



TAX RELIEF ADVISORY COMMITTEE

Wednesday, September 4, 2024
Harvest Room, State Capitol
Bismarck, North Dakota

Representative Craig Headland, Vice Chairman, called the meeting to order at 12:32 p.m.

Members present: Representatives Craig Headland, Glenn Bosch, Jared Hagert; Senators Dale Patten, Dean Rummel

Member absent: Senator Jordan L. Kannianen

Others present: Senator Brad Bekkedahl, Williston, member of the Legislative Management Erica Johnsrud, McKenzie County; Brain Kroshus, Tax Commissioner; Donnell Preskey, North Dakota Association of Counties; Larry Syverson, North Dakota Township Association; and Jared Walczak*, Tax Foundation
See [Appendix A](#) for additional persons present.

**Attended remotely*

It was moved by Representative Bosch, seconded by Senator Patten, and carried on a voice vote that the minutes of the June 20, 2024, meeting be approved as distributed.

Mr. Jared Walczak, Vice President of State Projects, Tax Foundation, presented information ([Appendix B](#)) regarding the economics of income tax and property tax, including a comparison of the economic efficiency of income tax as compared to property tax. He noted:

- Property taxes are more economically efficient than other tax types.
- A potential property tax reform recommendation is to adopt a property tax levy limit imposed at the county level which would account for new property growth and allow a taxing district to "bank" unused levy authority.
- From an economic efficiency perspective, it is important to focus on individual income tax relief, including rate reductions or the outright elimination of income tax.

In response to questions from committee members, Mr. Walczak noted:

- Targeting property tax relief to one particular class of property may have negative economic impacts.
- States that do not have an individual income tax often have higher rates of economic growth, immigration, and retention.
- Income tax revenue generated from nonresident taxpayers is a factor to consider when determining the economic benefit of eliminating state income tax.

Mr. Brain Kroshus, Tax Commissioner, presented information ([Appendix C](#)) regarding the homestead tax credit and property tax paid by taxpayers age 65 and over. He provided a comparison of the number of homestead tax credit applications received in each county in 2022 and 2023 and noted:

- There were 14,627 applicants for the homestead tax credit in 2023, compared to 7,676 in 2022.
- The total payment due to the counties for reimbursement of homestead tax credits was \$19,455,067 in 2023, compared to \$6,892,177 in 2022.
- Data related to property taxes paid by taxpayers age 65 or older is not tracked.

In response to questions from committee members, Mr. Kroshus noted the Tax Department does not have a marketing budget to promote the homestead tax credit on a statewide basis and encouraged the committee to consider the merits of providing the Tax Department additional funding to market the credit.

Mr. Kroshus presented information ([Appendix D](#)) regarding age demographic data of primary residence credit claimants and information regarding implementation of the primary residence credit. He noted:

- The Tax Department partnered with the Department of Transportation to provide a breakdown of primary residence credit applicants by age.
- Of the 134,893 primary residence credit applicants, 1,253 applicants were under age 25, 12,526 applicants were between ages 25 and 34, 27,032 applicants were between ages 35 and 44, 22,284 applicants were between ages 45 and 54, 27,799 applicants were between ages 55 and 64, and 43,999 applicants were age 65 and older.
- The Tax Department received over 24,000 telephone calls in 3 months related to the primary residence tax credit and received a 99 percent approval rating for services provided related to the primary residence credit.
- The Tax Department is exploring changes to the online primary residence credit application, including a feature that would automatically populate information from the previous year's application for the applicant's review and confirmation.

In response to a question from a committee member, Mr. Kroshus noted Tax Department representatives assisted taxpayers who did not have Internet access or had difficulty accessing the online primary residence credit application to complete the application over the phone.

Ms. Donnell Preskey, Government/Public Relations Specialist, North Dakota Association of Counties, introduced Ms. Erica Johnsrud, Auditor/Treasurer, McKenzie County, to present information ([Appendix E](#)) regarding implementation of the primary residence credit. Ms. Johnsrud noted:

- After the application period closed, the Tax Department sent a data file to each county auditor containing approved primary residence tax credit application information.
- County representatives uploaded the data file into the tax software system, identified duplicate parcels, reviewed parcels to identify ineligible parcels, finalized maximum mill levy calculations for all taxing districts in the county, and generated and mailed the estimated tax statements.
- County representatives were engaged with taxpayers to answer questions regarding the primary residence credit.

In response to questions from committee members, Ms. Johnsrud noted:

- Several counties, including McKenzie County, included reference to the primary residence credit on the estimated property tax statements.
- The frequency of property assessments may vary among counties and may depend on the staffing level of each county.

Mr. Larry Syverson, Executive Director/Director of Governmental Relations, North Dakota Township Officers Association, presented information ([Appendix F](#)) regarding the potential to impose limitations on the growth of property values, county budgets, or property taxes levied. He provided background information regarding the township budget and property tax levy procedure and noted:

- Township levies require a vote of electors at a meeting for which notice has been published at least 10 days before the meeting.
- Township electors have a greater ability to influence property taxes than any other taxing district because the electors are able to amend the budget that has been proposed for a vote.
- Because statutory procedures allow township electors to control the growth of property taxes, an additional limitation for townships may not be necessary.

Mr. Kroshus presented information ([Appendix G](#)) regarding the impact of expanding the brackets of eligibility for the homestead tax credit, increasing the primary residence credit amount, or a combination of both. He provided information regarding the fiscal impact of:

- Potential combinations to expand the eligibility criteria for the homestead tax credit, including raising the income thresholds and adjusting the taxable value percent and dollar deduction of the credit.
- Increasing the primary residence credit by various amounts.

COMMITTEE DISCUSSION

Committee members noted:

- A desire to defer to an individual sponsor to introduce legislation to provide a potential solution to resolve concerns regarding application of the primary residence credit against mobile home taxes to allow additional time to work with interested parties and address administrative concerns related to the proposed solution.
- The committee's task was to gather and analyze information, including potential options for tax relief, advantages and disadvantages of the tax relief options, and information from tax experts on issues related to income and property tax relief, and forward the information to all legislators to help inform decisions in the upcoming legislative session.
- It is important to examine the approaches taken by other states and exercise caution as appropriate, particularly related to providing one property classification significantly more tax relief than other property classifications.
- It is important for legislators to continue to debate issues related to property tax and income tax relief throughout the upcoming legislative session.
- The appropriate form or level of tax relief will depend on available state funding and the outcome of the initiated measure proposed to prohibit the levy of ad valorem property taxes, the vote for which will take place after the adjournment of the committee.

It was moved by Senator Patten, seconded by Representative Bosch, and carried on a voice vote that the Chairman and the Legislative Council staff be requested to prepare a report and to present the report to the Legislative Management.

It was moved by Representative Hagert, seconded by Senator Rummel, and carried on a voice vote that the committee be adjourned sine die.

No further business appearing, Vice Chairman Headland adjourned the committee sine die at 3:48 p.m.

Megan J. Gordon
Code Revisor

ATTACH:7