

PEMBINA COUNTY
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House Finance and Taxation Committee
Representative Craig Headland, Chairman
600 E. Boulevard Ave.
Bismarck, ND 58505

Dear Committee Chair Headland and Committee members,

My name is Mikka Willits and I am the Director of Tax Equalization for Pembina County. I am writing to encourage you to vote in opposition of Senate Bill 2041. As the Director of Tax Equalization, I am responsible for equalizing the valuations for twenty-four (24) Townships and eleven (11) Cities in Pembina County. I also provide guidance to the state certified local assessors.

Commercial properties located within the incorporated city limits are taxable. In review of SB 2041, it appears the adoption of this bill would decrease the taxable valuations located within our local jurisdictions. A decrease in valuation causes an increase in mill levies. Without a supplement for decreased valuations, the financial burden will fall back on the remaining taxpayers. It will also have a detrimental funding impact on our schools, EMS, fire districts, local jurisdictions and the maintenance of infrastructure. I am concerned this reassignment of taxation is an unintended consequence of the bill at hand.

For your consideration, below is a small sampling of the potential impact on rural communities:

Pembina County:

- Approximately \$6.37 million in True and Full Valuation throughout the county would be eliminated and the financial deficit will fall on all the other taxpayers.
- Funding for schools, EMS, fire districts, etc., will be impacted.

Hensel/Canton City:

- Approximately 16.3% of their True and Full Valuations would be eliminated.
- Taxpayers may see an increase of 19.52% to collect the same amount of property taxes.

Crystal City:

- Approximately 21.5% of their True and Full Valuations would be eliminated.
- Taxpayers may see an increase of 27.45% to collect the same amount of property taxes.

Larger jurisdictions may not see as high of an impact, but impacted nonetheless.

Under the proposed definition of “personal use,” enforcement would be difficult, if not impossible. It would be impractical to believe one could track property for the purpose of “personal use.” Many business entities have more than one individual involved and some may even have silent partners. Entities may change status annually, and some may involve additional businesses within the same improvement. For instance, warehouses and elevators may be leased, loaned, bartered, or used for a temporary purpose other than originally stated. As to the inclusion of “relationship” under SB 2041, what method of proof would be required to prove relation by “blood or marriage” and how far back in the genealogy are we to review? What if there was a divorce? The property owner has the responsibility of providing documentation when seeking a tax exemption, so what documentation could be shown to prove a family relationship?

Improvements within the city limits benefit from the use of roads, railways, utilities, infrastructure, and offer other advantages in the community. Many other business opportunities may arise when similar types of parcels are located within the same area. Examples may be that of leasing, brokering, transportation, fertilizer and seed sales.

Other than religious and non-profit organizations, no other improvements located within the city limits have a comparable permanent exemption as proposed in SB 2041. Consistency and fairness in taxation is the foundation of equalization.

As written, this bill would cause the unintended consequence of a tax increase to local jurisdictions and the taxpayers of Pembina County. At the same time, commercial properties within city limits would continue to enjoy the use of the infrastructure, utilities and other amenities, though now at the expense of the other taxpayers.

In consultation with Walsh County Director of Tax Equalization, Ed Sevigny, it was determined we are in agreement as to the detriment SB 2041 would cause each of our neighboring communities. As such, Mr. Sevigny may provide testimony, discussion, and information related to both Pembina and Walsh Counties. If you have further questions, please feel free to reach out to me. My contact information is noted above.

I strongly urge you to oppose SB 2041 as it will cause a tax increase and financial burden on taxpayers in Pembina County. Thank you for your time and consideration.

Respectfully submitted,

A handwritten signature in cursive script, reading "Mikka Willits".

Mikka Willits
Pembina County Director of Tax Equalization