

Introduced by

Legislative Management

(Taxation Committee)

1 A BILL for an Act to create and enact section 57-02-08.9 of the North Dakota Century Code,
2 relating to a residential property tax credit; to amend and reenact sections 57-51.1-07.5 and
3 57-64-03 of the North Dakota Century Code, relating to deposits of the state's share of oil and
4 gas taxes and property tax relief through allocation of state funding to school districts for mill
5 levy reduction grants; to provide an appropriation; to provide for a legislative management
6 study; to provide for a report by the tax commissioner; to provide for a transfer; and to provide
7 an effective date.

8 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

9 **SECTION 1.** Section 57-02-08.9 of the North Dakota Century Code is created and enacted
10 as follows:

11 **57-02-08.9. Residential property tax credit - Certification - Distribution.**

12 1. An individual is entitled to receive a reduction of one thousand one hundred
13 twenty-five dollars or fifty percent, whichever is less, of the taxable valuation of the
14 individual's primary residence as provided in this section. A reduction under this
15 section applies regardless of whether the individual is the head of a family. If an
16 individual is entitled to a reduction in taxable valuation under this section and section
17 57-02-08.1 or 57-02-08.8, any reduction under this section must be applied first and
18 then any reduction under sections 57-02-08.1 and 57-02-08.8 must be applied. The
19 reduction under this section, alone or in combination with any other reduction allowed
20 by law, may not exceed the taxable valuation of the primary residence.

21 2. An estate, trust, corporation, or passthrough entity that owns residential property used
22 as part of a farming or ranching operation is entitled to a reduction as provided in
23 subsection 1 if that residential property is occupied as a primary residence, as of the
24 assessment date of the taxable year, by an individual who is a beneficiary of the estate

1 or trust or who holds an ownership interest in the corporation or passthrough entity.
2 Either the occupant or the entity that owns the residence may be the applicant for
3 purposes of this subsection. An estate, trust, corporation, or passthrough entity may
4 not claim a reduction for more than one property under this section.

5 3. The reduction under this section continues to apply if the individual does not reside in
6 the primary residence if the individual's absence is due to confinement in a nursing
7 home, hospital, or other care facility, for as long as that confinement lasts and the
8 portion of the primary residence previously occupied by the individual is not rented to
9 another individual.

10 4. Individuals residing together, as spouses or when one or more is a dependent of
11 another, are entitled to only one reduction between or among them under this section.
12 Individuals residing together, who are not spouses or dependents, who are coowners
13 of the property are each entitled to a percentage of a full reduction under this section
14 equal to their ownership interests in the property.

15 5. To claim the reduction under this section, an applicant must sign and file with the
16 assessor, by March first of the year for which a reduction is claimed, a claim form
17 containing a verified statement of facts establishing the applicant's eligibility as of
18 February first of that year.

19 6. The assessor shall attach the statement filed under subsection 5 to the assessment
20 sheet and shall show the reduction on the assessment sheet.

21 7. All forms necessary to effectuate this section must be prescribed, designed, and made
22 available by the tax commissioner. Claim forms must include the full name, address,
23 and social security or taxpayer identification number of the applicant, and any other
24 information prescribed by the tax commissioner. The tax commissioner shall include
25 on claim forms a statement to the effect that the applicant, by signing, declares the
26 application to be true, correct, and complete and subject to the penalties under section
27 12.1-11-02 for making a false statement in a governmental matter. The county director
28 of tax equalization shall make these forms available to applicants upon request.

29 8. A social security or taxpayer identification number contained in any form under this
30 section is confidential and may be disclosed only to county officers, the tax
31 commissioner, or a court and only for purposes of administering this section. A county

1 officer, the tax commissioner, or a court in possession of a form or other document
2 under this section shall delete or obscure any social security or taxpayer identification
3 number on any copy of the form or other document released to the public.

4 9. A reduction under this section terminates at the end of the taxable year for which the
5 application was approved. A reduction under this section is effective for the entire
6 taxable year for which the application was approved, without regard to any change of
7 ownership of the residence which occurs after the assessment date.

8 10. If any applicant is found to have claimed a reduction under this section for more than
9 one primary residence for the same taxable year, all reductions under this section for
10 that applicant for that taxable year and the ensuing two taxable years must be
11 canceled. If an applicant received a reduction that is canceled under this section, the
12 auditor of the county in which such property is located shall enter the amount of the
13 canceled reduction as omitted property on the assessment roll of property that has
14 escaped taxation.

15 11. Determinations concerning eligibility for a reduction under this section may be
16 appealed through the informal equalization process and formal abatement process.

17 12. This section does not reduce the liability of any individual for special assessments
18 levied upon any property.

19 13. For the purposes of this section:

20 a. "Dependent" has the same meaning it has for federal income tax purposes.

21 b. "Owned" means the applicant holds a present ownership interest, including
22 ownership in fee simple, holding a present life estate or other terminable present
23 ownership interest, or being a purchaser under a contract for deed, but does not
24 include a mere right of occupancy or a tenancy under a lease.

25 c. "Primary residence", for purposes of a residential property taxable valuation
26 reduction under this section, means a dwelling in this state owned and occupied
27 by the applicant as that applicant's primary residence as of the assessment date
28 of the taxable year and which is not exempt from property taxes as a farm
29 residence.

30 14. Before April first of each year, the county auditor of each county shall certify to the tax
31 commissioner, on forms prescribed by the tax commissioner, the full name, address,

1 and social security or taxpayer identification number of each individual or entity for
2 whom the reduction under this section was allowed for the preceding year, the legal
3 description of the property, the taxable value of the property, the dollar amount of each
4 reduction in taxable value allowed, and the total of the tax mill rates for the preceding
5 year of all taxing districts in which the property was contained, exclusive of any state
6 mill rates, and any other information prescribed by the tax commissioner.

7 15. By June first of each year, the tax commissioner shall review the certifications under
8 subsection 14, make any required corrections, and certify to the state treasurer for
9 payment to each county the sum of the amounts computed by multiplying the
10 reduction allowed for each qualifying primary residence in the county for the preceding
11 year by the total of the tax mill rates for the preceding year of all taxing districts in
12 which the property was contained. In reviewing certifications, the tax commissioner
13 may refer to any income tax return information or other information available to the tax
14 commissioner.

15 16. Upon receipt of the payment from the state treasurer, the county treasurer shall
16 apportion and distribute it without delay to the county and to the taxing districts of the
17 county on the same basis the general real estate tax for the preceding year is
18 apportioned and distributed.

19 17. The tax commissioner shall certify annually to the state treasurer for deposit in the
20 state medical center fund the amount computed by multiplying one mill times the
21 reduction allowed under this section for the preceding year for all primary residences
22 in the state.

23 18. Supplemental certifications by the county auditor and the tax commissioner and
24 supplemental payments by the state treasurer may be made after the dates prescribed
25 in this section to make any corrections necessary because of errors or approval of any
26 application for equalization or abatement filed by an individual or entity because all or
27 part of the reduction under this section was not allowed.

28 **SECTION 2. AMENDMENT.** Section 57-51.1-07.5 of the North Dakota Century Code is
29 amended and reenacted as follows:

1 **57-51.1-07.5. State share of oil and gas taxes - Deposits.**

2 From the revenues designated for deposit in the state general fund under chapters 57-51
3 and 57-51.1, the state treasurer shall deposit the revenues received each biennium as follows:

- 4 1. The first two hundred million dollars into the state general fund;
- 5 2. The next ~~three~~four hundred ~~forty-one~~three million ~~seven~~four hundred ~~ninety~~seven
6 thousand dollars into the property tax relief sustainability fund;
- 7 3. The next one hundred million dollars into the state general fund;
- 8 4. The next one hundred million dollars into the strategic investment and improvements
9 fund;
- 10 5. The next twenty-two million dollars into the state disaster relief fund; and
- 11 6. Any additional revenues into the strategic investment and improvements fund.

12 **SECTION 3. AMENDMENT.** Section 57-64-03 of the North Dakota Century Code is
13 amended and reenacted as follows:

14 **57-64-03. School district levy compliance.**

- 15 1. To be eligible to receive a grant under this chapter, a qualifying school district must
16 establish a spending level that does not result in a general fund mill rate exceeding
17 one hundred ten mills. The certificate of levy form filed with the county auditor by a
18 qualifying school district must reflect the revenue to be received by the school district
19 under this chapter and that the general fund mill rate for the school district will not
20 exceed one hundred ten mills unless:
 - 21 a. The district has approval of ~~a majority~~ of the electors of the school district under
22 subsection 1 or 2 of section 57-15-14 for a higher levy;
 - 23 b. The higher levy is the result of a school district reorganization in compliance with
24 chapter 15.1-12;
 - 25 c. The higher levy does not produce an amount in dollars exceeding the amount
26 allowed under section 57-15-01.1 reduced by the amount of the school district's
27 mill levy reduction grant under section 57-64-02 for the budget year; or
 - 28 d. The district has authority for a higher levy under subdivision b of subsection 2.
- 29 2. The authority under subdivision a or b of subsection 1 for a school district to levy a
30 general fund mill rate exceeding one hundred ten mills applies for not more than ten
31 taxable years at a time after taxable year 2008 unless ~~a majority~~ of the electors of the

1 school district approve an extension of that authority under subsection 1 or 2 of
2 section 57-15-14. Approval by electors of extension of levy authority under
3 subdivision a or b of subsection 1 is effective for not more than ten taxable years at a
4 time. A ballot measure for approval by electors of extension of levy authority under
5 subdivision a or b of subsection 1 is subject to the following:

- 6 a. The ballot measure must specify the number of mills for the general fund mill rate
7 and the number of taxable years for which approval is sought.
- 8 b. If a ballot measure for approval of extension of levy authority under this
9 subsection is not approved by a ~~majority~~ of the electors of the school district
10 voting on the question, the school district general fund levy limitation for
11 subsequent years is subject to the limitations as determined for the school
12 district's budget year under section 57-15-01.1 or 57-15-14, whichever produces
13 the higher levy limitation.

14 **SECTION 4. APPROPRIATION.** There is appropriated out of any moneys in the general
15 fund in the state treasury, not otherwise appropriated, the sum of \$403,407,000, or so much of
16 the sum as may be necessary, to the superintendent of public instruction for the purpose of
17 allocation of mill levy reduction grants to school districts under chapter 57-64, for the biennium
18 beginning July 1, 2013, and ending June 30, 2015.

19 **SECTION 5. TRANSFER - PROPERTY TAX RELIEF SUSTAINABILITY FUND -**
20 **GENERAL FUND.** The office of management and budget shall transfer the sum of
21 \$341,790,000 from the property tax relief sustainability fund to the general fund on July 1, 2013.

22 **SECTION 6. LEGISLATIVE MANAGEMENT STUDY - PROPERTY TAX ELIMINATION.**
23 The legislative management shall designate a committee during the 2013-14 interim to study
24 the feasibility and desirability of eliminating property taxes and providing replacement revenue
25 for political subdivisions through alternative sources. The legislative management shall report its
26 findings and recommendations, together with any legislation required to implement the
27 recommendations, to the sixty-fourth legislative assembly.

28 **SECTION 7. TAX COMMISSIONER REPORT ON ASSESSOR COMPLIANCE RULES.**
29 Before January 1, 2014, the tax commissioner shall report to the legislative management on the
30 development of rules for detailed and efficient administration of section 57-01-05 regarding
31 supervision of assessment officials.

1 | **SECTION 8. EFFECTIVE DATE.** This Act ~~is~~becomes effective July 1, 2013.