

**City of Fargo**  
**House Finance and Taxation Committee**  
**Legislative Testimony for HB 1277**  
**1/25/2021**

Chairman Headland and members of the House Finance and Taxation Committee my name is Kent Costin, Director of Finance for the City of Fargo. We urge a DO NOT pass recommendation on this bill.

Property taxes currently make up about 32% of our General Fund revenue. It is the largest and most stable revenue source that we administer. This bill could reduce our property tax revenues for several years by extending the two-year new construction exemption to five years and increase amounts exempted in this section.

Construction of new homes in many communities continue to grow especially in the low interest environment. Extension of the year of tax exemption and increase base amount exempted would be an exceptionally good benefit for the homeowner, however, it would come at cost to our budgeted resources. This loss of stable revenue would need to be replaced by adjusting other revenue sources if we desire to maintain our existing level of services.

Our City Assessor calculated a \$3 million revenue loss by extending this exemption if local leaders approve these new provisions of the Century Code. This is approximately 3% of our General Fund budget. This comes at a time when our overall revenues are lagging because of recent economic conditions. We reduced our major state aid revenues significantly mid-year as much as 10%. We are not able to predict a timeline for a recovery for these revenue

sources. It could take several budget cycles for a full recovery. Based upon our current economic circumstances and the negative impacts of the COVID-19 pandemic it does not make sense to force a reduction of revenue upon Cities and other taxing authorities when many other revenues have declined.

There are several bills that have been introduced this session dealing with property taxation. Many of them either cap our ability to manage our finances, or intentionally diminish our current revenues.

The impact of this bill creates a new opportunity to lower our existing revenues. Please consider a DO NOT PASS for this bill. Thank you for the opportunity to provide our testimony.