

Sixty-third  
Legislative Assembly  
of North Dakota

## REENGROSSED SENATE BILL NO. 2036

Introduced by

Legislative Management

(Taxation Committee)

1 A BILL for an Act to create and enact ~~section 57-02-08.9~~sections 46-03-10.1, 57-15-01.2, and  
2 57-20-07.2 of the North Dakota Century Code, relating to statutory references to mills,  
3 determination of political subdivision budgets, and a residential~~state-paid~~ property tax relief  
4 credit; to amend and reenact sections 57-20-07.1, 57-20-09, 57-20-21.1, 57-51.1-07.5, and  
5 57-64-03 of the North Dakota Century Code, relating to property tax statement information to  
6 identify legislative property tax relief for the subject property, priority for delinquent taxes, the  
7 discount for early payment of property taxes, deposits of the state's share of oil and gas taxes,  
8 and property tax relief through allocation of state funding to school districts for mill levy  
9 reduction grants; to repeal section 57-15-01.1 of the North Dakota Century Code, relating to  
10 property tax levies; to provide ~~an appropriation~~appropriations; ~~to provide for a legislative-~~  
11 ~~management study;~~ ~~to provide for a report by the tax commissioner;~~ to provide for a transfer;  
12 and to provide an effective date.

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

14 ~~— **SECTION 1.** Section 57-02-08.9 of the North Dakota Century Code is created and enacted~~  
15 ~~as follows:~~

16 ~~— **57-02-08.9. Residential property tax credit – Certification – Distribution.**~~

17 ~~— 1. An individual is entitled to receive a reduction of one thousand one hundred~~  
18 ~~twenty-five dollars or fifty percent, whichever is less, of the taxable valuation of the~~  
19 ~~individual's primary residence as provided in this section. A reduction under this~~  
20 ~~section applies regardless of whether the individual is the head of a family. If an~~  
21 ~~individual is entitled to a reduction in taxable valuation under this section and section~~  
22 ~~57-02-08.1 or 57-02-08.8, any reduction under this section must be applied first and~~  
23 ~~then any reduction under sections 57-02-08.1 and 57-02-08.8 must be applied. The~~

1 ~~reduction under this section, alone or in combination with any other reduction allowed~~  
2 ~~by law, may not exceed the taxable valuation of the primary residence.~~

3 ~~2. An estate, trust, corporation, or passthrough entity that owns residential property used~~  
4 ~~as part of a farming or ranching operation is entitled to a reduction as provided in~~  
5 ~~subsection 1 if that residential property is occupied as a primary residence, as of the~~  
6 ~~assessment date of the taxable year, by an individual who is a beneficiary of the estate~~  
7 ~~or trust or who holds an ownership interest in the corporation or passthrough entity.~~  
8 ~~Either the occupant or the entity that owns the residence may be the applicant for~~  
9 ~~purposes of this subsection. An estate, trust, corporation, or passthrough entity may~~  
10 ~~not claim a reduction for more than one property under this section.~~

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

16 ~~4. Individuals residing together, as spouses or when one or more is a dependent of~~  
17 ~~another, are entitled to only one reduction between or among them under this section.~~  
18 ~~Individuals residing together, who are not spouses or dependents, who are coowners~~  
19 ~~of the property are each entitled to a percentage of a full reduction under this section~~  
20 ~~equal to their ownership interests in the property.~~

21 ~~5. To claim the reduction under this section, an applicant must sign and file with the~~  
22 ~~assessor, by March first of the year for which a reduction is claimed, a claim form~~  
23 ~~containing a verified statement of facts establishing the applicant's eligibility as of~~  
24 ~~February first of that year. Failure to file the claim for the reduction by the deadline~~  
25 ~~under this subsection renders the property ineligible for the reduction and the~~  
26 ~~reduction may not be allowed by abatement or refund if the claim was not filed by the~~  
27 ~~deadline under this subsection.~~

28 ~~6. The assessor shall attach the statement filed under subsection 5 to the assessment~~  
29 ~~sheet and shall show the reduction on the assessment sheet.~~

30 ~~7. All forms necessary to effectuate this section must be prescribed, designed, and made~~  
31 ~~available by the tax commissioner. Claim forms must include the full name, address,~~

1 ~~and social security or taxpayer identification number of the applicant, and any other~~  
2 ~~information prescribed by the tax commissioner. The tax commissioner shall include~~  
3 ~~on claim forms a statement to the effect that the applicant, by signing, declares the~~  
4 ~~application to be true, correct, and complete and subject to the penalties under section~~  
5 ~~12.1-11-02 for making a false statement in a governmental matter. The county director~~  
6 ~~of tax equalization shall make these forms available to applicants upon request.~~

7 ~~8. A social security or taxpayer identification number contained in any form under this~~  
8 ~~section is confidential and may be disclosed only to county officers, the tax~~  
9 ~~commissioner, or a court and only for purposes of administering this section. A county~~  
10 ~~officer, the tax commissioner, or a court in possession of a form or other document~~  
11 ~~under this section shall delete or obscure any social security or taxpayer identification~~  
12 ~~number on any copy of the form or other document released to the public.~~

13 ~~9. A reduction under this section terminates at the end of the taxable year for which the~~  
14 ~~application was approved. A reduction under this section is effective for the entire~~  
15 ~~taxable year for which the application was approved, without regard to any change of~~  
16 ~~ownership of the residence which occurs after the assessment date.~~

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

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

26 ~~12. This section does not reduce the liability of any individual for special assessments~~  
27 ~~levied upon any property.~~

28 ~~13. For the purposes of this section:~~

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

30 ~~b. "Owned" means the applicant holds a present ownership interest, including~~  
31 ~~ownership in fee simple, holding a present life estate or other terminable present~~

1 ~~ownership interest, or being a purchaser under a contract for deed, but does not~~  
2 ~~include a mere right of occupancy or a tenancy under a lease.~~

3 ~~c. "Primary residence", for purposes of a residential property taxable valuation~~  
4 ~~reduction under this section, means a dwelling in this state owned and occupied~~  
5 ~~by the applicant as that applicant's primary residence as of the assessment date~~  
6 ~~of the taxable year and which is not exempt from property taxes as a farm~~  
7 ~~residence.~~

8 ~~14. Before April first of each year, the county auditor of each county shall certify to the tax~~  
9 ~~commissioner, on forms prescribed by the tax commissioner, the full name, address,~~  
10 ~~and social security or taxpayer identification number of each individual or entity for~~  
11 ~~whom the reduction under this section was allowed for the preceding year, the legal~~  
12 ~~description of the property, the taxable value of the property, the dollar amount of each~~  
13 ~~reduction in taxable value allowed, and the total of the tax mill rates for the preceding~~  
14 ~~year of all taxing districts in which the property was contained, exclusive of any state~~  
15 ~~mill rates, and any other information prescribed by the tax commissioner.~~

16 ~~15. By June first of each year, the tax commissioner shall review the certifications under~~  
17 ~~subsection 14, make any required corrections, and certify to the state treasurer for~~  
18 ~~payment to each county the sum of the amounts computed by multiplying the~~  
19 ~~reduction allowed for each qualifying primary residence in the county for the preceding~~  
20 ~~year by the total of the tax mill rates for the preceding year of all taxing districts in~~  
21 ~~which the property was contained. In reviewing certifications, the tax commissioner~~  
22 ~~may refer to any income tax return information or other information available to the tax~~  
23 ~~commissioner.~~

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

28 ~~17. The tax commissioner shall certify annually to the state treasurer for deposit in the~~  
29 ~~state medical center fund the amount computed by multiplying one mill times the~~  
30 ~~reduction allowed under this section for the preceding year for all primary residences~~  
31 ~~in the state.~~

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

**SECTION 1.** Section 46-03-10.1 of the North Dakota Century Code is created and enacted as follows:

**46-03-10.1. Expression of mills references in decimal form.**

In arranging the laws for publication and in publishing and maintaining the laws, the legislative council shall change statutory references to mills in reference to property tax imposition to a decimal expression in numerals of the number of cents per dollar of taxable valuation equivalent to the number of mills stated.

**SECTION 2.** Section 57-15-01.2 of the North Dakota Century Code is created and enacted as follows:

**57-15-01.2. Taxing district budget basis.**

1. This section may not be interpreted as authority to increase any levy limitation otherwise provided by law and must be applied to determine the initial budget to be used in budget deliberations by a taxing district.

2. The initial budget to be used as the starting point for budget deliberations by the governing body of a taxing district may not exceed the final budget of that taxing district in the previous taxable year, subject to the following:

a. When a taxable improvement to property has been made or property has been added to the taxing district which was not taxable in the previous taxable year, the final budget of the taxing district in the previous taxable year for purposes of this section may be increased by an amount equal to the sum determined by the application of the previous year's calculated mill rate for that taxing district to the increase in taxable valuation of that property.

b. When a property tax exemption that existed in the previous taxable year has been reduced or no longer exists, the final budget of the taxing district in the previous taxable year for purposes of this section may be increased by an amount equal to the sum determined by the application of the previous year's

1 calculated mill rate for that taxing district to the increase in taxable valuation of  
2 that property.

3 c. When a property tax exemption exists for property that was taxable in the  
4 previous year, the final budget of the taxing district in the previous year for  
5 purposes of this section must be reduced by the amount determined by applying  
6 the previous year's calculated mill rate for that taxing district to the reduction in  
7 the previous year's taxable valuation of that property.

8 d. When temporary mill levy increases authorized by the electors of the taxing  
9 district or mill levies authorized by state law existed in the previous taxable year  
10 but are no longer applicable or have been reduced, the final budget of the taxing  
11 district in the previous year for purposes of this section must be adjusted by an  
12 amount in dollars to reflect the expired temporary mill levy increases and the  
13 reduced or eliminated mill levies authorized by state law.

14 3. The final budget adopted by the taxing district must enumerate individually the change  
15 in dollars and by percentage for each line item in the final budget as compared to the  
16 initial budget as determined under this section.

17 **SECTION 3. AMENDMENT.** Section 57-20-07.1 of the North Dakota Century Code is  
18 amended and reenacted as follows:

19 **57-20-07.1. County treasurer to mail real estate tax statement - Contents of statement.**

20 On or before December twenty-sixth of each year, the county treasurer shall mail a real  
21 estate tax statement to the owner of each parcel of real property at the owner's last-known  
22 address. The statement must be provided in a manner that allows the taxpayer to retain a  
23 printed record of the obligation for payment of taxes and special assessments as provided in  
24 the statement. If a parcel of real property is owned by more than one individual, the county  
25 treasurer shall send only one statement to one of the owners of that property. Additional copies  
26 of the tax statement will be sent to the other owners upon their request and the furnishing of  
27 their names and addresses to the county treasurer. The tax statement must **include**:

28 1. Include a dollar valuation of the true and full value as defined by law of the property  
29 and the total mill levy applicable. ~~The tax statement must include~~

30 2. Include, or be accompanied by a separate sheet, with three columns showing, for the  
31 taxable year to which the tax statement applies and the two immediately preceding

1 taxable years, the property tax levy in dollars against the parcel by the county and  
2 school district and any city or township that levied taxes against the parcel.

3 3. Include, for the taxable year to which the tax statement applies and the two  
4 immediately preceding taxable years, a line item identified as "legislative property tax  
5 relief" showing the amount in dollars paid through legislative appropriation pursuant to  
6 section 57-20-07.2 and chapter 57-64 against the property taxes levied against the  
7 property.

8 Failure of an owner to receive a statement will not relieve that owner of liability, nor extend the  
9 discount privilege past the February fifteenth deadline.

10 **SECTION 4.** Section 57-20-07.2 of the North Dakota Century Code is created and enacted  
11 as follows:

12 **57-20-07.2. State-paid property tax relief credit.**

13 1. The owner of taxable property is entitled to a credit against property taxes levied  
14 against the total amount of property or mobile home taxes in dollars levied against the  
15 taxable value of the property. The credit is equal to eighteen percent of property or  
16 mobile home taxes levied in dollars against that property.

17 2. The owner, operator, or lessee of railroad property assessed by the state board of  
18 equalization under chapter 57-05 or public utility operative property assessed by the  
19 state board of equalization under chapter 57-06 is entitled to a credit against property  
20 taxes levied within each county against that property in the amount provided in  
21 subsection 1 against property taxes levied in dollars against that property in that  
22 county.

23 3. The owner, operator, or lessee of operative property of an air carrier transportation  
24 company assessed and taxed under chapter 57-32 is entitled to a credit in the amount  
25 provided in subsection 1 against property taxes in dollars levied against that property.  
26 The tax commissioner shall determine the total amount of credits under this  
27 subsection and certify the amount to the state treasurer for transfer from the general  
28 fund to the air transportation fund. The credit for each air transportation company must  
29 be allocated to each city or municipal airport authority where that company makes  
30 regularly scheduled landings, in the same manner as the tax collected from that  
31 company is allocated.

1     4. The tax commissioner shall estimate the amount necessary to provide each county  
2     advance payment of seventy-five percent of the amount the county and the taxing  
3     districts in the county will ultimately receive for a taxable year under this section and  
4     certify the estimated amounts to the state treasurer by March fifteenth for transfer by  
5     April first to the county treasurer and distribution to the county and taxing districts in  
6     the county as provided in subsection 5.

7     5. The tax commissioner shall determine the total amount of credits under this section for  
8     each county from the abstract of the tax list filed by the county auditor under section  
9     57-20-04, as audited and corrected by the tax commissioner. The tax commissioner  
10    shall certify to the state treasurer for payment, by June first following receipt of the  
11    abstract of the tax list, the amount determined for each county under this subsection.  
12    No penalty or interest applies to any state payment under this section, regardless of  
13    when the payment is made. The tax commissioner shall reduce the June certification  
14    of payments to reflect the April estimated payments previously made to counties under  
15    subsection 4.

16    6. Upon receipt of the payment from the state treasurer under subsections 4 and 5, the  
17    county treasurer shall apportion and distribute it to the county and the taxing districts  
18    in the county on the basis on which the general real estate tax for the preceding year  
19    is apportioned and distributed.

20    7. After payments to counties under subsection 5 have been made, the tax commissioner  
21    shall certify to the state treasurer as necessary any supplemental amounts payable to  
22    counties or the air transportation fund or any amounts that must be returned by  
23    counties or returned from the air transportation fund for deposit in the state general  
24    fund to correct any errors in payments or reflect any abatement or compromise of  
25    taxes, court-ordered tax reduction or increase, or levy of taxes against omitted  
26    property. The county auditor shall provide any supplemental information requested by  
27    the tax commissioner after submission of the abstract of the tax list. The county  
28    treasurer shall apply to the tax commissioner for any supplemental payments to which  
29    the county treasurer believes the county is entitled.

30    8. Notwithstanding any other provision of law, for any property other than mobile homes,  
31    the property tax credit under this section does not apply to any property subject to

payments or taxes that are stated by law to be in lieu of personal or real property taxes.

**SECTION 5. AMENDMENT.** Section 57-20-09 of the North Dakota Century Code is amended and reenacted as follows:

**57-20-09. Discount for early payment of tax.**

Except as provided in section 57-20-21.1, the county treasurer shall allow a five percent discount to all taxpayers who shall pay all of the real estate taxes levied on any tract or parcel of real property in any one year in full on or before February fifteenth prior to the date of delinquency. Such discount applies, after deduction of any credit allowed under section 57-20-07.2, to the net remaining amount of all general real estate taxes levied for state, county, city, township, school district, fire district, park district, and any other taxing districts but does not apply to personal property taxes or special assessment installments. Whenever the board of county commissioners, by resolution, determines that an emergency exists in the county by virtue of weather or other catastrophe, it may extend the discount period for an additional thirty days.

**SECTION 6. AMENDMENT.** Section 57-20-21.1 of the North Dakota Century Code is amended and reenacted as follows:

**57-20-21.1. Priority for delinquent taxes.**

When payment is made for any real or personal property taxes or special assessments, payments must be applied first to the oldest unpaid delinquent taxes or special assessments due, if any, shown to exist upon the property for which the tax payments are made, including any penalty and interest, except payments of state-paid property tax relief credit made by the state must be applied to taxes for the year for which the state-paid property tax relief credit is granted. The discounts applicable to payment of taxes set out in section 57-20-09 do not apply to payment of taxes made on property upon which tax payments are delinquent.

**SECTION 7. AMENDMENT.** Section 57-51.1-07.5 of the North Dakota Century Code is amended and reenacted as follows:

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

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

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

9 **SECTION 8. AMENDMENT.** Section 57-64-03 of the North Dakota Century Code is  
10 amended and reenacted as follows:

11 **57-64-03. School district levy compliance.**

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

1 time. A ballot measure for approval by electors of extension of levy authority under  
2 subdivision a or b of subsection 1 is subject to the following:

3 a. The ballot measure must specify the number of mills for the general fund mill rate  
4 and the number of taxable years for which approval is sought.

5 b. If a ballot measure for approval of extension of levy authority under this  
6 subsection is not approved by a majority of the electors of the school district  
7 voting on the question, the school district general fund levy limitation for  
8 subsequent years is subject to the limitations as determined for the school  
9 district's budget year under section 57-15-01.1 or 57-15-14, whichever produces  
10 the higher levy limitation.

11 **SECTION 9. REPEAL.** Section 57-15-01.1 of the North Dakota Century Code is repealed.

12 **SECTION 10. APPROPRIATION.** There is appropriated out of any moneys in the general  
13 fund in the state treasury, not otherwise appropriated, the sum of \$403,407,000, or so much of  
14 the sum as may be necessary, to the superintendent of public instruction for the purpose of  
15 allocation of mill levy reduction grants to school districts under chapter 57-64, for the biennium  
16 beginning July 1, 2013, and ending June 30, 2015.

17 **SECTION 11. APPROPRIATION.** There is appropriated out of any moneys in the general  
18 fund in the state treasury, not otherwise appropriated, the sum of \$338,767,000, or so much of  
19 the sum as may be necessary, to the state treasurer for the purpose of state-paid property tax  
20 relief credits under section 57-20-07.2, for the biennium beginning July 1, 2013, and ending  
21 June 30, 2015.

22 **SECTION 12. TRANSFER - PROPERTY TAX RELIEF SUSTAINABILITY FUND -**  
23 **GENERAL FUND.** The office of management and budget shall transfer the sum of  
24 \$341,790,000 from the property tax relief sustainability fund to the general fund on July 1, 2013.

25 ~~—SECTION 9. LEGISLATIVE MANAGEMENT STUDY - PROPERTY TAX ELIMINATION.—~~  
26 ~~The legislative management shall designate a committee during the 2013-14 interim to study~~  
27 ~~the feasibility and desirability of eliminating property taxes and providing replacement revenue~~  
28 ~~for political subdivisions through alternative sources. The legislative management shall report its~~  
29 ~~findings and recommendations, together with any legislation required to implement the~~  
30 ~~recommendations, to the sixty-fourth legislative assembly.~~

1    ~~SECTION 10. TAX COMMISSIONER REPORT ON ASSESSOR COMPLIANCE RULES.~~  
2    ~~Before January 1, 2014, the tax commissioner shall report to the legislative management on the~~  
3    ~~development of rules for detailed and efficient administration of section 57-01-05 regarding~~  
4    ~~supervision of assessment officials.~~

5       **SECTION 13. EFFECTIVE DATE.** This Act ~~becomes effective July 1, 2013~~is effective for  
6    taxable years beginning after December 31, 2012.