



Testimony on HB 1438
Presented to the Senate Finance and Taxation Committee
Prepared by Nick R. Lee, West Fargo City Assessor
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1 Mr. Chairman and members of the Senate Finance and Taxation Committee:

2 I would like to take this opportunity to submit my opposition to House Bill 1438. This
3 bill essentially creates an exemption from taxes on 50 acres of vacant land for any
4 organization that has a 501(c)(3) and claims they plan to build a building. It would
5 exempt the land for up to 10 years until they start construction. There is no penalty for
6 selling a portion, or all, of this tax-free land at any time before 10 years and no limit on
7 how many times you can buy land prior to building anything.

8 A similar type of exemption passed last session for religious organizations. Religious
9 organizations generally receive different treatment from other property owners as they
10 hold a unique status in American society in recognition of their rights guaranteed by the
11 First Amendment of the Constitution of the United States. Giving religious organizations a
12 unique exemption due to these facts, even if the exemption was very broad, was
13 rational. At least we would have a reasonable expectation a religious organization would
14 construct a “church building” on the vacant land they own.

15 General charities, while sometimes affiliated with religious organizations, serve a
16 wide variety of purposes. In North Dakota alone there are 7,818 organizations listed on
17 the IRS Tax Exempt Organization Search (<https://apps.irs.gov/app/eos/>.) Not only do the
18 buildings required for these purposes vary greatly, but the uses of these buildings as well.
19 On four occasions, the ND Supreme Court heard cases involving fully qualified 501(c)(3)
20 organizations, and if their building qualified for charitable exemption. Three out of four
21 times the resulting rulings found that they did not meet the criteria for exemption. Giving
22 a broad exemption to a large group of potential applicants, with no firm expectation
23 that the potential building will qualify for exemption, is a bad idea.

24 The bill author in his testimony clearly wants this to apply to hospitals. An easy
25 solution would be to specify public hospitals exclusively. This way the legislature can put
26 their trust into public hospitals the same way they put their trust in religious organizations
27 not to bend the rules unscrupulously. Extending that trust to the much larger world of
28 general charities through this bill makes for a greater risk of organizations misusing this very
29 broad exemption.