

25.0150.02003
Title.
Fiscal No. 3

Prepared by the Legislative Council
staff for Senator Bekkedahl

April 17, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

**PROPOSED AMENDMENTS TO
FIRST ENGROSSMENT**

ENGROSSED HOUSE BILL NO. 1006

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the office of the tax
2 commissioner and for payment of state reimbursement under the homestead tax credit,
3 disabled veterans' tax credit, and primary residence credit; to create and enact a new section to
4 chapter 57-02 of the North Dakota Century Code, relating to the primary residence certification;
5 to amend and reenact section 57-01-04 and subsection 4 of section 57-02-08.9, as amended by
6 section 1 of Senate Bill No. 2201, as approved by the sixty-ninth legislative assembly, of the
7 North Dakota Century Code, relating to the salary of the state tax commissioner and the primary
8 residence credit; to provide an exemption; ~~and to provide for a transfer;~~ to provide a contingent
9 effective date; and to declare an emergency.

10 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

11 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
12 as may be necessary, are appropriated out of any moneys in the general fund in the state
13 treasury, not otherwise appropriated, and from other funds derived from federal funds, to the tax
14 commissioner for the purpose of defraying the expenses of the tax commissioner and paying
15 the state reimbursement under the homestead tax credit, disabled veterans' tax credit, and
16 primary residence credit, for the biennium beginning July 1, 2025, and ending June 30, 2027, as
17 follows:

		Adjustments or	
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
18			
19			
20	Salaries and wages	\$24,036,152	\$1,650,068
			\$25,686,220

Sixty-ninth
Legislative Assembly

1	Salaries and wages	\$24,036,152	\$2,161,868	\$26,198,020
2	New and vacant FTE pool	0	1,119,992	1,119,992
3	Operating expenses	8,613,370	824,741	9,438,111
4	Operating expenses	8,613,370	2,324,741	10,938,111
5	Capital assets	6,000	0	6,000
6	Homestead tax credit	72,400,000	(11,800,000)	60,600,000
7	Disabled veterans' tax credit	18,745,000	10,655,000	29,400,000
8	Primary residence credit	103,225,000	(103,225,000)	0
9	Total all funds	\$227,025,522	(\$100,775,199)	\$126,250,323
10	Less other funds	125,000	0	125,000
11	Total general fund	\$226,900,522	(\$100,775,199)	\$126,125,323
12	Total all funds	\$227,025,522	(\$98,763,399)	\$128,262,123
13	Less other funds	125,000	0	125,000
14	Total general fund	\$226,900,522	(\$98,763,399)	\$128,137,123
15	Full-time equivalent positions	117.00	0.00	117.00

16 **SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO**
 17 **SEVENTIETH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding
 18 items included in the appropriation in section 1 of this Act which are not included in the entity's
 19 base budget for the 2027-29 biennium and which the entity shall report to the appropriations
 20 committees of the seventieth legislative assembly regarding the use of this funding:

21	<u>One-Time Funding Description</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
22	Property tax relief administration	\$1,500,000	\$0	\$1,500,000
23	Total	\$1,500,000	\$0	\$1,500,000

24 **SECTION 3. NEW AND VACANT FTE POOL - LIMITATION - TRANSFER REQUEST.** The
 25 tax commissioner may not spend funds appropriated in the new and vacant FTE pool line item
 26 in section 1 of this Act, but may request the office of management and budget to transfer funds
 27 from the new and vacant FTE pool line item to the salaries and wages line item in accordance
 28 with the guidelines and reporting provisions included in House Bill No. 1015, as approved by the
 29 sixty-ninth legislative assembly.

30 **SECTION 4. EXEMPTION - LINE ITEM TRANSFERS.** Notwithstanding section 54-16-04,
 31 the state tax commissioner may transfer funds between the homestead tax credit and disabled

1 veterans' tax credit line items in section 1 of this Act if one line item does not have sufficient
2 funds available for state reimbursement of eligible tax credits. The state tax commissioner shall
3 notify the office of management and budget and the legislative council of any transfers made
4 pursuant to this section.

5 **SECTION 5. MOTOR VEHICLE FUEL TAX REVENUE TRANSFER.** There is transferred to
6 the general fund in the state treasury out of motor vehicle tax revenue collected pursuant to
7 section 57-43.1-02, the sum of \$1,761,168, for the purpose of reimbursing the general fund for
8 expenses incurred in the collection of the motor vehicle fuels and special fuels taxes and the
9 administration of these taxes, for the biennium beginning July 1, 2025, and ending June 30,
10 2027.

11 **SECTION 6. AMENDMENT.** Section 57-01-04 of the North Dakota Century Code is
12 amended and reenacted as follows:

13 **57-01-04. Salary.**

14 The annual salary of the state tax commissioner is ~~one hundred thirty-one thousand seven-~~
15 ~~hundred five~~ one hundred forty-one thousand eighty-two dollars through June 30, ~~2024~~ 2026,
16 and ~~one hundred thirty-six thousand nine hundred seventy-three~~ one hundred forty-five
17 thousand three hundred fourteen dollars thereafter.

18 **SECTION 7. AMENDMENT.** Subsection 4 of section 57-02-08.9 of the North Dakota
19 Century Code, as amended by section 1 of Senate Bill No. 2201, as approved by the sixty-ninth
20 legislative assembly, is amended and reenacted as follows:

- 21 4. Only one credit under this section may be applied against the property taxes levied
22 against any primary residence, except for property held by a cooperative entity. A trust
23 may not claim a credit for more than one primary residence under this section. All
24 credits earned by the individuals residing in property owned by a cooperative entity
25 must be applied against the property taxes levied against the cooperative. The tax
26 commissioner may require a cooperative entity to furnish any documentation needed
27 for the purpose of ensuring compliance with this section.

28 **SECTION 8.** A new section to chapter 57-02 of the North Dakota Century Code is created
29 and enacted as follows:

Primary residence certification - Eligibility for primary residential property
classification - Application.

1. To be eligible for a primary residential property classification under this chapter, a primary residence must be certified by the county director of tax equalization as provided in this section.

2. A dwelling does not lose its character as a primary residence if the owner of the dwelling does not reside in the primary residence because the individual is confined in a nursing home, hospital, or other care facility, for as long as that confinement lasts and the portion of the primary residence previously occupied by the individual is not rented to another person.

3. To be certified as a primary residence and eligible for the primary residential property classification under this chapter, an owner shall sign and file with the tax commissioner an application containing a verified statement of facts establishing the owner's property meets the eligibility requirements to be considered a primary residence under this section as of the date of the application on a form and in the manner prescribed by the tax commissioner.

a. An application for primary residence certification must be filed by February first of each year to request a primary residence certification for:

(1) The taxable year during which the application is filed for a primary residence taxed as real estate under this title.

(2) The taxable year succeeding the taxable year during which the application is filed for a primary residence taxed as a mobile home under chapter 57-55.

b. As soon as practicable after receiving the applications, no later than February twenty-eighth of each year, the tax commissioner shall:

(1) Review the applications received under this subsection and determine which applicants qualify for the primary residence certification; and

(2) Provide to each county director of tax equalization a copy of each approved or rejected application received under this subsection which identifies property located in the county.

1 c. Within fifteen days of receipt of the applications from the tax commissioner under
2 paragraph 2 of subdivision b, no later than March fifteenth of each year, the
3 county director of tax equalization shall notify the applicant of the approval or
4 denial of the application and reflect the appropriate classification of the property
5 on the assessment list.

6 d. The tax commissioner may request additional documentation from the applicant
7 when making the determination of eligibility.

8 e. Determinations of eligibility under this subsection may be appealed through the
9 informal equalization process and formal abatement process.

10 4. A primary residence certification under this section is valid for the entire taxable year
11 for which the application for certification was approved, without regard to any change
12 of ownership of the property which occurs after the application for certification was
13 approved.

14 5. The tax commissioner shall prescribe, design, and make available all forms necessary
15 to effectuate this section. Application forms must include the full name and address of
16 the applicant and any other information prescribed by the tax commissioner. The
17 county director of tax equalization shall make these forms available to applicants upon
18 request.

19 6. For purposes of this section:

20 a. "Owned" means the individual holds a present ownership interest, including
21 ownership in fee simple, holds a present life estate or other terminable present
22 ownership interest, holds a beneficial interest in a qualifying trust, has an
23 ownership interest in a cooperative entity that owns the property, or is a
24 purchaser under a contract for deed. The term does not include a mere right of
25 occupancy or a tenancy under a lease.

26 b. (1) "Primary residence" means a dwelling in this state, including the land,
27 appurtenances, and improvements used in the residential occupancy of the
28 dwelling, which is not exempt from property taxes as a farm residence and,
29 subject to subsection 2 and paragraph 2, as of the assessment date of the
30 taxable year, is:

- 1 (a) Owned by one or more individuals directly, through a beneficial
- 2 interest in a qualifying trust, or through an ownership interest in a
- 3 cooperative entity;
- 4 (b) Designed or adapted for human residence;
- 5 (c) Used as a residence; and
- 6 (d) Occupied as a primary place of residence by an owner, by an
- 7 individual who has a life estate in the property, by an individual who
- 8 holds an ownership interest in a cooperative entity, or, for property
- 9 owned through a beneficial interest in a qualifying trust, by a trustor or
- 10 beneficiary of the trust who qualifies for the certification.
- 11 (2) For purposes of the term:
- 12 (a) An individual may not have more than one primary residence.
- 13 (b) A primary residence includes a primary residence taxed under
- 14 chapter 57-55.
- 15 (c) A primary residence includes each unit of a cooperatively owned
- 16 building occupied as a primary place of residence by an individual
- 17 with an ownership interest in the cooperative entity.
- 18 c. "Qualifying trust" means a trust:
- 19 (1) In which the agreement, will, or court order creating the trust, an instrument
- 20 transferring property to the trust, or any other agreement that is binding on
- 21 the trustee provides that the trustor of the trust or a beneficiary of the trust
- 22 has the right to use and occupy as the trustor's or beneficiary's primary
- 23 residence rent free and without charge except for taxes and other costs and
- 24 expenses specified in the instrument or court order;
- 25 (a) For life;
- 26 (b) For the lesser of life or a term of years; or
- 27 (c) Until the date the trust is revoked or terminated by an instrument or
- 28 court order that describes the property with sufficient certainty to
- 29 identify it and is recorded in the real property records of the county in
- 30 which the property is located; and

1 (2) That acquires the property in an instrument of title or under a court order

2 that:

3 (a) Describes the property with sufficient certainty to identify it and the
4 interest acquired; and

5 (b) Is recorded in the real property records of the county in which the
6 property is located.

7 (c) A primary residence includes each unit of a cooperatively owned
8 building occupied as a primary place of residence by an individual
9 with an ownership interest in the cooperative.

10 d. "Trustor" means an individual who transfers an interest in real or personal
11 property to a qualifying trust, whether during the individual's lifetime or at death,
12 or the individual's spouse.

13 **SECTION 9. EXEMPTION - PRIMARY RESIDENCE CREDIT - ABATEMENT AND**
14 **EXTENDED DEADLINE - COOPERATIVES.**

15 1. Notwithstanding the qualification criteria and application requirements and deadlines
16 for a primary residence credit against taxes levied in taxable year 2024 under section
17 57-02-08.9, an individual who occupies a unit of a cooperatively owned building as a
18 primary residence and has an ownership interest in the cooperative entity that owns
19 the property may file an abatement claim no later than May 31, 2025, on behalf of the
20 cooperative entity that owns the property for a refund of taxes paid by the cooperative
21 entity equal to the amount of the credit allowed under section 57-02-08.9 in taxable
22 year 2024. All refunds of taxes issued as a result of abatement claims under this
23 subsection must be issued to the cooperative entity that owned the property and paid
24 taxes levied on the property in taxable year 2024.

25 2. Notwithstanding the qualification criteria and application requirements and deadlines
26 for a primary residence credit against taxes levied in taxable year 2025 under section
27 57-02-08.9, an individual who occupies a unit of a cooperatively owned building as a
28 primary residence and has an ownership interest in the cooperative entity that owns
29 the property may file an application for a primary residence credit under section
30 57-02-08.9 by May 31, 2025, to be applied against the property taxes levied against
31 the cooperatively owned building in taxable year 2025. The county auditor shall apply

1 the credit against the property taxes levied against the cooperatively owned building
2 according to the procedures in 57-02-08.9.

3 3. The tax commissioner may require a cooperative entity to furnish any documentation
4 needed for the purpose of ensuring compliance with this section.

5 4. Notwithstanding the dates prescribed in section 57-02-08.10, supplemental
6 certifications and payments shall be made and distributed according to the procedures
7 provided under section 57-02-08.10.

8 **SECTION 10. CONTINGENT EFFECTIVE DATE.** If House Bill No. 1176 is approved by the
9 sixty-ninth legislative assembly and becomes effective, sections 7 and 8 of this Act are effective
10 for taxable years beginning after December 31, 2025.

11 **SECTION 11. EMERGENCY.** Section 9 of this Act is declared to be an emergency
12 measure.

STATEMENT OF PURPOSE OF AMENDMENT:**House Bill No. 1006 - State Tax Commissioner - Senate Action**

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$24,036,152	\$25,686,220	\$511,800	\$26,198,020
New and vacant FTE pool		1,119,992		1,119,992
Operating expenses	8,613,370	9,438,111	1,500,000	10,938,111
Capital assets	6,000	6,000		6,000
Homestead tax credit	72,400,000	60,600,000		60,600,000
Disabled veterans' credit	18,745,000	29,400,000		29,400,000
Primary residence credit	103,225,000			
Total all funds	\$227,025,522	\$126,250,323	\$2,011,800	\$128,262,123
Less estimated income	125,000	125,000	0	125,000
General fund	\$226,900,522	\$126,125,323	\$2,011,800	\$128,137,123
FTE	117.00	117.00	0.00	117.00

Department 127 - State Tax Commissioner - Detail of Senate Changes

	Adds Funding for Salary Adjustments ¹	Adds One- Time Funding Item ²	Total Senate Changes
Salaries and wages	\$511,800		\$511,800
New and vacant FTE pool			
Operating expenses		\$1,500,000	1,500,000
Capital assets			
Homestead tax credit			
Disabled veterans' credit			
Primary residence credit			
Total all funds	\$511,800	\$1,500,000	\$2,011,800
Less estimated income	0	0	0
General fund	\$511,800	\$1,500,000	\$2,011,800
FTE	0.00	0.00	0.00

¹ Funding of \$511,800 from the general fund is added for salary adjustments, including \$215,011 for the reclassification of FTE positions and \$296,789 for equity adjustments related to additional responsibilities for administering property tax relief programs. The House version did not include this funding.

² One-time funding of \$1.5 million is added from the general fund for tax relief program administrative costs related to operating expenses for advertising and information technology costs. The House version did not include this funding.

This amendment also expands the primary residence credit to include properties owned through a cooperative. The estimated fiscal impact for the remainder of the 2023-25 biennium and for the 2025-27 biennium is unknown but is anticipated to be relatively minimal.

