Neutral Testimony for: House Bill 1575
Senate Finance and Taxation Committee
March 11, 2025
Prepared by: Joe Hirschfeld, Assessor for City of Dickinson

House Bill 1575

Chairman Weber & members of the Senate Finance and Taxation Committee:

My name is Joe Hirschfeld and I am the Dickinson City Assessor.

I watched the testimony regarding HB 1534 and do not want to duplicate the testimony of my fellow Assessors and Tax Directors where these two bills overlap. Rather, my intent is to bring awareness to likely scenarios this bill will create.

My first concern regarding HB 1575, or any Bill capping the taxable value, is the date of impact. The bill indicates December 31, 2024. As a reminder, the assessment date is February 1. The values are derived from the sales that occurred in the prior year. So, a December 31, 2024 date essentially uses values set by the local Board of Equalization in April of 2024, derived from the sales in 2023, all for houses that are completed on February 1, 2025. Be aware that jurisdictions are currently sending out Notice of Increase letters with a different date for True and Full value and steps will need to be taken immediately following the Board's of Equalization this spring to set capped values on last year's True and Full value, and not the current values going out. If this is not the intent, to set a 2023 base year value on 2025 new and significantly improved construction, further clarification is needed.

Secondly, as I understand the potential impacts of the 3% cap, my take on all of the testimony before both houses is: assessments for True and Full value for the purpose of "bonded debt" will continue as it has. Therefore, incorporating a cap to the Taxable value will require a parallel valuation to be completed. Where Mass Appraisal is used to complete valuations for True and Full value, a process will need to be put into place to manage caps. While assessment staff can go into most parcel records to add a cap of 3%, values will have to be tracked and *manually* calculated for "significant improvements". The more manual "touches" the more opportunities for an error and inequities.

The City of Dickinson has 10,500 parcels. In calculating a theoretical 5% market increase to commercial and an 8% increase to residential, a quick table adjustment and the push of a button allows for that part of the work to be done in a very short amount of time. To then go in and make a capped adjustment (3%), would take as long to complete for each individual parcel as it would the prior mentioned wholesale change, and then times 10,500 parcels. That is with current Computer Aided Mass Appraisal (CAMA) software. It is unknown whether the software company would make changes to assist North Dakota users to run parallel values as North Dakota is only one of several states that has a significant number of jurisdictions they are vendors for (referencing Vanguard's CamaVision users).

I have included two charts below to show future concerns of using caps:

Figure 1.

Year	1	5	10	400sf Addn
T&F	$50,000	$93,694	$205,420	$285,420
Capped	$50,000	$56,275	$65,239	$285,420

This chart simply shows the True and Full value and the Taxable value of a single property. I picked a simple house from the Original Plat of Dickinson and applied an annual average increase of 17%, the actual increase from this neighborhood. It shows a $50,000 purchase price and after 10 years a new True and Full value, and likely sale price of $205,000. Compare that to the capped Taxable value, adjusted back to a capped corresponding "True and Full" value. At the end of the 10-year period, the hypothetical owner builds a 400 sq. ft addition at a cost of $200/sq. ft. Assuming that corresponds to an equal amount of added value, the new True and Full value would be $285,400. As that would be a significant improvement, the taxable value would then correspond to that figure. Now we have to try to explain the increase in taxes to the home owner, who's tax base jumped to a corresponding increase of $220,000 instead of the $80,000 value of the addition.

Figure 2.

Year	1	5	10
T&F	$50,000	$143,694	$315,042
Capped	$50,000	$56,275	$65,239
Improved	$50,000	$106,275	$123,202

In this chart, I use the example house in Figure 1., without the addition at the end of 10 years. It does, however, include a need to add windows, siding and a roof with an estimated cost/value increase of $50,000. This was done in year 5 and is considered a significant improvement, with a corresponding increase of $50,000 to the year 5 True and Full value.

In this chart, $50,000 was added to the capped value in year 5 as well. I want to include the Hypothetical Condition that the home in the "capped" line is identical to the house in the improved line. That the home owner in the "capped" line added siding in year 4 as a "non-significant" improvement, and likewise the windows and roof in separate years. As those could be considered as "non-significant" it would not trigger a value increase of more than the capped amount. So, at the end of the period, both houses have similar updates to roof, siding and windows, however only one house was "dinged" for it being a significant improvement and would likely stand as having an inequitable value.

I want to include the additional complexity of the Assessment office completing their work in a 5 to 7-year cycle for True and Full value and not being aware of which house received a significant improvement in one year and which house spread it out over several years, as these improvements may not require a permit. This would then likely trigger a protest by the "capped" homeowner, stating that they did not complete any significant improvements in any single year and by the second homeowner, who has made the same changes as his neighbor, but is paying more in taxes.

Esteemed committee members, thank you for your work on this committee and allowing my testimony.

Respectfully submitted,

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