

**FIRST ENGROSSMENT
with Senate Amendments
ENGROSSED HOUSE BILL NO. 1182**

Introduced by

Representatives Rick C. Becker, Dockter, Ertelt, Pyle, Simons, Toman

Senators O. Larsen, Meyer

1 A BILL for an Act to create and enact a new section to chapter 40-05 of the North Dakota
2 Century Code, relating to approval of property tax incentives granted by a city; to amend and
3 reenact subsection 7 of section 40-57.1-03, section 40-58-20.2, and subsection 3 of section
4 54-35-26 of the North Dakota Century Code, relating to approval of property tax incentives
5 granted by a city and evaluation of economic development tax incentives; to provide for a
6 legislative management study; and to provide an effective date.

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

8 **SECTION 1.** A new section to chapter 40-05 of the North Dakota Century Code is created
9 and enacted as follows:

10 **Duties of cities granting property tax incentives.**

- 11 1. Notwithstanding any other provision of law, before granting a property tax incentive on
12 any parcel of property that is anticipated to receive a property tax incentive for more
13 than five years, the governing body of a city shall send the chairman of each county
14 commission and the president of each school district affected by the property tax
15 incentive a letter, by certified mail, which provides notice of the terms of the proposed
16 property tax incentive.
- 17 2. Within thirty days from receipt of the letter, each affected county and school district
18 shall notify the city, in writing, whether the county or school district elects to participate
19 in granting the tax incentive on the county or school district portion of tax levied on the
20 property. The notification from a county or school district electing not to participate
21 must include a letter explaining any reason for which the entity elected not to
22 participate and whether the county or school district is willing to negotiate the terms of
23 the property tax incentive with the city.

- 1 3. If the city does not receive a response from an affected county or school district within
2 thirty days of delivery of the letter, the county and school district must be treated as
3 participating in the property tax incentive.
- 4 4. The term "negotiation" as used in this section means the governing body of an
5 affected county or school district may negotiate the terms of participating in the tax
6 incentive, including the duration of the tax incentive and the taxable value selected for
7 the base year for purposes of computing tax increments.
- 8 5. If an agreement is reached through negotiation under this section, the property tax
9 incentive must be applied in accordance with the agreement.

10 **SECTION 2. AMENDMENT.** Subsection 7 of section 40-57.1-03 of the North Dakota
11 Century Code is amended and reenacted as follows:

- 12 7. During the negotiation and deliberation of a property tax exemption or the option to
13 make payments in lieu of taxes under this chapter, a municipality shall include, as
14 nonvoting ex officio members of its governing body, a representative appointed by the
15 school board of each school district affected by the proposed action and a
16 representative appointed by the board of township supervisors of each township
17 affected by the proposed action. Before granting a property tax incentive on any parcel
18 of property that is anticipated to receive a property tax incentive for more than five
19 years, the governing body of a city must comply with the requirements in section 1 of
20 this Act.

21 **SECTION 3. AMENDMENT.** Section 40-58-20.2 of the North Dakota Century Code is
22 amended and reenacted as follows:

23 **40-58-20.2. Tax increment financing proposal - Public hearing - Invitation to**
24 **representatives of affected taxing districts.**

- 25 1. Before approval of a development or renewal plan for any development or renewal
26 area under section 40-58-20, the governing body of the municipality shall conduct a
27 public hearing on the proposal. The governing body shall provide invitations to
28 participate in the public hearing to the governing body of each county, school district,
29 and park district within the development or renewal area. At a minimum, the governing
30 body of the municipality shall provide the following information at the public hearing:

- 1 4. a. The anticipated costs of development of property to be reimbursed by tax
2 incentives.
- 3 2. b. The anticipated annual revenue from tax increments which will be received to
4 complete the development or renewal plan.
- 5 3. c. The anticipated date when the plan will be completed, the costs will be fully paid,
6 and the tax increments will be released.
- 7 4. d. The estimate of the dollars annually attributable to the levies from each taxing
8 entity which will be credited to the tax increment fund.
- 9 2. Before granting a property tax incentive on any parcel of property that is anticipated to
10 receive a property tax incentive for more than five years, the governing body of the
11 municipality must comply with the requirements in section 1 of this Act.

12 **SECTION 4. AMENDMENT.** Subsection 3 of section 54-35-26 of the North Dakota Century
13 Code is amended and reenacted as follows:

- 14 3. The legislative management interim committee assigned the study responsibility under
15 this section may examine economic development tax incentives, shall complete
16 analysis of the ~~state-imposed tax aspects of the~~ incentives it designates for analysis
17 during the interim, and shall approve a plan to provide that each of the economic
18 development tax incentives listed in this subsection is subject to a complete analysis
19 within each six-year period. The interim committee may include in its
20 recommendations any amendments to this section, including amendments to add or
21 remove incentives from the list of incentives subject to analysis under this subsection.
22 Analysis must be completed for ~~state-imposed tax aspects of~~ economic development
23 tax incentives, including each of the following:
- 24 a. Renaissance zone credits and exemptions.
- 25 b. Research expense credit.
- 26 c. Agricultural commodity processing facility investment credit.
- 27 d. Biodiesel fuel production facility construction or retrofit credit, biodiesel fuel
28 blending credit, and biodiesel fuel equipment credit.
- 29 e. Seed capital investment credit.
- 30 f. Wage and salary credit.
- 31 g. Internship program credit.

- 1 h. Microbusiness credit.
- 2 i. Angel fund investment credit.
- 3 j. Workforce recruitment credit.
- 4 k. Soybean or canola crushing facility construction or retrofit credit.
- 5 l. Manufacturing automation equipment credit.
- 6 m. New or expanding business exemption.
- 7 n. Manufacturing and recycling equipment sales tax exemption.
- 8 o. Coal severance and conversion tax exemptions.
- 9 p. Oil and gas gross production and oil extraction tax exemptions.
- 10 q. Fuel tax refunds for certain users.
- 11 r. New jobs credit from income tax withholding.
- 12 s. ~~Any economic development tax incentive created by the sixty-fourth legislative~~
- 13 ~~assembly~~Development or renewal area incentives.
- 14 t. Sales and use tax exemption for materials used to construct a fertilizer or
- 15 chemical processing facility.
- 16 u. Sales and use tax exemption for materials used in compressing, gathering,
- 17 collecting, storing, transporting, or injecting carbon dioxide for use in enhanced
- 18 recovery of oil or natural gas.
- 19 v. Sales and use tax exemption for enterprise information technology equipment
- 20 and computer software used in a qualified data center.

21 **SECTION 5. LEGISLATIVE MANAGEMENT STUDY - PROPERTY TAX IMPACTS FROM**
22 **CITY GROWTH AND DEVELOPMENT.** During the 2017-18 interim, the legislative management
23 shall consider studying how city growth and infill development affects property taxes, and
24 evaluate the return on investment for state and community projects. The study must examine
25 various policies affecting city development patterns, including the impact of transfer payments
26 between state and local governments; the cost of government services and infrastructure,
27 including future liability; the amount of tax revenue generated per increment of assumed liability
28 for downtown areas; and whether certain areas of a city generate more revenue than expenses
29 while other areas generate more expenses than revenue. The legislative management shall
30 report its findings and recommendations, together with any legislation required to implement the
31 recommendations, to the sixty-sixth legislative assembly.

- 1 **SECTION 6. EFFECTIVE DATE.** Sections 1 through 3 of this Act are effective for property
- 2 tax incentives approved after December 31, 2017.