estimate something.

Vice Chairman Craig Headland: If we put in their assets not to exceed \$200,000.00 you couldn't figure it out because then everybody but I suppose you're not going to know though.

Marcy Dickerson: That's the problem we don't know who has assets or how much they have and we don't know the value of the home owned by the person.

Leon Samul, Tax Director for Morton County: I am one of the people that would have to administer this. Using "taxable" I think would be cumbersome because the majority of the elderly people that do come to my office to fill out the applications don't file any income tax. All they really have is their social security and a little interest income and might have a bit of wages if they work part-time. I think that if you really want to expand the program and I think it should be expanded, you should raise the income levels and the asset test then you would do what you really need to do. If their savings and everything else is excluded and they don't have any income tax they are not going to have any taxable income. It would be easier if they expanded the incomes and the asset test.

Larry Severson, President of ND Townships Offices Association: I want to address the February 1 date. The thing about that date, if that is allowed to move back it impacts all the equalization meetings and everything right up to the budgeting process again in the fall so it would really complicate matters.

Representative Kasper: I have a solution as I've listened to the testimony. First, we could amend the bill to say that the "taxable income" would be prior year's taxable income to qualify you for this year's income. The tax return would have been already filed so you look back one year and you have the tax return. Secondly, I would think that if an individual had no income whether it's taxable or not, we could authorize in the bill that individual could sign an affidavit saying they don't have taxable income and they didn't file a tax return and they would then qualify. Thirdly, with the concern about CDs and so on I would have no objection on amending the bill to allow CDs and savings accounts to qualify as well. I would not favor putting a limit on those amounts because now you're going to get into a nightmare of collecting data which we don't want to make that difficult. The Tax Department could also verify the income as well.

Chairman Wesley R. Belter: No further testimony. Closed hearing on HB 1285.

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1285
February 7, 2011
#14150

☐ Conference Committee

Committee Clerk Signature

May Butler

Explanation or reason for introduction of bill/resolution:

A Bill relating to the homestead credit: and to provide an effective date.

Minutes:

See attached amendments #1

Chairman Wesley R. Belter: Distributed amendments 11.0127.03001.

Vice Chairman Craig Headland: Explained amendments. This essentially hog houses the bill back to the old law. It increases the eligibility from the valuation from \$100,000 to \$125,000. It allows for increases of approximately 10%.

Chairman Wesley R. Belter: It increases the income levels approximately 10% and changes the value of residency from \$100,000 to \$125,000. We left everything else the same as in current law.

Representative Steven L. Zaiser: Do you think \$125,000 is enough?

Chairman Wesley R. Belter: I just thought that if we go from \$100,000 to \$125,000 that's a 25% increase and I thought that would be a potential starting place.

Representative Shirley Meyer: You didn't look at changing taxable income?

Chairman Wesley R. Belter: No, we left that the same.

Representative Lonny B. Winrich: All of the paragraphs talk about the person's income. What if it was a married couple that owns this place, is this only for single taxpayers? Most of our income tax has different limits for single taxpayers or a couple filing jointly.

Vice Chairman Craig Headland: Letter d refers to what Representative Winrich is talking about. That is what the current law does today.

Representative Lonny B. Winrich: So if they are living together as spouses they are limited to one exemption between or among them. Do you determine that by comparing

their joint income to some sort of married limits or one person's income to the limits that are in here?

Vice Chairman Craig Headland: I think it talks about spouses in section c.

Representative Glen Froseth: If you read on page 3 subsection 5c income means income from the most recent complete taxable year from all sources including the income of any dependent..." So that would mean both, wouldn't it?

Representative Lonny B. Winrich: I guess you're right.

Representative Bette Grande: Made a motion to move the amendments.

Representative Roscoe Streyle: Seconded.

A voice vote was taken: MOTION CARRIED.

Representative Patrick Hatlestad: Made a motion for DO PASS AS AMENDED AND REREFER TO APPROPRIATIONS.

Representative Bette Grande: Seconded.

**A roll call vote was taken: YES 13 NO 1 ABSENT 0
MOTION CARRIED—DO PASS AS AMENDED AND REREFER TO APPROPRIATIONS.**

Representative Shirley Meyer will carry HB 1285.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1285
2/15/11
Job #14560

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to eligibility for the homestead property tax credit; and to provide an effective date

Minutes:

Chairman Delzer: Rep. Belter, it looks like this bill came out of your committee with 13 yeas, and 1 nay.

Representative Belter: The original bill made some substantial changes as far as incomes and the amount of assets a person could have. When we amended this bill, we took it back to the original language for the homestead credit. We changed the levels of income eligibility by increasing them approximately 10%. The other major change was that we increased the value of the residence from \$100,000 to \$125,000.

Chairman Delzer: Is that up to that much value of the home that they get the tax break on? Or does the home have to be valued less than that?

Representative Belter: That's the unencumbered value of the home. If it goes over that, then . . .

Chairman Delzer: They pay full taxes on the amount over. There are two fiscal notes. Before we take this up, we should have an idea what this would cost us.

Representative Belter: We were concerned about the fiscal note also. The way the original bill was written it would have been very difficult. But now that we have gone back to the original language, I would think they could give you an estimate.

Chairman Delzer: What was it that was throwing it off?

Representative Belter: He was going from income to taxable income, and also you didn't have to declare any of your assets, like IRAs, etc.

Chairman Delzer: Questions from the committee?
We need to get information from the Tax Dept.

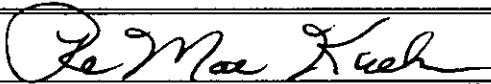
2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1285
2/17/11
Job #14710

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Committee Work—relating to eligibility for the homestead property tax credit; and to provide an effective date.

Minutes:

Chairman Delzer: We have a new fiscal note for HB 1285. That is the bill that deals with increasing the homestead tax credit by roughly 10% and then increasing the value of the home from \$100,000 to \$125,000. The fiscal note is for \$588,000. Currently we have some \$8 million for the Homestead Tax Credit and it was short \$450,000.

Joe, OMB: The recommended amount for the 2011-13 biennium was about \$8.8M. It was about \$6 million for the current biennium.

Chairman Delzer: Deficiency was \$400,000 in 2023.

OMB: I think it was \$800,000, but I could be wrong

Chairman Delzer: I think there were two of them so combined it would be \$800,000. Does someone have 2023?

Legislative Council: It shows 1.349

Chairman Delzer: Total for Homestead Tax Credit and the Disabled Vets?

Legislative Council: Disabled is another 461 for a total of 1.8

Chairman Delzer: There is 1.8 in the deficiency for this already and we are raising it again. That would be the affect. If it was 5.9 and the request for next time is what?

OMB: About 8.8

Chairman Delzer: The request for the next time on the Disabled Vets is?

OMB: 4.2 million

Chairman Delzer: Then we added another couple hundred thousand to that with 1177. This bill has a fiscal effect of about \$588,000.

Representative Nelson: Moved a **Do Not Pass**

Representative Monson: Seconded the motion

Chairman Delzer: Discussion

Representative Kaldor: I hoped the committee would give this a different recommendation. I will oppose the motion. Part of the justification for changing this is valuations continue to rise. People on fixed incomes see their property rise and along with it property taxes. It is having an adverse affect on people with fixed incomes. The property valuation in Minot, for example, is sky rocketing. If you bought your house in the 60s the property taxes are costing as much per month as what the house payment used to be.

Chairman Delzer: Which bill is the Tax Commissioner's Office funding?

OMB: That's correct. It is Senate Bill 2006.

Representative Monson: To be clear on the total cost of this whole program. If we had a deficiency appropriation plus it is in another bill. . . .

Chairman Delzer: The deficiency appropriation would be to cover the rest of this biennium. We had appropriated about 5.9 last time. They need another 1.4. So that would be 7.3. The request for this time is 8.8.

Representative Monson: What we would be doing is adding the 8.8 in the bill in the Senate plus this \$588 so we would be at \$9.4.

Chairman Delzer: I don't know the history-wise, probably 3-4 sessions ago we were low. We reimburse the counties for the cost of giving this credit.

A Roll Call vote was taken. **Yes: 12, No: 9, Absent: 0,**

DO NOT PASS carried

Representative Nelson will carry the bill.

FISCAL NOTE
Requested by Legislative Council
02/15/2011

Amendment to: HB 1285

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						
Expenditures			\$588,000			
Appropriations						

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

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).*

Engrossed HB 1285 expands the homestead credit and renters' property tax refund programs.

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.*

Engrossed HB 1285 increases the maximum qualifying income for applicants for homestead credit and renters' refund from \$26,000 to \$28,600. It also increases the unencumbered value of the homestead that may be excluded from the asset calculation for homeowners from \$100,000 to \$120,000.

If enacted, Engrossed HB 1285 is expected to increase homestead credit expenditures by 5% due to the increase in qualifying income and 2% due to the increase in the value of the homestead that may be excluded. This will result in a combined expected increase in expenditures in the 2011-13 biennium of an estimated \$588,000.

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.*

An additional appropriation of \$588,000 will be required to cover the provisions of Engrossed HB 1285 if it is enacted.

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner328-3402
Phone Number:	328-3402	Date Prepared:	02/17/2011

FISCAL NOTE

Requested by Legislative Council

01/12/2011

Bill/Resolution No.: HB 1285

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						
Expenditures						
Appropriations						

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

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).*

HB 1285 changes and expands the homestead credit and renter's refund program.

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.*

It is not possible to estimate the likely growth in eligibility due to the provisions of HB 1285 as information regarding the taxable income of applicants and detailed homeowner information is not known.

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

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

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

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

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/31/2011

VZ
2/7/11
1064

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1285

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-02-08.1 of the North Dakota Century Code, relating to eligibility for the homestead property tax credit; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 57-02-08.1 of the North Dakota Century Code is amended and reenacted as follows:

57-02-08.1. Homestead credit.

1. a. Any person sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied, with an income that does not exceed the limitations of subdivision c is entitled to receive a reduction in the assessment on the taxable valuation on the person's homestead. An exemption under this subsection applies regardless of whether the person is the head of a family.
- b. The exemption under this subsection continues to apply if the person does not reside in the homestead and the person's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the person is not rented to another person.
- c. The exemption must be determined according to the following schedule:
 - (1) If the person's income is not in excess of ~~eighteen~~nineteen thousand ~~eight hundred~~ dollars, a reduction of one hundred percent of the taxable valuation of the person's homestead up to a maximum reduction of four thousand five hundred dollars of taxable valuation.
 - (2) If the person's income is in excess of ~~eighteen~~nineteen thousand ~~eight hundred~~ dollars and not in excess of ~~twenty~~twenty-two thousand dollars, a reduction of eighty percent of the taxable valuation of the person's homestead up to a maximum reduction of three thousand six hundred dollars of taxable valuation.
 - (3) If the person's income is in excess of ~~twenty~~twenty-two thousand dollars and not in excess of ~~twenty-two~~twenty-four thousand ~~two hundred~~ dollars, a reduction of sixty percent of the taxable valuation of the person's homestead up to a maximum reduction of two thousand seven hundred dollars of taxable valuation.

- (4) If the person's income is in excess of ~~twenty-two~~twenty-four thousand ~~two hundred~~ dollars and not in excess of ~~twenty-four~~twenty-six thousand ~~four hundred~~ dollars, a reduction of forty percent of the taxable valuation of the person's homestead up to a maximum reduction of one thousand eight hundred dollars of taxable valuation.
 - (5) If the person's income is in excess of ~~twenty-four~~twenty-six thousand ~~four hundred~~ dollars and not in excess of ~~twenty-six~~twenty-eight thousand ~~six hundred~~ dollars, a reduction of twenty percent of the taxable valuation of the person's homestead up to a maximum reduction of nine hundred dollars of taxable valuation.
- d. Persons residing together, as spouses or when one or more is a dependent of another, are entitled to only one exemption between or among them under this subsection. Persons residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full exemption under this subsection equal to their ownership interests in the property.
 - e. This subsection does not reduce the liability of any person for special assessments levied upon any property.
 - f. Any person claiming the exemption under this subsection shall sign a verified statement of facts establishing the person's eligibility.
 - g. A person is ineligible for the exemption under this subsection if the value of the assets of the person and any dependent residing with the person, excluding the unencumbered value of the person's residence that the person claims as a homestead, exceeds seventy-five thousand dollars, including the value of any assets divested within the last three years. For purposes of this subdivision, the unencumbered valuation of the homestead is limited to one hundred twenty-five thousand dollars.
 - h. The assessor shall attach the statement filed under subdivision f to the assessment sheet and shall show the reduction on the assessment sheet.
 - i. An exemption under this subsection terminates at the end of the taxable year of the death of the applicant.
- 2. a. Any person who would qualify for an exemption under subdivisions a and c of subsection 1 except for the fact that the person rents living quarters is eligible for refund of a portion of the person's annual rent deemed by this subsection to constitute the payment of property tax.
 - b. For the purpose of this subsection, twenty percent of the annual rent, exclusive of any federal rent subsidy and of charges for any utilities, services, furniture, furnishings, or personal property appliances furnished by the landlord as part of the rental agreement, whether expressly set out in the rental agreement, must be considered as payment made for property tax. When any part of the twenty percent of the annual rent exceeds four percent of the annual income of a qualified applicant, the applicant is entitled to receive a refund from

the state general fund for that amount in excess of four percent of the person's annual income, but the refund may not be in excess of four hundred dollars. If the calculation for the refund is less than five dollars, a minimum of five dollars must be sent to the qualifying applicant.

- c. Persons who reside together, as spouses or when one or more is a dependent of another, are entitled to only one refund between or among them under this subsection. Persons who reside together in a rental unit, who are not spouses or dependents, are each entitled to apply for a refund based on the rent paid by that person.
 - d. Each application for refund under this subsection must be made to the tax commissioner before the first day of June of each year by the person claiming the refund. The tax commissioner may grant an extension of time to file an application for good cause. The tax commissioner shall issue refunds to applicants.
 - e. This subsection does not apply to rents or fees paid by a person for any living quarters, including a nursing home licensed pursuant to section 23-16-01, if those living quarters are exempt from property taxation and the owner is not making a payment in lieu of property taxes.
 - f. A person may not receive a refund under this section for a taxable year in which that person received an exemption under subsection 1.
3. All forms necessary to effectuate this section must be prescribed, designed, and made available by the tax commissioner. The county directors of tax equalization shall make these forms available upon request.
4. A person whose homestead is a farm structure exempt from taxation under subsection 15 of section 57-02-08 may not receive any property tax credit under this section.
5. For the purposes of this section:
- a. "Dependent" has the same meaning it has for federal income tax purposes.
 - b. "Homestead" has the same meaning as provided in section 47-18-01.
 - c. "Income" means income for the most recent complete taxable year from all sources, including the income of any dependent of the applicant, and including any county, state, or federal public assistance benefits, social security, or other retirement benefits, but excluding any federal rent subsidy, any amount excluded from income by federal or state law, and medical expenses paid during the year by the applicant or the applicant's dependent which is not compensated by insurance or other means.
 - d. "Medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the person may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.

- e. "Permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician or a written determination of disability from the social security administration.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2010, for ad valorem property taxes and for taxable years beginning after December 31, 2011, for mobile home taxes."

Renumber accordingly

Date: 2-7-11
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1285

House Finance and Taxation _____ Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment
 .3001

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Grande Seconded By Rep. Streyle

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:

VOICE VOTE

MOTION CARRIES

Date: 2-7-11
Roll Call Vote # 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1285

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. Hatlestad Seconded By Rep. Grande

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) 13 No 1

Absent Ø

Floor Assignment Rep. Meyer

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

Date: 2/17
Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1285

House Appropriations Committee

Legislative Council Amendment Number _____

Action Taken: ☐ Do Pass ☒ Do Not Pass ☐ Amended ☐ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Nelson Seconded By Rep. Monson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Representative Nelson	X	
Vice Chairman Kempenich	X		Representative Wieland		X
Representative Pollert	X				
Representative Skarphol	X				
Representative Thoreson	X		Representative Glassheim		X
Representative Bellew		X	Representative Kaldor		X
Representative Brandenburg	X		Representative Kroeber		X
Representative Dahl	X		Representative Metcalf		X
Representative Dosch		X	Representative Williams		X
Representative Hawken	X				
Representative Klein		X			
Representative Kreidt	X				
Representative Martinson	X				
Representative Monson	X				

Total (Yes) 12 No 9

Absent 0

Floor Assignment Rep. Nelson

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

REPORT OF STANDING COMMITTEE

HB 1285: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (13 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). HB 1285 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-02-08.1 of the North Dakota Century Code, relating to eligibility for the homestead property tax credit; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 57-02-08.1 of the North Dakota Century Code is amended and reenacted as follows:

57-02-08.1. Homestead credit.

1. a. Any person sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied, with an income that does not exceed the limitations of subdivision c is entitled to receive a reduction in the assessment on the taxable valuation on the person's homestead. An exemption under this subsection applies regardless of whether the person is the head of a family.
- b. The exemption under this subsection continues to apply if the person does not reside in the homestead and the person's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the person is not rented to another person.
- c. The exemption must be determined according to the following schedule:
 - (1) If the person's income is not in excess of ~~eighteen~~nineteen thousand ~~eight~~hundred dollars, a reduction of one hundred percent of the taxable valuation of the person's homestead up to a maximum reduction of four thousand five hundred dollars of taxable valuation.
 - (2) If the person's income is in excess of ~~eighteen~~nineteen thousand ~~eight~~hundred dollars and not in excess of ~~twenty~~twenty-two thousand dollars, a reduction of eighty percent of the taxable valuation of the person's homestead up to a maximum reduction of three thousand six hundred dollars of taxable valuation.
 - (3) If the person's income is in excess of ~~twenty~~twenty-two thousand dollars and not in excess of ~~twenty-two~~twenty-four thousand ~~two~~hundred dollars, a reduction of sixty percent of the taxable valuation of the person's homestead up to a maximum reduction of two thousand seven hundred dollars of taxable valuation.
 - (4) If the person's income is in excess of ~~twenty-two~~twenty-four thousand ~~two~~hundred dollars and not in excess of ~~twenty-four~~twenty-six thousand ~~four~~hundred dollars, a reduction of forty percent of the taxable valuation of the person's homestead up to a maximum reduction of one thousand eight hundred dollars of taxable valuation.
 - (5) If the person's income is in excess of ~~twenty-four~~twenty-six thousand ~~four~~hundred dollars and not in excess of ~~twenty-six~~twenty-eight thousand ~~six~~hundred dollars, a reduction of

twenty percent of the taxable valuation of the person's homestead up to a maximum reduction of nine hundred dollars of taxable valuation.

- d. Persons residing together, as spouses or when one or more is a dependent of another, are entitled to only one exemption between or among them under this subsection. Persons residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full exemption under this subsection equal to their ownership interests in the property.
 - e. This subsection does not reduce the liability of any person for special assessments levied upon any property.
 - f. Any person claiming the exemption under this subsection shall sign a verified statement of facts establishing the person's eligibility.
 - g. A person is ineligible for the exemption under this subsection if the value of the assets of the person and any dependent residing with the person, excluding the unencumbered value of the person's residence that the person claims as a homestead, exceeds seventy-five thousand dollars, including the value of any assets divested within the last three years. For purposes of this subdivision, the unencumbered valuation of the homestead is limited to one hundred twenty-five thousand dollars.
 - h. The assessor shall attach the statement filed under subdivision f to the assessment sheet and shall show the reduction on the assessment sheet.
 - i. An exemption under this subsection terminates at the end of the taxable year of the death of the applicant.
2. a. Any person who would qualify for an exemption under subdivisions a and c of subsection 1 except for the fact that the person rents living quarters is eligible for refund of a portion of the person's annual rent deemed by this subsection to constitute the payment of property tax.
- b. For the purpose of this subsection, twenty percent of the annual rent, exclusive of any federal rent subsidy and of charges for any utilities, services, furniture, furnishings, or personal property appliances furnished by the landlord as part of the rental agreement, whether expressly set out in the rental agreement, must be considered as payment made for property tax. When any part of the twenty percent of the annual rent exceeds four percent of the annual income of a qualified applicant, the applicant is entitled to receive a refund from the state general fund for that amount in excess of four percent of the person's annual income, but the refund may not be in excess of four hundred dollars. If the calculation for the refund is less than five dollars, a minimum of five dollars must be sent to the qualifying applicant.
- c. Persons who reside together, as spouses or when one or more is a dependent of another, are entitled to only one refund between or among them under this subsection. Persons who reside together in a rental unit, who are not spouses or dependents, are each entitled to apply for a refund based on the rent paid by that person.
- d. Each application for refund under this subsection must be made to the tax commissioner before the first day of June of each year by the person claiming the refund. The tax commissioner may grant an extension of time to file an application for good cause. The tax commissioner shall issue refunds to applicants.

- e. This subsection does not apply to rents or fees paid by a person for any living quarters, including a nursing home licensed pursuant to section 23-16-01, if those living quarters are exempt from property taxation and the owner is not making a payment in lieu of property taxes.
 - f. A person may not receive a refund under this section for a taxable year in which that person received an exemption under subsection 1.
3. All forms necessary to effectuate this section must be prescribed, designed, and made available by the tax commissioner. The county directors of tax equalization shall make these forms available upon request.
4. A person whose homestead is a farm structure exempt from taxation under subsection 15 of section 57-02-08 may not receive any property tax credit under this section.
5. For the purposes of this section:
- a. "Dependent" has the same meaning it has for federal income tax purposes.
 - b. "Homestead" has the same meaning as provided in section 47-18-01.
 - c. "Income" means income for the most recent complete taxable year from all sources, including the income of any dependent of the applicant, and including any county, state, or federal public assistance benefits, social security, or other retirement benefits, but excluding any federal rent subsidy, any amount excluded from income by federal or state law, and medical expenses paid during the year by the applicant or the applicant's dependent which is not compensated by insurance or other means.
 - d. "Medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the person may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.
 - e. "Permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician or a written determination of disability from the social security administration.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2010, for ad valorem property taxes and for taxable years beginning after December 31, 2011, for mobile home taxes."

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1285, as engrossed: Appropriations Committee (Rep. Delzer, Chairman)
recommends **DO NOT PASS** (12 YEAS, 9 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1285 was placed on the Eleventh order on the calendar.

2011 HOUSE APPROPRIATIONS

HB 1285

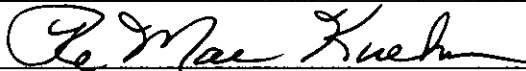
2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1285
2/15/11
Job #14560

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to eligibility for the homestead property tax credit; and to provide an effective date

Minutes:

Chairman Delzer: Rep. Belter, it looks like this bill came out of your committee with 13 yeas, and 1 nay.

Representative Belter: The original bill made some substantial changes as far as incomes and the amount of assets a person could have. When we amended this bill, we took it back to the original language for the homestead credit. We changed the levels of income eligibility by increasing them approximately 10%. The other major change was that we increased the value of the residence from \$100,000 to \$125,000.

Chairman Delzer: Is that up to that much value of the home that they get the tax break on? Or does the home have to be valued less than that?

Representative Belter: That's the unencumbered value of the home. If it goes over that, then . . .

Chairman Delzer: They pay full taxes on the amount over. There are two fiscal notes. Before we take this up, we should have an idea what this would cost us.

Representative Belter: We were concerned about the fiscal note also. The way the original bill was written it would have been very difficult. But now that we have gone back to the original language, I would think they could give you an estimate.

Chairman Delzer: What was it that was throwing it off?

Representative Belter: He was going from income to taxable income, and also you didn't have to declare any of your assets, like IRAs, etc.

Chairman Delzer: Questions from the committee?
We need to get information from the Tax Dept.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1285
2/17/11
Job #14710

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Committee Work—relating to eligibility for the homestead property tax credit; and to provide an effective date.

Minutes:

Chairman Delzer: We have a new fiscal note for HB 1285. That is the bill that deals with increasing the homestead tax credit by roughly 10% and then increasing the value of the home from \$100,000 to \$125,000. The fiscal note is for \$588,000. Currently we have some \$8 million for the Homestead Tax Credit and it was short \$450,000.

Joe, OMB: The recommended amount for the 2011-13 biennium was about \$8.8M. It was about \$6 million for the current biennium.

Chairman Delzer: Deficiency was \$400,000 in 2023.

OMB: I think it was \$800,000, but I could be wrong

Chairman Delzer: I think there were two of them so combined it would be \$800,000. Does someone have 2023?

Legislative Council: It shows 1.349

Chairman Delzer: Total for Homestead Tax Credit and the Disabled Vets?

Legislative Council: Disabled is another 461 for a total of 1.8

Chairman Delzer: There is 1.8 in the deficiency for this already and we are raising it again. That would be the affect. If it was 5.9 and the request for next time is what?

OMB: About 8.8

Chairman Delzer: The request for the next time on the Disabled Vets is?

OMB: 4.2 million

Chairman Delzer: Then we added another couple hundred thousand to that with 1177. This bill has a fiscal effect of about \$588,000.

Representative Nelson: Moved a **Do Not Pass**

Representative Monson: Seconded the motion

Chairman Delzer: Discussion

Representative Kaldor: I hoped the committee would give this a different recommendation. I will oppose the motion. Part of the justification for changing this is valuations continue to rise. People on fixed incomes see their property rise and along with it property taxes. It is having an adverse affect on people with fixed incomes. The property valuation in Minot, for example, is sky rocketing. If you bought your house in the 60s the property taxes are costing as much per month as what the house payment used to be.

Chairman Delzer: Which bill is the Tax Commissioner's Office funding?

OMB: That's correct. It is Senate Bill 2006.

Representative Monson: To be clear on the total cost of this whole program. If we had a deficiency appropriation plus it is in another bill. . . .

Chairman Delzer: The deficiency appropriation would be to cover the rest of this biennium. We had appropriated about 5.9 last time. They need another 1.4. So that would be 7.3. The request for this time is 8.8.

Representative Monson: What we would be doing is adding the 8.8 in the bill in the Senate plus this \$588 so we would be at \$9.4.

Chairman Delzer: I don't know the history-wise, probably 3-4 sessions ago we were low. We reimburse the counties for the cost of giving this credit.

A Roll Call vote was taken. **Yes: 12, No: 9, Absent: 0,**

DO NOT PASS carried

Representative Nelson will carry the bill.

Date: 2/17
Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1285

House Appropriations Committee

Legislative Council Amendment Number _____

Action Taken: ☐ Do Pass ☒ Do Not Pass ☐ Amended ☐ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Nelson Seconded By Rep. Monson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Representative Nelson	X	
Vice Chairman Kempenich	X		Representative Wieland		X
Representative Pollert	X				
Representative Skarphol	X				
Representative Thoreson	X		Representative Glassheim		X
Representative Bellew		X	Representative Kaldor		X
Representative Brandenburg	X		Representative Kroeber		X
Representative Dahl	X		Representative Metcalf		X
Representative Dosch		X	Representative Williams		X
Representative Hawken	X				
Representative Klein		X			
Representative Kreidt	X				
Representative Martinson	X				
Representative Monson	X				

Total (Yes) 12 No 9

Absent 0

Floor Assignment Rep. Nelson

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

REPORT OF STANDING COMMITTEE

HB 1285, as engrossed: Appropriations Committee (Rep. Delzer, Chairman)
recommends **DO NOT PASS** (12 YEAS, 9 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1285 was placed on the Eleventh order on the calendar.

2011 SENATE FINANCE AND TAXATION

HB 1285

2011 SENATE STANDING COMMITTEE MINUTES

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

HB 1285
3/15/2011
Job Number 15428

☐ Conference Committee

A. R. Miller

Explanation or reason for introduction of bill/resolution:

Relating to eligibility for the homestead property tax credit

Minutes:

Written Testimony Attached

Chairman Cook opened the hearing on HB 1285.

Marcy Dickerson, Tax Department – Basically this bill just provides a little more opportunity for our low income senior citizens and disabled people. In the last session the maximum qualifying income was increased from \$17,500 to \$26,000. This increase from \$26,000 to a maximum of \$28,600 will undoubtedly make some more people eligible, it expands the brackets a little, but it's not going to be a major increase like last session. For the renters this year, there is no increase in the amount of the renters refund. Last session it was increased from \$240 to \$400, this time it remains at \$400 but a renter whose income is now up to \$28,600 would be eligible. One other change, the homeowners have an asset test and the unencumbered value of the homestead up to a maximum of \$100,000 was allowed to be excluded from the assets that counted. That has now been increased to \$125,000. The asset test remains at \$75,000 excluding that portion of the homestead that is deducted. I don't really think that is going to make a large difference in the number of people who become eligible. From our experience last session when we experienced about a 6% or 7% increase in the number of successful homeowner applicants and we had a 17% increase in the number of successful renter applicants I think that indicated that the asset test is probably what's holding down the increase in homeowners. This bill is going to make some difference, it's going to provide larger credits to some people, it's going to make more people eligible, some more homeowners, a percentage of renters, but it's not going to be a major issue. The fiscal note on this bill is for \$588,000. There is a typo in the fiscal note in the narrative about halfway down where it talks about the asset calculation and the unencumbered value of the homestead. It says it was increased from \$100,000 to \$120,000. That should say \$125,000. The calculations were done correctly, that is just a typo when it was prepared.

Chairman Cook – Did I hear you say that this bill changes the asset test?

Marcy Dickerson, Tax Department – The only thing it changes in the asset test is that it allows exclusion of the first \$125,000 value of the homestead.

Senator Hogue – In the Tax Commissioners budget there was a specific appropriation to cover payments for the homestead tax credit. I'm trying to remember was that because the amount that was awarded in credits was substantially higher than what the previous fiscal note was or was that just the amount of additional money that was needed to cover the expansion of the homestead credit from the last session?

Marcy Dickerson, Tax Department – What happened last session is that we did have an appropriation in the Tax Department budget which we do have every year. Then you made this major increase from \$17,500 to \$26,000, it was a substantial increase, we had a pretty good fiscal note on that but somehow an appropriation never got attached to the bill to cover that change.

Senator Hogue – How did that fiscal note compare with the deficiency appropriation? Was it about the same?

Marcy Dickerson, Tax Department – The deficiency appropriation we're asking for is considerably less and again I think the reason is that the asset limitation is holding down the number of otherwise eligible new homeowners.

Chairman Cook – If this bill passes and it's got a fiscal note of \$588,000 do we not have to amend or should the Tax Commissioners budget bill which I believe is in the House reflect this \$588,000 fiscal note?

Marcy Dickerson, Tax Department – In the past when there has been a situation like this except for what was missed last year, the appropriation has been made in the bill that changed the homestead credit. The Tax Commissioners appropriation stays like it was based on the law that's in affect right now and then because of the changes in this law you add an appropriation to this bill.

Senator Dotzenrod – The increases that are in the bill, the decision to make it at that level, to go from \$22,000 to \$24,200 and these increases occur at various places throughout the bill, but to pick that level, was that done based on some number that was produced by the Tax Department or an index or was it arbitrary?

Marcy Dickerson, Tax Department – I don't know who made the decision on this particular bill. This didn't come from the Tax Department.

Senator Dotzenrod – Do you know how many people in North Dakota take advantage of this?

Marcy Dickerson, Tax Department – (Handed out attachment A)

Representative Kasper – As you know HB 1285 increases the homestead tax credit. It's my contention that as our state continues to enjoy the surplus that we are, I think its good public policy for us to continue to give back a little bit more of revenue to the people in North Dakota. The homestead tax credit targets those ages 65 and over and those disabled people who qualify under certain events and it does provide a buy down of their property tax based upon their income level. What the bill does is simply increases the dollar amounts in the income levels so that the people who are qualifying for those buy downs their income can be a little bit higher. I see the fiscal note is really not that large.

Chairman Cook closed the hearing on HB 1285.

2011 SENATE STANDING COMMITTEE MINUTES

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

HB 1285
3/28/2011
Job Number 16083

☐ Conference Committee

A. B. Miller

Explanation or reason for introduction of bill/resolution:

Relating to eligibility for the homestead property tax credit

Minutes:

Committee Work

Chairman Cook opened discussion on HB 1285.

Vice Chairman Miller – I'll move a Do Not Pass on HB 1285.

Seconded by **Senator Hogue**.

Vice Chairman Miller – I think it's perhaps it's going to be a greater burden to the counties at this point to make these changes vs. the benefit that it will actually give. I think perhaps next session we can look at raising this some more but as we continue to offer various tax relief through income and property and various things like that I don't know if this bill is something we need to do.

Chairman Cook – It's a minor adjustment. We made a major adjustment to the homestead tax credit last session and it had quite a fiscal note on it. This one is a \$588,000 fiscal note but every form out there would need to be changed.

Senator Triplett – I'm thinking from a policy standpoint it's a good thing to do modest changes every year to kind of keep up with the cost of living adjustments and such. These are the most vulnerable taxpayers that we are talking about. People of advanced age or permanently and totally disabled generally living on fixed incomes and certainly I'm cognizant of making life difficult for the counties but if it's just a programming change and not a real huge difference, they print up new forms every year so I don't actually know how much trouble it is but I'd like to ask.

Chairman Cook – I know my county has brochures all printed out that they have sitting around and everyone gets one with their tax statement.

Senator Triplett – My guess is that they print up a new batch every year with the date on it and that sort of thing and they could adjust the numbers fairly easy, probably.

Senator Hogue – This tax relief I support. I think it's well engrained into our system now that we're paying for this every session. I'd like to see this indexed at some point rather than we just come in with numbers every session. I would support something to index this down the road so we don't have to have these adjustments. It's just poorly drafted to keep putting in flat numbers when we have valuations that are going up for example on these homes.

Chairman Cook – Ask the clerk to take the roll. (5-2-0)

Carried by **Senator Hogue**.

FISCAL NOTE
Requested by Legislative Council
02/15/2011

Amendment to: HB 1285

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						
Expenditures			\$588,000			
Appropriations						

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

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).*

Engrossed HB 1285 expands the homestead credit and renters' property tax refund programs.

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.*

Engrossed HB 1285 increases the maximum qualifying income for applicants for homestead credit and renters' refund from \$26,000 to \$28,600. It also increases the unencumbered value of the homestead that may be excluded from the asset calculation for homeowners from \$100,000 to \$120,000.

If enacted, Engrossed HB 1285 is expected to increase homestead credit expenditures by 5% due to the increase in qualifying income and 2% due to the increase in the value of the homestead that may be excluded. This will result in a combined expected increase in expenditures in the 2011-13 biennium of an estimated \$588,000.

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.*

An additional appropriation of \$588,000 will be required to cover the provisions of Engrossed HB 1285 if it is enacted.

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner328-3402
Phone Number:	328-3402	Date Prepared:	02/17/2011

Date: 3-28-11
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1285

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 Hogue

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

Total (Yes) 5 No 2

Absent 0

Floor Assignment Senator Hogue

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

REPORT OF STANDING COMMITTEE

HB 1285, as engrossed: Finance and Taxation Committee (Sen. Cook, Chairman)
recommends **DO NOT PASS** (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1285 was placed on the Fourteenth order on the calendar.

2011 TESTIMONY

HB 1285

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

HOUSE BILL 1285

FEBRUARY 1, 2011

Chairman Belter, members of the House Finance and Taxation Committee, I am Marcy Dickerson, State Supervisor of Assessments and Director of the Property Tax Division for the Office of State Tax Commissioner. I am here today to share some observations on House Bill 1285 with you.

House Bill 1285 changes the basis for calculating a homestead credit or renter's property tax refund from income from all sources to taxable income. This will create some problems for applicants and assessment officials.

Many applicants have no income tax filing requirement and therefore no taxable income. Those applicants will all be eligible for the maximum credit or refund.

Assessment officials have no way to determine an applicant's taxable income. Applicants with taxable income are unlikely to have their income tax returns prepared prior to February 1, the assessment date by which homestead credit applications are supposed to be filed. Applications filed after February 1 go through the abatement process, which requires additional time and paperwork, and a hearing.

The new schedule of taxable values is set up differently from prior years:

<u>TV</u>	<u>T&F Value</u>	<u>Difference</u>	<u>Income</u>	<u>Credit</u>
4800 TV =	\$106,666.67		< \$24,000	100%
3600 TV =	80,000	\$1,200 TV	< 30,000	80%
2880 TV =	64,000	720 TV	< 35,000	60%
1920 TV =	42,666.67	960 TV	< 40,000	40%

I recommend equal taxable value dollar differences between categories, and use of taxable values that equate to even-numbered true and full values.

I believe the increase in the asset limit from \$75,000 to \$150,000 and the increase in the excludable value of the homestead from \$100,000 to \$150,000 are beneficial. However, excluding IRS-recognized retirement plans but not other savings from reported assets is unfair. Some persons choose to keep their savings in CD's or other accounts.

Testimony #1 p. 2

On lines 22 and 24, page 3, the reference to "annual income" could be clarified to refer to "annual taxable income" to agree with the change on page 1, line 7.

Subdivisions (c) and (d) of subsection 5 of section 57-02-08.1 conflict with references to "taxable income" and need to be removed if "taxable income" remains the criterion in HB 1285. Subdivision (c) defines "income" and subdivision (d) defines "medical expenses", both of which are superseded by the change to "taxable income".

House Bill 1285 will require an appropriation because of the changes in maximum taxable values in each income category, increase in maximum eligible income, increase in assets allowed, and increase in the maximum renter's property tax refund.

This concludes my prepared testimony. I will be glad to try to answer any questions.

HOMESTEAD CREDIT PAYMENTS

HOMEOWNERS –

<u>Credit for</u> <u>Tax Year</u>	<u>Number</u> <u>Qualifying</u>	<u>Amount</u> <u>Paid</u>
1975	6,004	\$ 650,693
1976	6,738	691,592
1977	9,663	1,351,324
1978	10,736	1,556,881
1979	10,529	1,582,655
1980	10,633	1,881,602
1981	10,158	1,970,208
1982	9,411	1,886,433
1983	8,820	1,841,081
1984	8,206	1,818,526
1985	7,362	1,697,678
1986	7,567	1,987,970
1987	7,540	2,011,933
1988	7,546	2,142,139
1989	7,307	2,158,650
1990	7,188	2,336,992
1991	7,029	2,230,637
1992	6,743	2,181,292
1993	6,576	2,184,714
1994	6,376	2,159,466
1995	6,095	2,194,689
1996	5,680	2,072,141
1997	5,278	1,974,283
1998	4,943	1,852,124
1999	4,457	1,817,552
2000	4,231	1,814,130
2001	4,341	1,768,001
2002	4,060	1,676,737
2003	3,923	1,659,707
2004	3,817	1,655,555
2005	3,516	2,025,060
2006	3,467	2,008,310
2007	3,651	2,342,186
2008	3,715	2,396,968
2009	3,977	2,912,719

HOMESTEAD CREDIT PAYMENTS

RENTERS –

<u>Credit for</u> <u>Tax Year</u>	<u>Number</u> <u>Qualifying</u>	<u>Amount</u> <u>Paid</u>
1975	414	\$ 26,182
1976	508	37,367
1977	1,325	143,352
1978	2,301	292,458
1979	2,572	353,058
1980	2,594	365,696
1981	2,635	387,906
1982	2,664	414,429
1983	3,133	516,244
1984	3,068	519,667
1985	2,206	159,713
1986	1,994	161,905
1987	1,878	163,092
1988	1,881	163,357
1989	1,657	149,666
1990	1,601	149,705
1991	1,582	151,600
1992	1,534	155,205
1993	1,563	166,739
1994	1,626	175,554
1995	1,590	177,782
1996	1,499	166,841
1997	1,482	165,060
1998	1,454	173,370
1999	1,508	190,211
2000	1,417	178,406
2001	1,329	173,754
2002	1,288	172,224
2003	1,335	185,807
2004	1,322	186,896
2005	1,273	182,947
2006	1,302	188,418
2007	1,998	287,682
2008	2,051	302,362
2009	2,400	550,955