



North Dakota Legislative Council

Prepared by the Legislative Council staff
LC# 25.9187.01000
December 2023

PROPERTY TAX PROHIBITION - INITIATED PETITION

On June 29, 2023, the Secretary of State approved for circulation a petition ([appendix](#)) for an initiated constitutional amendment to prohibit political subdivisions from levying tax on real or personal property, except for tax levied for the payment of existing bonded indebtedness until paid. This memorandum provides a section-by-section summary of the initiated petition.

SUMMARY

Section 1 - Amendment

Section 1 of Article X of the Constitution of North Dakota

Section 1 of the initiated petition would amend Section 1 of Article X of the Constitution of North Dakota, relating to the authority to levy property taxes. This section would prohibit political subdivisions from raising revenue through levying taxes on the assessed value of real or personal property. An exception to this prohibition would allow political subdivisions to levy property taxes dedicated for payment of bonded indebtedness incurred before the end of the 30-day period following the date of voter approval of the amendment, until the debt is paid. Section 1 also would require the state to provide annual property tax revenue replacement payments to political subdivisions in an amount equal to no less than the amount of tax levied on real property in the political subdivisions, excluding payments for bonded indebtedness, during the calendar year during which the amendment is approved by the voters.

Section 2 - Amendment

Section 14 of Article X of the Constitution of North Dakota

Section 2 of the initiated petition would amend Section 14 of Article X of the Constitution of North Dakota, related to the state's allowable debt limit. The substantive change in this section is located in subsection 2, in which the word "taxable" is changed to "real." This change would alter the manner in which the state's allowable debt limit threshold is calculated from a calculation of 5 percent of the full and true value of all taxable property to a calculation of 5 percent of the full and true value of all real property. For purposes of this calculation, the term "real property" includes real property currently exempt from property tax which is not included in the calculation under current law. The remainder of the changes in Section 2 consist of technical corrections consistent with North Dakota legislative drafting guidelines.

Section 3 - Amendment

Section 15 of Article X of the Constitution of North Dakota

Section 3 of the initiated petition would amend Section 15 of Article X of the Constitution of North Dakota, related to debt limits for political subdivisions. Currently, the constitutional debt limits in Section 15 are calculated as a percentage of the "assessed value" of property. This section would change "assessed value" to "full and true value" and update the percentages accordingly to maintain roughly the same debt limits as are in place currently. Similar to Section 2 of the initiated petition, references to "taxable property" as it relates to calculation of the debt limits are changed to "real property." Thus, for purposes of these calculations, the term "real property" would include real property currently exempt from property tax which is not included in the calculations under current law.

Section 4 - Amendment

Section 16 of Article X of the Constitution of North Dakota

Section 4 of the initiated petition would amend Section 16 of Article X of the Constitution of North Dakota. Current law requires a political subdivision to provide for an annual tax sufficient to pay the interest and principal on indebtedness incurred by the political subdivision. This section changes the requirement for "the collection of an annual tax" sufficient to pay the interest and principal on the debt when due to "annual revenues" sufficient to pay the interest and principal on the debt when due, removing the requirement to use tax revenue to pay indebtedness. Section 4 also expressly prohibits a political subdivision from issuing general obligation bonds secured with tax

levied on the assessed value of property on or after the effective date of the amendment. This language would prohibit a political subdivision from taking on additional general obligation debt backed with property tax.

Section 5 - Repeals

Section 5 of the initiated petition would repeal Sections 4, 5, 7, 9, and 10 of Article X of the Constitution of North Dakota, which are summarized as follows:

- Section 4 of Article X of the Constitution of North Dakota requires all taxable property to be assessed in the county, city, township, village, or district in which it is situated in the manner prescribed by law and requires certain property to be assessed by the State Board of Equalization as provided by law.
- Section 5 of Article X of the Constitution of North Dakota requires uniform taxation upon the same class of property, exempts certain property types from taxation, authorizes the Legislative Assembly to exempt any or all classes of personal property from taxation, and authorizes the Legislative Assembly to raise revenue and fix the situs of all property for the purpose of taxation, with limited exceptions.
- Section 7 of Article X of the Constitution of North Dakota permits the Legislative Assembly to provide for the levy and collection of an acreage tax on lands within the state and outlines specific uses for the proceeds of the tax.
- Section 9 of Article X of the Constitution of North Dakota permits the Legislative Assembly to provide for the levy of tax upon lands within the state for the purpose of creating a fund to insure the owners of growing crops against losses by hail.
- Section 10 of Article X of the Constitution of North Dakota provides an annual 1-mill levy for the North Dakota State Medical Center at the University of North Dakota.

Section 6 - Effective Date

Section 6 of the initiated petition provides Sections 1, 2, 3, and 5 of the measure would become effective on January 1, 2025. Thus, if successfully placed on the ballot and approved by the voters, the constitutional changes would take effect on January 1, 2025, except for Section 4, which would take effect 30 days following the election pursuant to Section 8 of Article III of the Constitution of North Dakota. Section 4 prohibits a political subdivision from issuing additional general obligation bonds secured with property tax.

ATTACH:1