

**TESTIMONY OF THE OFFICE OF STATE TAX COMMISSIONER
BEFORE THE
TAXATION COMMITTEE**

MARCH 23, 2012

Chairman Hogue, members of the 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 provide information on estimated statewide taxable value growth for all property classifications for 2012 and 2013, estimated shifting of tax burden and property tax relief among property classifications, and effective tax rates for agricultural property.

Estimation of taxable valuation growth for 2012 and 2013.

To estimate changes in taxable values of the various property classifications, I looked at a ten-year history of each class. I also considered the significant increase in the NDSU-calculated average agricultural value per acre for 2012, and the decision of the State Board of Equalization to broaden the tolerance for 2012 assessments to 90 to 100 percent of true and full value for all locally assessed property. Tolerance has been from 95 to 100 percent for 2009, 2010, and 2011. Prior to the 2009 enactment of N.D.C.C. § 57-13-04.1, which prohibits the State Board of Equalization from approving assessments of residential and commercial property that exceed true and full value as determined by the sales ratio study, the allowed tolerance was 95 to 105 percent of true and full value for agricultural, residential, and commercial property.

Estimated changes in taxable value:

<u>Property Type</u>	<u>2011 TV</u>	<u>Estimated 2012 TV</u>	<u>Estimated TV Change</u>	<u>Estimated % Change</u>
Agricultural land	676,942,232	830,811,201	153,868,969	22.73%
Residential property	1,000,144,238	1,077,688,755	77,544,517	7.75%
Commercial property	549,678,983	586,031,086	36,352,103	6.61%
Centrally assessed prop.	<u>201,697,799</u>	<u>231,952,469</u>	<u>30,254,670</u>	<u>15.00%</u>
State	2,428,463,252	2,726,483,511	298,020,259	12.27%

<u>Property Type</u>	<u>Estimated 2012 TV</u>	<u>Estimated 2013 TV</u>	<u>Estimated TV Change</u>	<u>Estimated % Change</u>
Agricultural land	830,811,201	882,653,820	51,842,619	6.24%
Residential property	1,077,688,755	1,161,245,556	83,556,801	7.75%
Commercial property	586,031,086	624,787,276	38,756,190	6.61%
Centrally assessed prop.	<u>231,952,469</u>	<u>266,745,339</u>	<u>34,792,870</u>	<u>15.00%</u>
State	2,726,483,511	2,935,431,991	208,948,480	7.66%

I believe that, because of the 29 percent increase in NDSU-calculated average agricultural value per acre for 2012, counties will take advantage of the State Board of Equalization's broadened tolerance and set their agricultural valuations nearer 90 percent than 100 percent of average agricultural value. That is why I am estimating a 22.73 percent increase in agricultural land values statewide, approximately 22 percent less than the actual statewide increase.

Shift of property tax burden among property classifications.

<u>Year</u>	<u>Statewide</u> <u>Agricultural</u> <u>Taxable</u> <u>Value</u>	<u>Statewide</u> <u>Residential</u> <u>Taxable</u> <u>Value</u>	<u>Statewide</u> <u>Commercial</u> <u>Taxable</u> <u>Value</u>	<u>Statewide</u> <u>Centrally</u> <u>Ass'd.</u> <u>Taxable Value</u>	<u>State Total</u> <u>Taxable Value</u>
2010	637,656,002	956,172,694	517,501,633	177,787,601	2,289,117,930
% of Total TV	27.86%	41.76%	22.61%	7.77%	100.00%
2011	676,942,232	1,000,144,238	549,678,983	201,697,799	2,428,463,252
% of Total TV	27.88%	41.18%	22.63%	8.31%	100.00%
Average TV - 2 years	657,299,117	978,158,466	533,590,308	189,742,700	2,358,790,591
Average % - 2 years	27.87%	41.47%	22.62%	8.04%	100.00%
2012 Estimated TV	830,811,201	1,077,688,755	586,031,086	231,952,469	2,726,483,511
% of Total TV	30.47%	39.53%	21.49%	8.51%	100.00%
% change from 2-y. avg. to 2012	9.83%	-4.68%	-5.00%	5.85%	0.00%
2013 Estimate TV	882,653,820	1,161,245,556	624,787,276	266,745,339	2,935,431,991
% of Total TV	30.07%	39.56%	21.28%	9.09%	100.00%
Change from 2012 to 2013	-1.31%	0.08%	-0.98%	6.82%	0.00%

To estimate the shift of the tax burden among property classifications, I first compared estimated 2012 taxable valuations to the two-year average of 2010 and 2011 taxable valuations. The highlighted row above shows the changes in percent of total taxable valuation for each class of property from the two-year average to 2012. Agricultural taxable value increases 9.33 percent; residential decreases 4.68%; commercial decreases 5.00 percent, and centrally assessed increases 5.85 percent. Assuming no change in mill rates (unlikely), changes in the tax burden

would follow those percentages. For 2013, the change in tax burden is slight except for a 6.82 percent increase for centrally assessed property.

Shift of property tax relief among property classifications.

The shifting of property tax relief follows the shift in tax burden, because the current property tax relief program provides similar relief to all properties in the same school district. For most school districts, that is 75 mills. The percentage of property tax relief provided by 75 mills varies, depending on how many mills other political subdivisions levy.

Property that makes payments in lieu of taxes and receives property tax relief is not included in these taxable valuation figures, but receives a relatively small portion of total property tax relief.

Comparison of market value versus agricultural value of agricultural property.

The most recent data available comparing agricultural value per acre to market value of agricultural land is from the 2011 sales ratio study and represents 2010 sales. Two counties (Morton and Renville) reported no sales of agricultural land. Median ratios for the other 51 counties range from 16.5 percent in Ransom County to 64.9 percent in Cavalier County. The arithmetic mean for the 51 reporting counties is 37.8 percent.

Actual 2011 property taxes levied on agricultural property were \$168,480,607.33 for the 51 counties for which sales were reported. If the same mill rates are applied to estimated market value, approximately \$471,289,811, or nearly 180 percent more, is raised in the 51 counties. Mill rates may be reduced because of additional value

Actual 2011 effective tax rates for agricultural land using agricultural value average 1.24 percent for 51 counties. Effective tax rates for agricultural land using market value would average 0.46 percent.

That concludes my prepared testimony. I will be happy to try to answer any questions.

TAXABLE VALUES

County #	County Name	Rural Ag Value	Urban Ag Value	Total Ag Value	Rural Ag Taxes	Urban Ag Taxes	Total Ag Taxes
1	Adams	5,534,435	7,169	5,541,604	1,701,741.57	2,399.31	1,704,140.88
2	Barnes	21,791,351	76,865	21,868,216	5,600,849.95	21,244.37	5,622,094.32
3	Benson	13,739,727	15,563	13,755,290	3,576,660.85	4,885.71	3,581,546.56
4	Billings	2,264,575	0	2,264,575	289,118.22	0.00	289,118.22
5	Bottineau	18,243,475	13,810	18,257,285	4,354,128.42	3,367.40	4,357,495.82
6	Bowman	5,622,287	20,205	5,642,492	977,506.25	4,682.56	982,188.81
7	Burke	8,694,195	16,985	8,711,180	1,896,083.10	4,432.22	1,900,515.32
8	Burleigh	10,287,050	28,465	10,315,515	2,102,947.84	8,454.38	2,111,402.22
9	Cass	35,371,605	818,666	36,190,271	8,836,623.78	266,663.49	9,103,287.27
10	Cavalier	20,078,394	938,974	21,017,368	4,965,433.73	244,761.34	5,210,195.07
11	Dickey	14,708,191	18,723	14,726,914	4,397,718.36	7,281.59	4,404,999.95
12	Divide	10,641,345	11,640	10,652,985	2,248,465.50	2,572.09	2,251,037.59
13	Dunn	7,610,355	0	7,610,355	1,691,036.66	0.00	1,691,036.66
14	Eddy	5,483,891	1,050	5,484,941	1,640,511.65	455.35	1,640,967.00
15	Emmons	12,775,607	910	12,776,517	3,284,386.97	451.62	3,284,838.59
16	Foster	8,317,305	5,455	8,322,760	2,158,878.15	2,114.01	2,160,992.16
17	Golden Valley	3,923,575	7,460	3,931,035	911,814.08	2,187.56	914,001.64
18	Grand Forks	25,034,600	73,720	25,108,320	7,214,060.09	26,825.80	7,240,885.89
19	Grant	8,955,530	36,605	8,992,135	2,534,914.61	13,312.66	2,548,227.27
20	Griggs	8,815,388	646	8,816,034	2,750,218.98	270.65	2,750,489.63
21	Hettinger	10,177,740	0	10,177,740	2,576,934.20	0.00	2,576,934.20
22	Kidder	9,052,165	3,061	9,055,226	2,136,841.28	902.17	2,137,743.45
23	LaMoure	18,293,845	11,310	18,305,155	4,515,364.12	3,950.27	4,519,314.39
24	Logan	7,251,270	6,740	7,258,010	1,966,661.18	2,532.90	1,969,194.08
25	McHenry	14,451,055	42,996	14,494,051	3,551,834.25	11,337.23	3,563,171.48
26	McIntosh	8,316,161	5,322	8,321,483	2,211,391.77	1,726.16	2,213,117.93
27	McKenzie	9,171,931	6,089	9,178,020	1,417,937.29	1,438.07	1,419,375.36
28	McLean	20,515,555	10,910	20,526,465	4,127,332.20	2,497.26	4,129,829.46
29	Mercer	5,918,466	0	5,918,466	1,429,422.36	0.00	1,429,422.36
30	Morton	10,361,168	24,005	10,385,173	2,897,383.28	8,541.37	excluded
31	Mountrail	13,043,490	30,345	13,073,835	2,659,082.27	6,682.45	2,665,764.72
32	Nelson	10,408,053	27,413	10,435,466	2,918,668.19	9,645.66	2,928,313.85
33	Oliver	4,149,800	0	4,149,800	1,109,445.70	0.00	1,109,445.70
34	Pembina	22,922,673	27,580	22,950,253	5,851,570.36	8,228.56	5,859,798.92
35	Pierce	9,573,473	7,951	9,581,424	2,581,637.43	2,734.76	2,584,372.19
36	Ramsey	12,719,420	25,390	12,744,810	3,747,229.80	8,430.26	3,755,660.06
37	Ransom	10,694,565	19,700	10,714,265	2,768,292.19	7,976.23	2,776,268.42
38	Renville	11,689,138	5,670	11,694,808	2,614,729.68	1,484.25	excluded
39	Richland	27,982,430	80,280	28,062,710	8,942,607.49	29,877.24	8,972,484.73
40	Rolette	7,884,946	17,000	7,901,946	2,150,940.12	5,645.47	2,156,585.59
41	Sargent	13,552,386	42,177	13,594,563	3,882,312.95	16,241.88	3,898,554.83
42	Sheridan	7,015,055	82	7,015,137	1,743,958.39	24.30	1,743,982.69
43	Sioux	2,329,942	691	2,330,633	673,449.18	237.46	673,686.64
44	Slope	5,930,911	1,686	5,932,597	873,349.12	249.58	873,598.70
45	Stark	9,059,630	0	9,059,630	2,292,791.92	0.00	2,292,791.92
46	Steele	12,096,416	76,755	12,173,171	3,065,190.25	29,601.74	3,094,791.99
47	Stutsman	24,351,472	41,785	24,393,257	6,768,891.17	16,705.21	6,785,596.38
48	Towner	13,203,102	806	13,203,908	3,383,132.57	328.03	3,383,460.60
49	Traill	18,446,456	28,612	18,475,068	5,530,479.80	11,073.51	5,541,553.31
50	Walsh	24,125,565	76,655	24,202,220	7,181,883.84	27,824.57	7,209,708.41
51	Ward	21,510,590	19,965	21,530,555	4,902,259.03	5,368.39	4,907,627.42
52	Wells	15,960,856	10,856	15,971,712	4,129,892.45	4,005.24	4,133,897.69
53	Williams	14,129,024	15,859	14,144,883	3,420,222.37	4,876.62	3,425,098.99
	State	674,181,630	2,760,602	676,942,232	173,156,216.96	846,528.95	168,480,607.33

(2 counties excluded - no sales ratio information)

County #	County Name	2011 Agland Median Ratio	Estimated Ag TV at Market Value	Estimated Taxes at Market Value	Effective Tax Rate at Market Value	Effective Tax Rate at Ag Value
1	Adams	33.1	16,742,000	\$5,148,460	0.51%	1.54%
2	Barnes	35.5	61,600,600	15,836,883	0.46%	1.29%
3	Benson	49.5	27,788,500	7,235,457	0.64%	1.30%
4	Billings	18.3	12,374,700	1,579,878	0.12%	0.64%
5	Bottineau	43.4	42,067,500	10,040,318	0.52%	1.19%
6	Bowman	33.1	17,046,800	2,967,337	0.29%	0.87%
7	Burke	50.4	17,284,100	3,770,867	0.55%	1.09%
8	Burleigh	28.0	36,841,100	7,540,717	0.29%	1.02%
9	Cass	29.2	123,939,300	31,175,645	0.37%	1.26%
10	Cavalier	64.9	32,384,200	8,028,027	0.80%	1.24%
11	Dickey	25.6	57,527,000	17,207,029	0.38%	1.50%
12	Divide	53.2	20,024,400	4,231,272	0.56%	1.06%
13	Dunn	35.6	21,377,400	4,750,103	0.40%	1.11%
14	Eddy	34.6	15,852,400	4,742,670	0.52%	1.50%
15	Emmons	33.8	37,800,300	9,718,446	0.43%	1.29%
16	Foster	29.7	28,022,800	7,276,078	0.39%	1.30%
17	Golden Valley	46.6	8,435,700	1,961,378	0.54%	1.16%
18	Grand Forks	46.5	53,996,400	15,571,801	0.67%	1.44%
19	Grant	35.5	25,330,000	7,178,117	0.50%	1.42%
20	Griggs	38.7	22,780,400	7,107,193	0.60%	1.56%
21	Hettinger	34.9	29,162,600	7,383,771	0.44%	1.27%
22	Kidder	35.7	25,364,800	5,988,082	0.42%	1.18%
23	LaMoure	24.9	73,514,700	18,149,862	0.31%	1.23%
24	Logan	32.9	22,060,800	5,985,387	0.45%	1.36%
25	McHenry	41.6	34,841,500	8,565,324	0.51%	1.23%
26	McIntosh	30.9	26,930,400	7,162,203	0.41%	1.33%
27	McKenzie	34.8	26,373,600	4,078,662	0.27%	0.77%
28	McLean	37.2	55,178,700	11,101,698	0.37%	1.01%
29	Mercer	38.3	15,452,900	3,732,170	0.46%	1.21%
30	Morton	NA	NA	NA	NA	NA
31	Mountrail	30.9	42,310,100	8,627,061	0.32%	1.02%
32	Nelson	55.1	18,939,100	5,314,533	0.77%	1.40%
33	Oliver	19.6	21,172,400	5,660,424	0.26%	1.34%
34	Pembina	29.7	77,273,600	19,729,968	0.38%	1.28%
35	Pierce	33.8	28,347,400	7,646,069	0.46%	1.35%
36	Ramsey	43.0	29,639,100	8,734,095	0.63%	1.47%
37	Ransom	16.5	64,934,900	16,825,859	0.21%	1.30%
38	Renville	NA	NA	NA	NA	NA
39	Richland	34.0	82,537,400	26,389,667	0.54%	1.60%
40	Rolette	41.3	19,133,000	5,221,746	0.56%	1.36%
41	Sargent	47.4	28,680,500	8,224,796	0.68%	1.43%
42	Sheridan	41.3	16,985,800	4,222,717	0.51%	1.24%
43	Sioux	62.6	3,723,100	1,076,189	0.90%	1.45%
44	Slope	36.4	16,298,300	2,399,990	0.27%	0.74%
45	Stark	23.0	39,389,700	9,968,662	0.29%	1.27%
46	Steele	35.6	34,194,300	8,693,236	0.45%	1.27%
47	Stutsman	31.2	78,183,500	21,748,702	0.43%	1.39%
48	Towner	52.7	25,054,900	6,420,241	0.68%	1.28%
49	Traill	38.3	48,237,800	14,468,815	0.57%	1.50%
50	Walsh	40.2	60,204,500	17,934,590	0.60%	1.49%
51	Ward	47.1	45,712,400	10,419,584	0.54%	1.14%
52	Wells	43.4	36,801,200	9,525,115	0.56%	1.29%
53	Williams	50.2	28,177,100	6,822,917	0.61%	1.21%
	51 Counties	37.8	1,834,025,700	\$471,289,811	0.46%	1.24%