HB 1461
LIMITATION ON PROPERTY TAX LEVIES

Mr. Chairman, members of the Finance and Tax Committee, the bill before you is what I call real property tax reform. This legislative body for years has given property tax relief to no avail. It is now time to reform our property tax system. The property owners of North Dakota need property tax reform that prevents government entities from raising property taxes without voter approval. North Dakota property owners need serious property tax reform with a revenue cap.

Enough is enough. North Dakotans are fed up with property taxes being raised without any consequences to those who raise them. They are tired of endless spending while honest, hard-working people struggle just to keep up with paying their tax bills. This is especially true for retired homeowners, living on a fixed income who do not have the ability to earn extra income to pay for the increase in their property tax. To pay the extra tax, they must reduce their budgets.

We as lawmakers can no longer sit idly by while homeowners are reduced to tenants of their very own property with taxing authorities playing the role of landlord. No government should be able to tax people out of their home. No government should disregard the private property rights of its citizens. We must remember that property owners should not be renting their home from their local taxing entity.

Along the effort to compress school district tax rates (which is a Senate bill), we as policymakers should also reform to better control city, county, and park district excesses. One way to do so is to implement a voter-approved tax rate limit, which is the maximum threshold before local officials must get voter permission. The bill before you will allow local taxing entities to raise revenues by 5% per year. Anything beyond that would require a vote of the people, a 60% majority. Revenue increases from new construction do not apply toward the 5% revenue increase.

This bill will give property owners a say in their property taxes.

Property tax limitations have been adopted in numerous states and the District of Columbia. Some examples include:

1. Massachusetts
    a. Property tax rates are capped at 2.5%
    b. Annual increases in property taxes are capped at 2.5%
2. Colorado
    a. 5.5% property tax revenue limit that puts a cap on local millage rates.
3. Alabama
    a. Property tax rate changes require a vote of the citizens.
4. Michigan

    a. Limits annual property tax revenue growth to the rate of inflation and requires a “rollback” of property rates (mills) if the increased in assessed value leads to revenue exceeding inflation.
5. New Jersey
    a. Counties/cities cannot increase property tax budgets by more than 2.5% or the increase in the cost of living (up to 3.5% through referendum).
    b. Property tax levies cannot increase by more than 2% over the previous year without voter approval.

Other states that have a fixed property tax revenue cap include Arizona (2%), Idaho (3%), Kentucky (4%), and West Virginia (3%).

Some view property tax limitations as a sensible constraint on the growth of local government, or as a fail-safe to avoid pricing people out of their home.

A cap on revenue that would restrict the amount of money that a local government can raise would begin to stem uncontrolled property tax growth. Under the current system of property taxation, the tax burden is affected by property appraisals (which can increase exponentially yearly), the tax rate, and bond issues and debt. Limiting local property tax growth to 5% per year would provide one simple method by which taxpayers are protected from excessive increases in their property tax burden.