

Written Testimony for the
Tax Relief Advisory Committee

February 7, 2024

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RE: Primary Residence Credit Implementation

Good morning, Chairman Kannianen, and members of the Tax Relief Advisory Committee. My name is Erica Johnsrud and I serve as the Auditor/Treasurer for McKenzie County. I stand before you today to discuss preparations by counties to implement the primary residence credit.

McKenzie County is committed to working cooperatively with the Office of the State Tax Commissioner and the Legislative Assembly as we continue to work through the processing, programming, and implementation of HB 1158, particularly as it relates to the Primary Residence Credit (PRC) process.

First, I would like to start off with a thank you to the Legislative Assembly for your work to pass a tax relief bill for the citizens of North Dakota. I would also like to thank State Tax Commissioner Kroshus and his team for their willingness to partner with the Counties on the implementation of the PRC. We are appreciative of the additional steps taken to provide tax relief to the citizens of North Dakota.

In order to help promote and ensure citizens were aware of the credit, flyers regarding the credit and application process were included in the envelopes with property tax statements in December. We are thankful to the Tax Commissioner's Office who designed and paid for the flyer development and printing. For those counties, like McKenzie, that work with an outsource mailer, the flyers were printed and inserted by that vendor during the process. For other counties, flyers were mailed directly to the counties, who then added them to the statements they mailed out. Counties did pay the additional costs for postage, if there were any, but it was a negligible portion of the total cost to mail statements (just \$30 difference for McKenzie County between estimated statement and final statement mailing charges in 2023).

I would like to take a few moments to describe the timeline of events with the implementation of the Primary Residence Credit. After HB 1158 was passed, the Tax Commissioner's Office, along with County representatives, met to discuss the application process, while at the same time the Tax Commissioner's Office was working with the software vendors on the programming side of the process. In early December 2023, Counties uploaded to the State a dataset which included residential parcel numbers, addresses, taxpayer numbers, and taxpayer names. That file was reviewed by the State and approved once the information looked correct. That information is used as part of the online application verification to ensure taxpayers applying for the credit owned a residential parcel, making them eligible for the credit and following the intention of the Legislative Assembly.

On top of all the publicity and interviews by Tax Commissioner Kroshus and his team, counties have also been active in promoting the credit. This includes on county social media pages, with flyers available on our counters, and from our local newspapers, many of whom have printed articles with great information. We are assisting taxpayers that either don't have access to a computer or are unable to find a family member to assist them with applying for the credit. We have the application portal available within our Recorder's Office on the public computers, but have also personally assisted anyone who came to our counter or called our office directly and asked for assistance. The process to apply has been very easy and the Tax Commissioner has a dedicated phone number for people to call with questions or those unique situations that always pop up, which has been a great resource.

On January 1 the application portal opened on the State Tax Commissioner's website, a straightforward and efficient process, which I'm sure you have experienced as well. We have encountered a bit of a challenge in the implementation when it comes to mobile home primary residences. Mobile home property tax years are different than real estate property tax years. The real estate property tax year is always one year behind the calendar year (2023 real estate property taxes are due in 2024), but mobile home property tax years follow the calendar year (2024 mobile home property taxes are due in 2024). How your mobile home is taxed also depends on whether or not it is affixed to your property – so mobile homes either appear on a real estate tax statement or on a mobile tax statement, a process that is difficult to capture and explain to those unfamiliar with the process.

Why is this such an important distinction? The guidance provided from the State Tax Commissioner is that the primary residence credit applies to 2024 real estate property taxes (due January 1, 2025) and to 2024 mobile home property taxes (due January 1, 2024) – meaning citizens currently paying mobile home property taxes have to take additional steps in order to receive the primary residence credit.

To illustrate an unintended impact on mobile home property taxes and additional steps needed, the below bullet points outline the current process:

- January 1-March 31, 2024 – Citizens apply for the PRC through the Office of the Tax Commissioner (online application)
- By June 1, 2024 – Tax Commissioner's Office will review the applications and provide to the county auditor a copy of each approved application and the sum of the credits allowed.
- From June 1 – tax statement mailing, 2024 – The County auditor will have to complete the following tasks:
 - Separate out mobile home parcels from real estate parcels
 - Keep a detailed listing of mobile home parcels for which the taxpayer applied to receive the credit to track if the 2024 property taxes have been paid (from time payments accepted through time funds are received in 2025 from the State)
 - Work with the mobile home parcel applicants to file an abatement application so 2024 paid taxes can be refunded to them.
 - Process the abatement applications through the appropriate organized township/city and County

- There are deadlines for the abatement hearing process and a deadline, all depending on where the application needs to go, could be as few as 20 days to a maximum of 145 days.
- If the abatement application is approved by the County, the County is to issue a refund.
- This refund will be deducted not only from the County funds, but all other political subdivisions where taxes have been paid (school, city, fire, ambulance, parks, etc.). Alternatively, can the County hold off on issuing a refund until the funds are received in June 2025 from the State Treasurer? Counties will already have apportioned the funds to the taxing districts well before the credit payment is received from the State.
- This will also have to be completed for mobile home parcel tax payers who have not yet paid their taxes, to reduce the tax owed when the taxes are paid.
- McKenzie County Tax Director estimates that McKenzie County likely has around 350 or so mobile homes on mobile home tax statements that could be eligible as primary residences and be required to go through this process.
 - Work to apply the credit to the real estate parcels so the credit appears on the 2024 tax statement to reduce the amount owed by the tax payer.
 - The credit will not appear on 2025 mobile home tax statements mailed in December 2024 because we won't know at tax statement time if the owner will be applying for the 2025 credit the following January 1-March 31 as required to receive the credit.
- On or before December 26, 2024 – County must mail tax statements for the following year (2024 real estate statement; 2025 mobile home statement)
- By January 1, 2025 – County Auditor shall certify to the Tax Commissioner the sum of credits approved by the Tax Commissioner which were applied toward property taxes owed for the preceding year.
- By June 1, 2025 – Tax Commissioner will review a sampling of the information provided by the county auditor to verify accuracy and certify payment to the State Treasurer
- Within 14 days of receiving the payment from the State Treasurer but No later than June 30, 2025 – County treasurer shall apportion and distribute payment to the county and taxing districts of the county.
 - This would include reimbursing the taxing districts for the tax abated (refunded) previously for mobile home parcel taxes.

Meanwhile during this time in 2025, the application will again open to citizens to apply for the 2025 credit, which again mobile homeowners can begin paying starting in December 2024 and forward.

The process as I outlined above is cumbersome and consists of many points where mistakes, omissions, or errors can and likely will be made. I'm not sure what the best path forward is for mobile home taxpayers who qualify for the credit. It will be the case for many mobile home parcels that the taxes are paid in January-February 2024 by the taxpayer, abated and refunded to the taxpayer from each taxing

district sometime in the summer to fall of 2024, the State funds received by the County in June 2025 and redistributed to the taxing districts in June 2025. This logically means there will be a shortfall in funding for taxing districts.

It is my hope, should this tax credit be extended by the Legislative Assembly past 2025, that this body will set the effective years in a manner which ensures the same process for all taxpayers – regardless if they receive a mobile home property tax statement or a real estate property statement (2024 real estate property taxes and 2025 mobile home property taxes as an example). The current process is confusing to me, difficult to explain to all of you, and near impossible to explain to citizens just looking to receive their promised primary residence tax credit. If we can align the mobile home statements and real estate statements to follow the same timeline, the credits will appear on all primary residence parcels in the same manner, be less cumbersome to administer at the local level, reduce the chances of errors or mistakes, and make apportionment of the State funds easier for all.

Regardless of the path taken in the future, counties are committed to ensuring the process is as smooth as possible for the taxpayers. In other words, we will make this work as best we can and ask for your consideration of minor modifications in the future so that all taxpayers are treated equally, follow the exact same process, and are all able to see the effect of the legislative tax relief/credit printed on their tax statement, mobile home statement or real estate statement.

Thank you for your time today and for allowing us the opportunity to present this information to you. I'm happy to stand for any questions and look forward to a continued dialog and partnership on topics that are important to all citizens of North Dakota.