



STATE OF NORTH DAKOTA

OFFICE OF STATE TAX COMMISSIONER

Cory Fong, Commissioner

Estimated Fiscal Impact of Initiated Measure No. 2

North Dakota Century Code Section 16.1-01-17 requires the preparation of the estimated fiscal impact of Initiated Measure No. 2. The Office of State Tax Commissioner, at the request of Legislative Council, has estimated the fiscal impact of the measure. This measure, if enacted by a vote of the people, will repeal ad valorem property taxes effective January 1, 2012. The amount of property taxes that will be eliminated by a successful passage of the measure is estimated to be \$812,225,000 for 2012.

This estimate assumes the effective date of the measure, if approved by the voters, will be interpreted to initially impact and repeal 2012 property taxes that would be due and payable in 2013. It is assumed that 2011 property taxes – due and payable in 2012 – will be interpreted to not be repealed by the measure.

Additional assumptions used in computing the first-year fiscal impact resulting in an estimated reduction of \$812,225,000 in ad valorem property taxes include:

- General property taxes are assumed to grow at the historical annual rate of 7.7%
- In lieu of property taxes that are based on property valuation are assumed to be repealed by a successful enactment of this measure
- Special taxes are assumed to remain in place with the exception of mobile home taxes, which are assumed to be repealed by a successful enactment of the measure
- Bonded indebtedness that is secured by property valuation is assumed to remain in place regardless of a successful enactment of the measure, until the completion of the bond repayments
- Most major in lieu of property taxes are assumed to continue to be imposed, and thus are not included in this fiscal impact estimation

Appendix A provides additional detail of the computation of the estimated fiscal impact of \$812,225,000. If any of the assumptions made are subsequently found to be erroneous, the estimated fiscal impact of the initiated measure would change accordingly.

If enacted by the voters, Initiated Measure No.2 will require the legislative assembly to replace lost property tax revenue estimated to total \$812,225,000 – or any portion that is determined to be required to “fully and properly fund the legally imposed obligations of counties, cities, townships, and other political subdivisions”-- from other state revenue sources. (Initiated Measure No. 2, Section 2, Subsection 3)

This estimate is the first-year fiscal impact of the property taxes that are expected to be repealed if the voters approve Initiated Measure No.2. The measure affects only a single year in the in the 2011-13 biennium. In subsequent biennia, two years would be affected, resulting in twice the fiscal impact.

APPENDIX A

Computation of Estimated Fiscal Impact:

Estimated 2012 (due in 2013) general property taxes:	\$ 829,875,000
Plus In-lieu taxes based on property valuation	+ \$655,000
Plus Special taxes on mobile homes	+ \$3,845,000
Less bonded Indebtedness (P&I repayments)	- <u>\$22,150,000</u>
Estimated 2012 property taxes subject to repeal	\$812,225,000