

## **TAXATION COMMITTEE TESTIMONY 23 March 2012**



### **Apology**

I'm sorry I, unable to be with you today. Today my schedule takes me to Lakota and then onto Cando for a community meeting on Measure 2. The Soybean Growers have chosen to actively oppose Measure 2 and I am happy to take that message across our great State. Today's choice was very difficult to make because of the important work the Tax Committee is engaged in. Please accept my apologies for not being with you today, and let me take this opportunity to thank you for your service to citizens of North Dakota, and share my wish for your safe travel home.

### **Property Tax Relief of 75 Mills vs. 65 Mills**

I believe I understand growing concern among your committee members, and the legislature as a whole, with the escalating cost of mill levy buy-down program. As you might guess, in my recent travels around the state opposing Measure 2 issues I have come to understand some things about our citizen's perceptions of the current property tax relief package and their perceptions of North Dakota's economic well being.

Most of the citizens that I encounter adamantly believe that the state has a large and growing surplus of funds. We could waste a fair amount of time arguing this issue on any given day, but it is my clear perception that the majority of the people that attend Measure 2 meetings believe this to be true. I also believe that to people in our state expect property tax relief to continue. Many citizens also expect some sort of property tax reform even if Measure 2 should fail.

I have a suggestion. If you should choose to reduce from 75 Mills to 65 Mills the Mill levy buy-down program, it would be okay. The only current issue on funding with this program is that it is not presented in a format that directly ties its benefits to our current positive economic times and thus our state strong revenue flows, e.g. sales tax, income tax, and oil tax collections. So my suggestion is this; consider providing either a income tax credit or a direct payment to resident taxpayers if the positive revenue flows to the state exceed a defined level, tying that action directly to the possibility that it can change as the revenue flows change. An example would be, if the state of North Dakota receives \$1.5 billion in oil tax revenue in a given year each taxpayer would enjoy a \$500 (or \$200, \$300, or whatever is appropriate) tax credit or check, or it could be some combination of oil revenue, sales tax collections, or income tax collections that trigger the action. The important element of this is that it be tied to our current economic success so that should commodity prices change downward in oil or Ag, a reduction in benefits would not be a big surprise.

## **Property Tax Differentiations & "Effective Rate" Differences**

Ms. Dickerson presented some property tax differentiation and quote "effective rate" differences last summer at one of the interim meetings. Having studied that information my conclusion was that the property tax differentiations between the counties are largely based on budget execution requirements determined locally. While some may perceive this in a negative light, my basic interpretation is that the differences are the result of successful **local control** activity.

"Effective Rates" are truly a comparison of apples and oranges. Residential and Commercial, market-based taxes, are of one nature; and Ag, production-based taxes, are of another. "Effective Rate" comparisons, because they are an apple and orange comparison, serve little purpose in the debate other than to create a false perception of inequity among property tax payers in our current system. Perhaps the only place that the comparisons would be of value is that the legislative goal in adjustments to the system is in the direction of intended improvement be toward the lowest rate(s).

Let me give you an example of what I'm talking about. In an earlier Interim Tax Committee meeting a worksheet was passed out showing the "Effective Rates" of the Commercial, Residential, and Ag property tax rates. Make the aim to reduce the higher rates, not increasing the lowest rates. Let me take a minute and point out also that the comparison contained a Ag "Effective Rate" the does not include the full impact of the Capitalization Rate adjustment made in the 2009 legislative session, thus it does not reflect the true Ag "Effective Rate" of our near future.

Thank You for accepting my testimony in this unusual manner. I will look forward to visiting with you again in the near future.

Thank You,  
Scott Rising

ND Soybean Growers Association  
Legislative Director