Prepared by the North Dakota Legislative Council
staff for the Taxation Committee
July 1997

PROPERTY TAX RELIEF THROUGH ALTERNATIVE SOURCES - BACKGROUND MEMORANDUM

House Concurrent Resolution No. 3037 (attached as Appendix "A") directs the Legislative Council to study the feasibility and desirability of providing property tax relief through alternative state and local revenue sources. This study involves consideration of complex issues, including appropriate levels of reliance on various tax types and issues of state versus local control of decisions on state and local government taxing and spending. For appropriate background information, it is necessary to review how property tax liability is determined and historical data on the balance among major tax types in contributing to revenue of state and local governments.

PROPERTY TAX LIABILITY DETERMINATION

Property tax liability is determined by multiplying applicable taxing district mill rates times the taxable value of the property. All locally assessed property taxes are collected by the county and distributed among taxing districts according to their interests in the revenues.

The mill rate for a taxing district is established through the budget process. Each taxing district prepares a proposed budget based on anticipated expenditures for the upcoming fiscal year. Hearings are held on the budget and adjustments may be made. The deadline for amendments to budgets and for sending copies of the levy and budget to the county auditor is October 10. From October 10 to December 10 the auditor prepares tax lists, which must be delivered to the county treasurer by December 10 and mailed to property owners by December 26.

The amount budgeted by a taxing district may not result in a tax levy exceeding the levy limitations established by law. Since 1981, the Legislative Assembly has provided optional authority to levy a percentage increase in dollars over a base year levy dollar amount. This method is an alternative to the use of statutory mill levy limitations. Most taxing districts in the state use this optional method of determining the maximum levy. From 1981 through 1996, taxing districts were allowed a percentage increase in dollars over the base year levy amount in dollars. Under North Dakota Century Code (NDCC) Section 57-15-01.1, as amended in 1997, during taxable years 1997 and 1998 a county, city, township, or school district eligible for federal funds on a matching basis as a result of a disaster declared by the President of the United States may levy an amount in dollars equal to the amount required to match federal funds up to an increase of two percent more than the amount levied by the district in the base year. Except for this authority to levy to match federal disaster funding, taxing districts using the optional method of determining levy limits are authorized to maintain the amount levied in dollars in the base year but have no authority to increase levies without voter approval.

The county auditor determines whether the amount levied by a taxing district is within the statutory limitations that apply to the district levy and divides the total property taxes to be collected for the taxing district by the taxing district's total taxable valuation. The result is a percentage that is the mill rate for the district.

Real property must be assessed with reference to its value on February 1 of each year. All property must be valued at its true and full value. True and full value is defined as the value determined by considering any earning or productive capacity, the market value, and all other factors that affect the actual value of the property. For agricultural property, valuation is determined by a productivity formula. The assessed valuation of property is 50 percent of true and full value. Taxable valuation of property is nine percent of assessed valuation for residential property and 10 percent of assessed valuation for agricultural, commercial, and centrally assessed property. Taxable valuation is the amount against which the mill rate for the taxing district is applied to determine tax liability for individual parcels of property.

True and full value of residential and commercial property is established by local assessors. True and full value of railroad, public utility, and airline property is centrally determined by the State Board of Equalization.

True and full value of agricultural property is based on productivity as established through computations made by the North Dakota State University Department of Agricultural Economics based on the capitalized average annual gross return of the land. Annual gross return for rented land is determined from crop share or cash rent information and for other land is 30 percent of annual gross income for cropland used for growing crops other than sugar beets or potatoes, 20 percent of annual gross income for cropland used for growing sugar beets or potatoes, and 25 percent of gross income potential based on animal unit carrying capacity of the land for

land used for grazing animals. Average annual gross return for each county is determined by using annual gross returns for the county for the most recent six years, discarding the highest and lowest annual gross returns from those years, and averaging the returns for the remaining years. Passage of House Bill No. 1069 (1997) extended the number of years of production data used in the agricultural property valuation formula from six years to 10 years. The bill makes this change in increments by use of seven years' data in 1997, eight years' data in 1998, nine years' data in 1999, and 10 years' data after 1999. Average annual gross return is then capitalized using a 10-year average of the most recent 12-year period for the gross Farm Credit Services mortgage rate of interest. Personnel from North Dakota State University determine an average agricultural value per acre for cropland and noncropland on a statewide and countywide basis. This information is provided to the Tax Commissioner by December 1 of each year and then provided by the Tax Commissioner to each county director of tax equalization. The county director of tax equalization provides each assessor with an estimate of the average agricultural value of agricultural lands within the assessor's district. The assessor must determine the relative value of each assessment parcel within that district. In determining relative values, local assessment officials are to use soil type and soil classification data whenever possible.

DATA ON PROPERTY TAX RELIANCE

During the 1993-94 interim, the Legislative Council's Taxation Committee contracted with a consultant for preparation of a study of tax burden comparisons within the state and with neighboring states during the period from 1960 to 1992. The study converted tax collections to "real" dollars for comparison. Comparison of tax trends over time can be misleading unless adjustments for inflation are made. For example, a $300 tax per capita in 1960 would have reduced a person's disposable income more than a $1,400 tax per capita did in 1992. All tax collections reported in nominal dollars were converted into real 1994 dollars using the consumer price index. Updating the statistics in the study would require analysis by the consultants who prepared the 1994 study because figures were converted to 1994 dollars by the consultants.

In 1960 local tax collections accounted for 55 percent of all state and local taxes in North Dakota, but in 1992 state taxes accounted for 66 percent of all state and local taxes in North Dakota. During the period from 1960 to 1984, the local share of the overall tax burden decreased steadily. The state and local tax burdens were about equal in 1970. By 1984 the state share of tax collections was at 73 percent, a maximum for the period from 1960 through 1992. Since 1984 the trend has reversed and the local portion of tax collections is increasing.

The relative share of collections among tax types also shifted over the period from 1960 to 1992. The most notable change is that the proportion of property taxes in total tax collections fell during the years 1960 through 1984. The steepest decline in property tax collections occurred after 1969 when personal property was exempted and eliminated from the local property tax base. Increases in the sales tax rate and a business privilege tax were used to offset the loss of tax revenue resulting from exemption of personal property. Energy tax collections had a sharp peak in 1982 due to high energy prices. The loss in energy tax revenues after 1982 was replaced by increasing sales tax and individual income tax revenues. Local sales taxes became a factor in the overall tax structure during the 1980s. In 1992 state sales and use taxes accounted for about 37 percent of all state and local tax collections in North Dakota and property taxes accounted for approximately 34 percent.

State shares of all state and local taxes for the study states range from 56 percent in South Dakota to 68 percent in Minnesota. North Dakota, with 66 percent of state and local tax revenues collected at the state level, is slightly above the six-state average of 63 percent.

Differences in tax balance were identified among the six study states. North Dakota and South Dakota rely most heavily of these states on sales tax revenues, and South Dakota also has relatively heavy reliance on property taxes. Minnesota relies approximately even on sales and income taxes. Montana relies most heavily on income taxes, and Wyoming and Nebraska rely on property taxes more than the other states in the region.

In North Dakota the share of the overall property tax burden on different classes of property has changed over the past three decades. Shares of the total property tax burden for agricultural and centrally assessed property have remained steady or declined slightly, while shares for residential and commercial properties have increased. In 1960 residential and commercial property represented 10 percent and 11 percent, respectively, of all taxable value in the state. By 1992 their shares of statewide taxable value had increased to 28 percent and 20 percent, respectively.

Comparisons were made of county, township, school district, and city property tax revenues. Taxes levied by school districts increased 37 percent between 1960 and 1969, but by 1981 school tax levies fell 39 percent from the 1969 level and were approximately the same in real dollars as they had

been in 1960. Township taxes declined by 60 percent between 1960 and 1991. County and city levies increased by 16 percent and 14 percent, respectively. Special assessments levied by local governments have become an increasingly important part of local government revenues, rising to about $50 million per year.

North Dakota has relied heavily on stable tax sources such as sales and property taxes. This policy maintains tax collections in times of a stable or declining economy but does not capture benefits of a growing economy as would occur with heavier reliance on an income tax, which grows with the economy. For a time, North Dakota placed a heavy reliance on energy taxes, which are subject to the state of the world economy and the vagaries of the international oil market. This reliance diminished the degree of reliability of the tax system to generate a reliable flow of revenue.

The study pointed out that the effect of state and local taxes on federal income tax liability affects the total impact of taxes on taxpayers. For example, a Minnesota taxpayer would pay less in federal income taxes than a North Dakota taxpayer with the same income and deductions, credits, and exemptions and equal property valuation. This is because a greater share of Minnesota's state and local tax burden consists of property taxes and income taxes, which are deductible for federal income tax purposes. In Minnesota a taxpayer is able to deduct approximately 68 percent of state and local taxes while a North Dakota taxpayer is able to deduct only 46 percent. Reliance on taxes that are deductible for federal income tax purposes allows a taxpayer to "export" a part of his state and local tax burden to other federal taxpayers through federal income tax deductions.

The study points out that taxes as a percentage of personal income do not differ substantially among the six study states, especially when factors such as federal tax liability and energy tax shifting are considered. The difference among the tax systems is mainly in the perception of the burden, based on the type of tax. For example, income taxes are highly visible and most taxpayers realize exactly how much they pay in income taxes each year. Sales taxes may be perceived as less onerous, because few taxpayers know precisely how much sales taxes they pay each year and the taxes are collected from taxpayers in relatively small increments. Even less visible to taxpayers are energy, commercial property, and corporate income taxes, which may be part of the prices of products or passed on to shareholders.

Total state and local tax collections in North Dakota rose from about $1,100 per capita in 1960 to about $1,800 per capita in 1992. The 1992 per capita tax burden in North Dakota is approximately four percent lower than the national average. Comparison of North Dakota with neighboring states shows that North Dakota falls in the middle of the range of tax per capita. Minnesota, Wyoming, and Nebraska collect more state and local taxes per capita while Montana and South Dakota collect less. On a regional basis, current state and local tax collections as a percentage of personal income ranged from eight percent in South Dakota to 13 percent in Wyoming. As a percentage of personal income, North Dakota state and local taxes fell from 11.7 percent in 1960 to 11.2 percent in 1991. The only other state in the study that had a similar reduction of taxes as a percentage of personal income during the study period was South Dakota.

The study concluded that North Dakota relies on sales taxes more than the other states considered in the study except South Dakota. North Dakota's sales and use taxes paid by a typical family of four are the highest of any state in the study. However, local sales taxes were not included in these computations and many South Dakota cities impose a two percent local sales tax.

The study concluded that North Dakota's reliance on property tax is the lowest of the six states in the study, even though North Dakota has shown a recent increased reliance on property tax revenues. Some of the burden of North Dakota property taxes has shifted from agricultural and centrally assessed property to residential and commercial property. Notwithstanding the study conclusion, the committee received testimony indicating that recent increased reliance on property tax revenues has been too extensive. Whether this is a result of what was described to the committee as "taxation by referral" is debatable, but several groups and individuals suggested that tax policy should reverse the trend to increased reliance on property tax revenues.

The study concluded that assessment of the size of the tax bite, its burden on taxpayers, and its adherence to principles of public finance depend in large part on perspective. North Dakota's tax burden has shifted from local to state sources while increasing in real terms and, at the same time, decreasing relative to income. Personal income has grown faster than the cost of government in North Dakota, causing taxes as a percentage of personal income to decline. Compared to neighboring states, North Dakota's tax structure is about average in the amount collected and distribution of the tax burden.

Copies of the 1994 study have been distributed to committee members. Attached as Appendix "B" are copies of several pages from the State Tax Department publication *State and Local Taxes in North Dakota, An Overview and Comparative Guide*, published in April 1996, to illustrate more recent comparisons and trends. The Tax Department will be updating this

information during the interim and will share information with the committee as requested.

SUGGESTED STUDY APPROACH

It should be decided whether to seek updated information from the consultants who prepared the 1994 study. If this approach is followed, it must be decided what portions of the information need to be updated because it does not appear that all of the information in the study done in 1994 relates to the study under this study resolution.

The committee could obtain and review information on allocations of funds from the state to school districts and other political subdivisions in recent years.

Testimony could be sought from representatives of taxpayer groups and political subdivisions for suggestions on what avenues should be investigated as potential alternative revenue sources to reduce property tax burdens.

ATTACH:2

Fifty-fifth Legislative Assembly, State of North Dakota, begun in the Capitol in the City of Bismarck, on Monday, the sixth day of January, one thousand nine hundred and ninety-seven

HOUSE CONCURRENT RESOLUTION NO. 3037
(Representatives Schmidt, Boucher, Gulleson, D. Johnson)
(Senators Kringstad, Urlacher)

A concurrent resolution directing the Legislative Council to study the feasibility and desirability of providing property tax relief through alternative state and local revenue sources.

WHEREAS, it is a commonly heard observation of citizens of the state that property tax burdens have increased substantially in recent years; and

WHEREAS, it is essential that the Legislative Assembly gather accurate information about the increase in property taxes in recent years relative to other taxes imposed in the state, funds allocated to political subdivisions by the state, and whether the property tax burden is equitably allocated; and

WHEREAS, analysis is required of the appropriate level of reliance to be placed on property tax revenues and whether it would benefit the citizens of the state to provide property tax relief through alternative state or local revenue sources, such as income taxes;

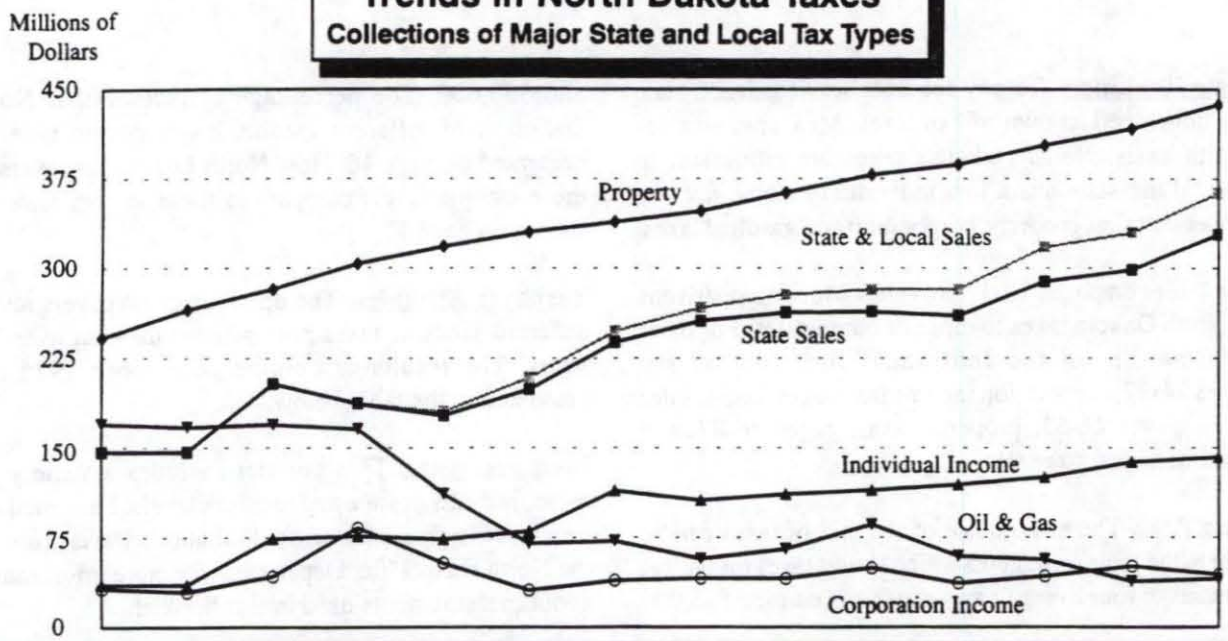
NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF NORTH DAKOTA, THE SENATE CONCURRING THEREIN:

That the Legislative Council study the feasibility and desirability of providing property tax relief through alternative state and local revenue sources; and

BE IT FURTHER RESOLVED, that the Legislative Council report its findings and recommendations, together with any legislation required to implement the recommendations, to the Fifty-sixth Legislative Assembly.

Filed March 18, 1997

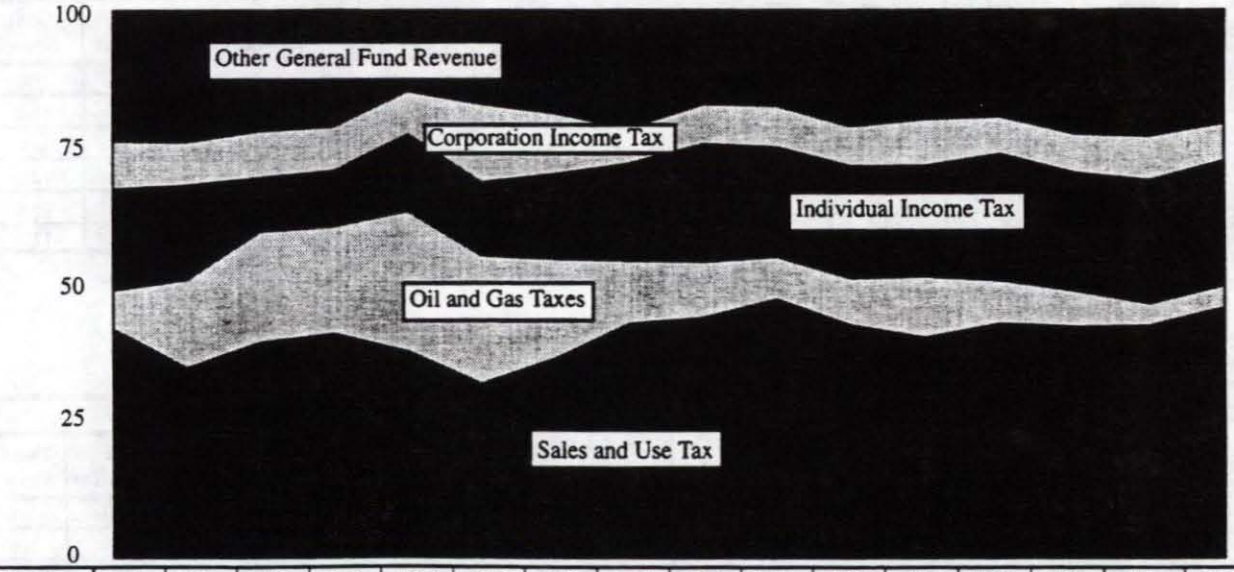
Trends in North Dakota Taxes
Collections of Major State and Local Tax Types



Year	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Property	241.3	265.1	282.2	303.3	318.3	330.2	339.0	348.1	363.4	378.1	386.5	402.9	416.7	437.3
Local Sales	0	0	0	0.5	3.5	9.6	9.2	11.2	14.8	18.2	21.9	29.2	30.9	35.2
State Sales	145.9	146.1	203.2	186.7	176.5	198.7	238.1	255.9	262.9	263.6	260.2	288.4	298.4	328.4
Individual	35.3	35.1	74.0	76.2	73.4	80.2	114.0	106.1	111.1	114.3	119.0	125.1	137.9	141.9
Corporation	32.0	29.1	42.3	83.1	53.5	30.9	39.0	40.7	40.5	49.3	36.8	42.5	50.7	44.0
Oil & Gas	169.1	166.7	169.0	165.4	111.3	69.8	72.2	56.9	65.1	85.8	59.2	56.5	38.2	40.2

883.6

Percentage of General Fund Revenue



Fiscal Year	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Other	23.6	23.8	21.8	21.1	14.5	16.8	18.6	21.1	17.0	17.3	20.9	19.6	19.2	22.4	22.9	20.4
Corporation	8.9	8.1	8.7	8.2	7.9	14.4	11.2	6.7	7.3	7.6	7.4	8.6	7.0	7.2	8.2	7.0
Individual	18.3	17.0	9.6	10.0	13.9	13.2	15.3	17.5	21.3	19.8	20.2	19.9	22.8	21.3	22.3	22.5
Oil & Gas	7.4	16.2	20.4	19.7	25.7	23.4	18.3	11.7	10.4	7.9	8.8	11.4	8.1	6.8	4.2	4.2
Sales & Use	41.9	34.9	39.5	41.1	37.9	32.1	36.6	42.9	44.0	47.4	42.6	40.4	42.9	42.3	42.5	45.8

STATE COMPARISONS

State Rankings. To pay for state services, each state has developed its own mix of taxes. Measured on a per capita basis, North Dakota's taxes are moderate. In general the state has a low individual income tax and moderate sales, property, corporation and gasoline taxes.

The tables on pages 12-17 provide various comparisons of North Dakota taxes to those of other states. For more information on the individual income tax, see pages 24-27; corporation income tax, pages 32-34; sales taxes, pages 46-51; property taxes, pages 86-87; and gasoline taxes, page 91.

Who Pays. The importance of the mix of taxes can be seen in the table on page 15 which shows taxes for typical families of four living in area states and earning $25,000 and $50,000. The percentage of income that North Dakotans of different income levels pay in taxes is presented on page 16. How North Dakota taxpayers in these income levels compare to those in area states is shown on page 17.

Taxpayer Attitudes. The opinions of taxpayers about different kinds of taxes has varied somewhat over the years. The results of opinion polls since 1986 are presented in the table below.

Measurements. This booklet includes a variety of measurements of state and local tax levels. Each method provides insights, but also has limitations. Please contact the North Dakota Tax Department for more information about measurements used in this booklet.

What Is the Worst Tax - That Is, the Least Fair?

Poll Results by the Advisory Commission on Intergovernmental Relations

Excluding Social Security

	National Results					States In Our Region				
Year	Federal Income Tax	Local Property Tax	State Sales Tax	State Income Tax	Don't Know	Federal Income Tax	Local Property Tax	State Sales Tax	State Income Tax	Don't Know
1986	37%	28%	17%	8%	10%	37%	34%	14%	8%	7%
1987	30%	24%	21%	12%	13%	32%	26%	18%	14%	10%
1988	33%	28%	18%	10%	11%	31%	32%	17%	11%	9%
1989	27%	32%	18%	10%	13%	28%	36%	13%	9%	14%
1991	26%	30%	19%	12%	14%	24%	43%	14%	7%	12%
1993	36%	26%	16%	10%	14%	36%	34%	11%	7%	11%

Including Social Security

	National Results						States In Our Region					
Year	Social Sec. Tax	Federal Income Tax	Local Property Tax	State Sales Tax	State Income Tax	Don't Know	Social Sec. Tax	Federal Income Tax	Local Property Tax	State Sales Tax	State Income Tax	Don't Know
1988	17%	26%	24%	15%	9%	9%	16%	25%	26%	16%	10%	7%
1989	18%	21%	28%	14%	9%	10%	23%	19%	30%	11%	7%	10%
1990	15%	26%	28%	12%	10%	9%	16%	27%	33%	10%	8%	6%
1992	10%	25%	25%	16%	9%	15%	13%	24%	34%	10%	8%	12%
1994	12%	27%	28%	14%	7%	11%	14%	26%	33%	15%	5%	7%

SOURCE: Advisory Commission On Intergovernmental Relations, *Changing Public Attitudes on Governments and Taxes.* States in the Midwest Region are North Dakota, South Dakota, Nebraska, Kansas, Minnesota, Iowa, Missouri, Wisconsin, Illinois, Indiana, Michigan and Ohio.

North Dakota Taxes How They Rank Compared to Other States

	Rank*
Individual Income Tax(1)	42 of 42
Corporation Income Tax(2)	27 of 47
Sales Tax(3)	31 of 46
Property Tax(4)	34 of 51
Gasoline Taxes(5)	24 of 51

* A ranking of 1 indicates the highest tax burden.

(1) Minnesota Department of Revenue, "Comparison of 1994 Individual Income Tax Burdens by State," November 1995. The rankings include 41 states plus Washington, D.C. The ranking of 42 is based on comparisons for a family of four earning $35,000 per year. Rankings for other income levels range from 32 to 42. See page 24 for more information.

(2) Survey of states by the North Dakota Tax Department, Corporation Income Tax Section, December 1995. The ranking is based on maximum rates for tax year 1995, adjusted to reflect deductibility of federal income taxes. See page 33 for more information.

(3) City of Washington, D.C., "Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison," June 1995. The ranking is for a family of four living in the largest city of each state and earning $25,000 in 1994. North Dakota's ranking of 31 is based on state and local taxes. If only state sales tax is considered, North Dakota's ranking is 29. See page 47 for the rankings of each state.

(4) Minnesota Taxpayers Association, "How Does Minnesota Compare?" October 1994. Rankings are based on per capita figures for state and local property tax collections in fiscal year 1992, the latest year available. See page 87 for more information.

(5) Federation of Tax Administrators, January 1996. The comparison includes gasoline tax and other fees and taxes (such as sales tax). Six states are tied at the number 24 ranking (20¢ per gallon). See page 91 for more information.

Comparison of State Government Taxes Per Capita

Collections in Fiscal Year 1994

All State Taxes			All State Taxes Except Severance Tax			All State Taxes Except Severance & Corporation Income Taxes		
Rank	State	Per Capita Tax	Rank	State	Per Capita Tax	Rank	State	Per Capita Tax
1	District of Columbia	4,406	1	District of Columbia	4,406	1	District of Columbia	4,144
2	Hawaii	2,540	2	Hawaii	2,540	2	Hawaii	2,482
3	Connecticut	2,073	3	Connecticut	2,073	3	Connecticut	1,859
4	Alaska	2,058	4	Delaware	2,040	4	Delaware	1,821
5	Delaware	2,040	5	Minnesota	1,893	5	Washington	1,802
6	Minnesota	1,894	6	Massachusetts	1,824	6	Minnesota	1,773
7	New Mexico	1,825	7	New York	1,808	7	Massachusetts	1,648
8	Massachusetts	1,824	8	Washington	1,802	8	New York	1,636
9	Washington	1,817	9	New Jersey	1,708	9	Nevada	1,598
10	New York	1,808	10	Wisconsin	1,658	10	New Jersey	1,570
11	New Jersey	1,708	11	New Mexico	1,625	11	New Mexico	1,551
12	Wisconsin	1,658	12	Michigan	1,621	12	Wisconsin	1,551
13	Nevada	1,628	13	Nevada	1,598	13	Maryland	1,453
14	Michigan	1,624	14	California	1,581	14	California	1,433
15	California	1,582	15	Maryland	1,517	15	Iowa	1,398
16	Wyoming	1,553	16	North Carolina	1,488	16	Michigan	1,392
17	Maryland	1,517	17	Iowa	1,459	17	North Carolina	1,383
18	North Carolina	1,488	18	Rhode Island	1,444	18	Vermont	1,375
19	Kentucky	1,487	19	Kentucky	1,435	19	Kentucky	1,365
20	Iowa	1,459	20	Vermont	1,435	20	Rhode Island	1,365
21	Rhode Island	1,444	21	Maine	1,424	21	Maine	1,350
22	Kansas	1,441	22	Idaho	1,423	22	Idaho	1,345
23	Vermont	1,435	23	Pennsylvania	1,421	23	Arizona	1,313
24	Idaho	1,425	24	Kansas	1,399	24	Kansas	1,299
25	Maine	1,424	25	Arizona	1,387	25	Pennsylvania	1,298
26	Pennsylvania	1,421	26	Nebraska	1,319	26	Nebraska	1,249
27	West Virginia	1,401	27	West Virginia	1,317	27	Ohio	1,218
28	Arizona	1,387	28	Illinois	1,316	28	West Virginia	1,216
29	NORTH DAKOTA	1,384	29	Arkansas	1,289	29	Arkansas	1,214
30	Montana	1,356	30	Oregon	1,284	30	Illinois	1,211
31	Nebraska	1,320	31	Ohio	1,277	31	Florida	1,204
32	Illinois	1,316	32	Florida	1,272	32	Oregon	1,199
33	Oklahoma	1,309	33	Indiana	1,265	33	Utah	1,190
34	Oregon	1,308	34	Utah	1,256	34	Virginia	1,180
35	Arkansas	1,295	35	Montana	1,250	35	South Carolina	1,176
36	Ohio	1,278	36	Georgia	1,245	36	Georgia	1,171
37	Florida	1,276	37	South Carolina	1,236	37	Mississippi	1,170
38	Utah	1,266	38	Mississippi	1,232	38	Montana	1,169
39	Indiana	1,265	39	Virginia	1,227	39	Indiana	1,159
40	Mississippi	1,245	40	NORTH DAKOTA	1,211	40	Oklahoma	1,145
41	Georgia	1,245	41	Oklahoma	1,195	41	NORTH DAKOTA	1,100
42	South Carolina	1,236	42	Colorado	1,130	42	Colorado	1,090
43	Virginia	1,227	43	Missouri	1,119	43	Missouri	1,072
44	Colorado	1,135	44	Alabama	1,113	44	Alabama	1,061
45	Alabama	1,130	45	Tennessee	1,105	45	Tennessee	1,024
46	Missouri	1,119	46	Texas	1,007	46	Texas	1,007
47	Tennessee	1,105	47	Lousiana	930	47	Wyoming	925
48	Texas	1,057	48	Wyoming	925	48	Louisiana	879
49	Louisiana	1,015	49	South Dakota	902	49	South Dakota	851
50	South Dakota	911	50	New Hampshire	737	50	New Hampshire	610
51	New Hampshire	737	51	Alaska	685	51	Alaska	393

SOURCE: U.S. Department of Commerce, Bureau of the Census, "State Government Tax Collections in 1994."

Taxes of Typical Families In North Dakota . . . and elsewhere

Comparison for a Family of Four
Earning $25,000 or $50,000 Federal Adjusted Gross Income Per Year

Tax Type	Minot, ND	Missoula, MT	Rapid City, SD	St. Cloud, MN	LaCrosse, WI
$25,000 Federal AGI					
Individual Income Tax	$186	$473	0	$524	$838
State Sales Tax	$380	0	$484	$354	$425
Local Sales Tax	$83	0	$200	0	$37
Property Tax	$1,175	$1,260	$1,450	$800	$2,250
Auto Taxes	$159	$309	$421	$223	$156
Total Taxes	**$1,983**	**$2,042**	**$2,555**	**$1,901**	**$3,706**
$50,000 Federal AGI					
Individual Income Tax	$614	$1,575	0	$2,135	$2,407
State Sales Tax	$621	0	$695	$613	$694
Local Sales Tax	$124	0	$348	0	$69
Property Tax	$1,675	$1,800	$2,070	$1,450	$3,380
Auto Taxes	$182	$438	$606	$281	$184
Total Taxes	**$3,216**	**$3,813**	**$3,719**	**$4,479**	**$6,734**

SOURCE: State and Local Sales Taxes and Auto Taxes: City of Washington, D.C., "Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison," June 1995.

Individual Income Tax: Minnesota Department of Revenue, "Comparison of 1994 Individual Income Tax Burdens By State," November 1995. The figures are for a two wage-earner household.

Property Taxes: Survey conducted by the North Dakota Tax Department, Property Tax Division, February 1996. Calculations assume a home with a market value of $70,000 for a family with $25,000 income and $100,000 home value for the $50,000 income level. In North Dakota, the taxes are presumed to have been paid by February 15, allowing the taxpayer to receive a 5% discount.

STATE COMPARISONS

By most measures, North Dakota's individual income tax ranks the lowest compared to individual income taxes in other states. Per capita comparisons are presented in the chart on page 25. North Dakota ranks 42 of the 42 states (including the District of Columbia) which levy a general state income tax.

Taxes paid by an individual depend, of course, on the taxpayer's circumstances. Comparisons of 1994 individual income taxes for families of four at different income levels were recently calculated by the Minnesota Department of Revenue. According to this study, a North Dakota family earning $50,000 would have paid $614 in state income taxes for 1994 - - again, the lowest in the nation. See the table below for North Dakota's ranking for other income categories.

More detailed information regarding specific components of state individual income taxes is provided on pages 26 and 27.

North Dakota Individual Income Tax Ranking by Income Level - 1994

(A ranking of 42 indicates the LOWEST tax in the nation)

ADJUSTED GROSS INCOME	North Dakota Rate 14% of Federal Liability	
	SINGLE	MARRIED Two Incomes Two Children
$ 7,500	32	No Tax Due
10,000	38	No Tax Due
15,000	40	No Tax Due
20,000	41	35
25,000	42	40
35,000	42	41
50,000	42	42
75,000	41	42
100,000	41	42
200,000	38	41

SOURCE: Minnesota Department of Revenue, "Comparison of 1994 Individual Income Tax Burdens By State," November 1995. The rankings include 41 states plus Washington, D.C. North Dakota's tax rate, 14% of the taxpayer's federal liability, remains the same as it was in 1994. The calculations assume all income is from wages and salaries.

Per Capita Comparison of Individual Income Tax Collections *

Fiscal Year 1994

State	Rank	Per Capita
Dist. of Col.	1	$1,147
Massachusetts	2	$942
New York	3	$883
Oregon	4	$837
Hawaii	5	$817
Delaware	6	$772
Minnesota	7	$755
Wisconsin	8	$716
Connecticut	9	$683
Maryland	10	$645
North Carolina	11	$607
Michigan	12	$585
Virginia	13	$582
New Jersey	14	$566
California	15	$559
Iowa	16	$533
Rhode Island	17	$531
Colorado	18	$526
Indiana	19	$524
Georgia	20	$507
Idaho	21	$497
Maine	22	$496
Vermont	23	$493
Utah	24	$485
Kansas	25	$468
Ohio	26	$460
Kentucky	27	$452
Nebraska	28	$441
Illinois	29	$429
South Carolina	30	$420
Missouri	31	$406
Oklahoma	32	$404
Montana	33	$404
Pennsylvania	34	$393
Arkansas	35	$391
West Virginia	36	$367
New Mexico	37	$349
Arizona	38	$345
Alabama	39	$324
Mississippi	40	$239
Louisiana	41	$226
NORTH DAKOTA	42	$214

* Seven states levy no individual income tax and another two states do not tax wages.

SOURCE: U.S. Department of Commerce, Bureau of the Census.

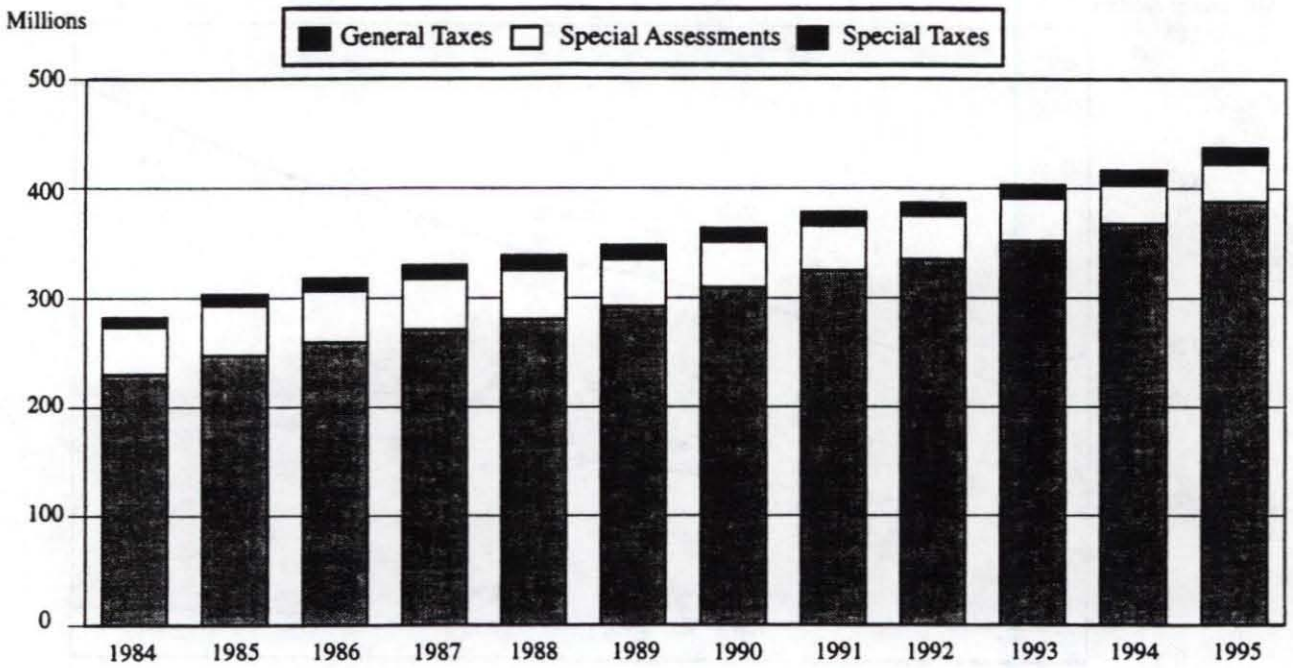
Comparison of Sales Taxes for a Family of Four Living in the Largest City of Each State (and D.C.)

State and Local Taxes			State Sales Tax Only		
Rank	**State**	**Tax**	**Rank**	**State**	**Tax**
1	Louisiana	825	1	North Carolina	600
2	New York	817	2	West Virginia	577
3	Alabama	762	3	Mississippi	570
4	Tennessee	746	4	South Carolina	566
5	Oklahoma	726	5	Kansas	551
6	South Dakota	726	6	Tennessee	543
7	Illinois	676	7	Idaho	539
8	Kansas	664	8	Washington	505
9	Washington	637	9	New Mexico	494
10	Georgia	619	10	District of Columbia	492
11	Colorado	612	11	South Dakota	484
12	North Carolina	600	12	Illinois	483
13	Nebraska	594	13	Maine	479
14	Utah	594	14	Utah	473
15	West Virginia	577	15	Florida	468
16	Mississippi	570	16	Connecticut	459
17	New Mexico	568	17	Nebraska	457
18	South Carolina	566	18	Kentucky	453
19	Wyoming	566	19	Wisconsin	425
20	California	558	20	Rhode Island	421
21	Idaho	539	21	Georgia	413
22	Arizona	517	22	Iowa	406
23	Nevada	511	23	California	406
24	Texas	509	24	New York	396
25	Florida	507	25	Oklahoma	390
26	District of Columbia	492	26	Texas	386
27	Virginia	480	27	Alabama	381
28	Maine	479	28	Arizona	380
29	Wisconsin	468	29	NORTH DAKOTA	380
30	Connecticut	459	30	Maryland	380
31	NORTH DAKOTA	456	31	Wyoming	377
32	Kentucky	453	32	Virginia	373
33	Arkansas	448	33	Louisiana	367
34	Missouri	423	34	Arkansas	367
35	Rhode Island	421	35	Michigan	357
36	Ohio	410	36	Ohio	357
37	Iowa	406	37	Minnesota	354
38	Minnesota	383	38	New Jersey	352
39	Maryland	380	39	Massachusetts	350
40	Michigan	357	40	Hawaii	336
41	New Jersey	352	41	Indiana	328
42	Massachusetts	350	42	Vermont	311
43	Hawaii	336	43	Missouri	276
44	Indiana	328	44	Pennsylvania	261
45	Vermont	311	45	Colorado	255
46	Pennsylvania	304	46	Nevada	146

SOURCE: City of Washington, D.C., "Tax Rates and Tax Burdens in the District of Columbia: a Nationwide Comparison," June 1995. Figures are for families of four earning $25,000 in 1994.

General and Special Property Taxes Levied

Payable in 1984-1995



Year Payable	Total Taxes and Special Assessments	General Property Taxes		Special Property Taxes	
		Real Estate [1]	Utilities [2]	Special Taxes [3]	Special Assessments
1984	282,195,109	210,879,994	18,971,009	8,885,778	43,458,329
1985	303,255,801	228,475,863	18,460,540	10,366,518	45,952,880
1986	318,333,344	240,461,564	18,764,399	11,623,593	47,483,789
1987	330,240,496	251,129,688	19,682,197	12,437,459	46,991,152
1988	339,000,441	260,356,815	20,113,830	13,653,441	44,876,355
1989	348,129,931	271,263,513	20,814,867	12,757,598	43,293,953
1990	363,444,289	287,729,868	21,979,538	11,908,672	41,826,211
1991	378,112,315	302,019,374	23,055,273	12,200,941	40,836,727
1992	386,506,018	311,564,348	23,936,553	11,328,044	39,677,073
1993	402,914,653	327,349,278	24,618,898	12,069,372	38,877,105
1994	416,654,042	342,201,453	25,396,636	13,654,538	35,401,415
1995	437,343,742	359,535,845	28,443,569	14,827,706	34,536,622

[1] Includes tax increments.

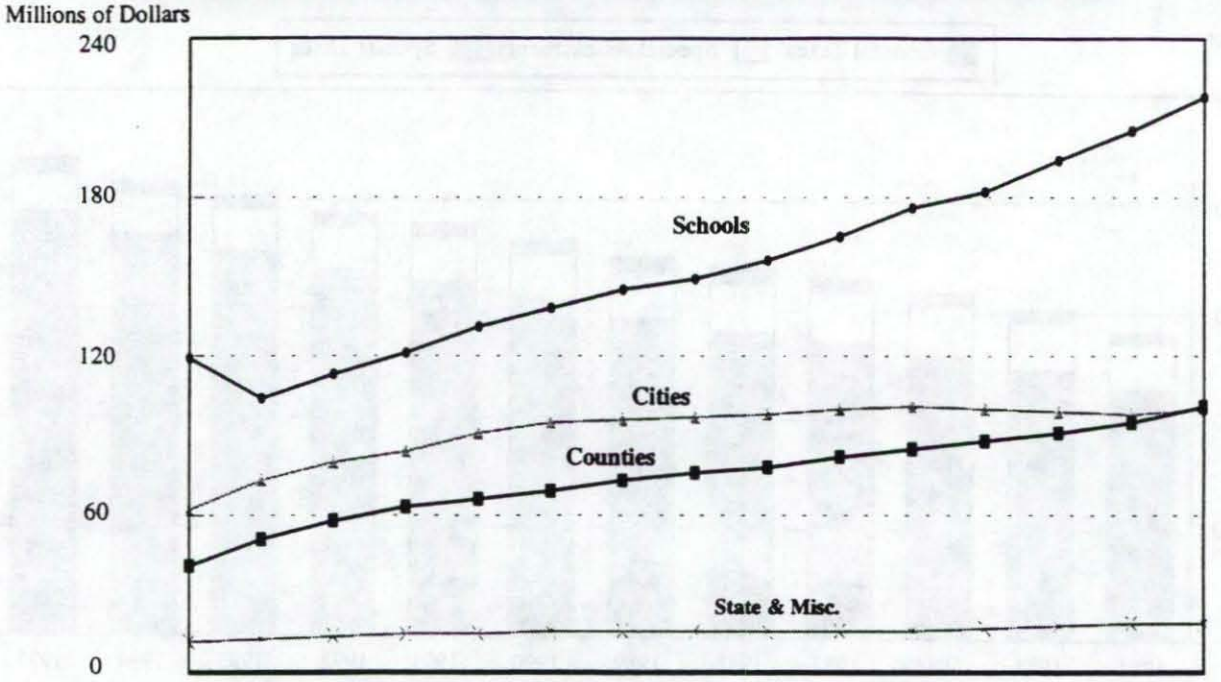
[2] Includes taxes on railroad property; telephone property (except mutual and cooperative); telegraph property; electric, gas and heating property (except cooperative and coal conversion); and pipeline property.

[3] Includes taxes from mutual and cooperative telephone companies, mobile homes, rural electric cooperatives, banks and building and loan associations, woodlands, and game management areas.

SOURCE: North Dakota Tax Department, Property Tax Division, "Property Valuations and Property Taxes Levied in North Dakota." Transmission line taxes are collected by the State Tax Commissioner and are not included above.

General and Special Property Taxes by Taxing Districts

Payable in 1981 - 1995



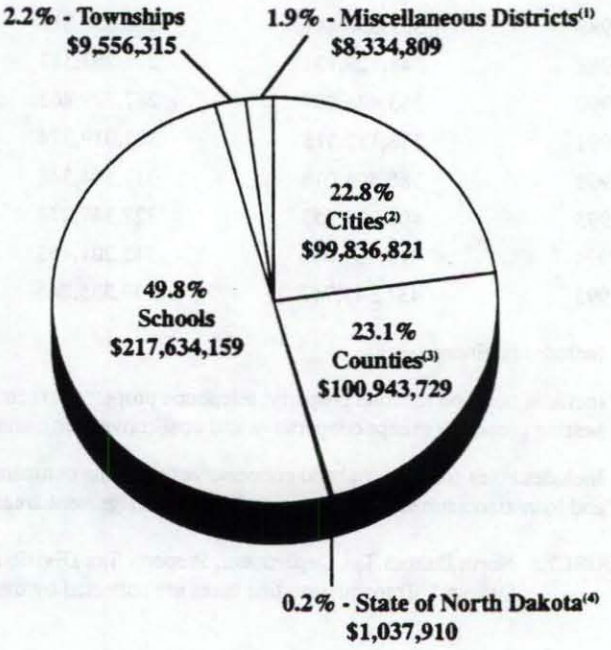
Year Payable	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Schools	119	104	113	121	131	138	145	149	156	165	176	182	194	205	218
Cities	62	73	80	84	91	95	96	97	98	100	101	100	99	98	100
Counties	41	51	58	63	66	69	73	76	78	82	85	88	91	95	101
State & Misc.	12	13	14	15	15	16	16	16	16	16	16	17	18	19	19

SOURCE: North Dakota Tax Department, Property Tax Division, "Property Valuations and Property Taxes Levied in North Dakota."

Percent of Property Taxes by Taxing District

Levied in 1994 - Payable in 1995

GRAND TOTAL - $437,343,742



(1) Garrison Diversion Conservancy District, rural fire protection districts, soil conservation districts, rural ambulance districts, recreation service districts, Southwest Water Authority and all special assessments for rural districts.

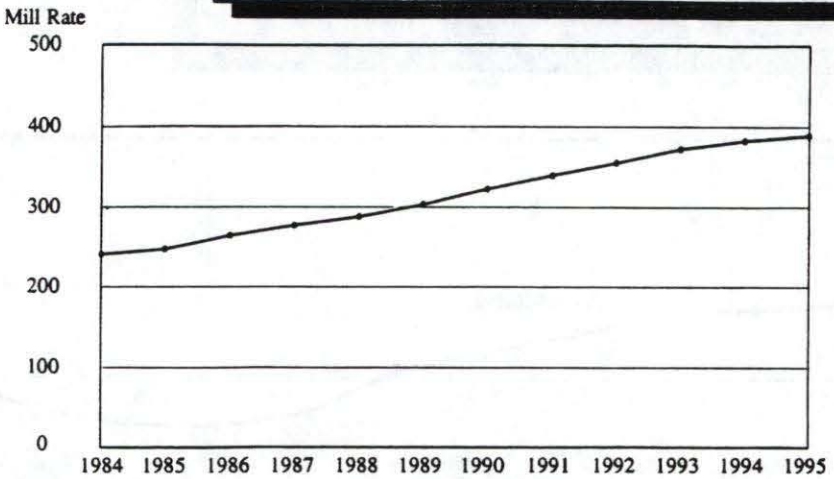
(2) Including city park districts, special assessments, and tax increments.

(3) Including county park districts, county library, county airport, water management districts, vector control, unorganized townships and board of county parks.

(4) Constitutional one mill levy for medical center at the University of North Dakota.

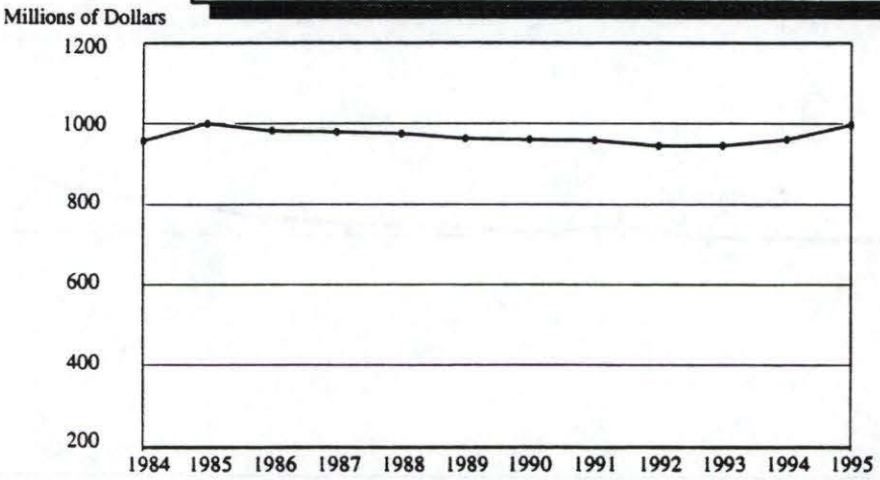
SOURCE: North Dakota Tax Department, Property Tax Division, "1994 Property Valuations and Property Taxes Levied in North Dakota."

Statewide Average Mill Rates - For Taxes Payable in 1984-1995



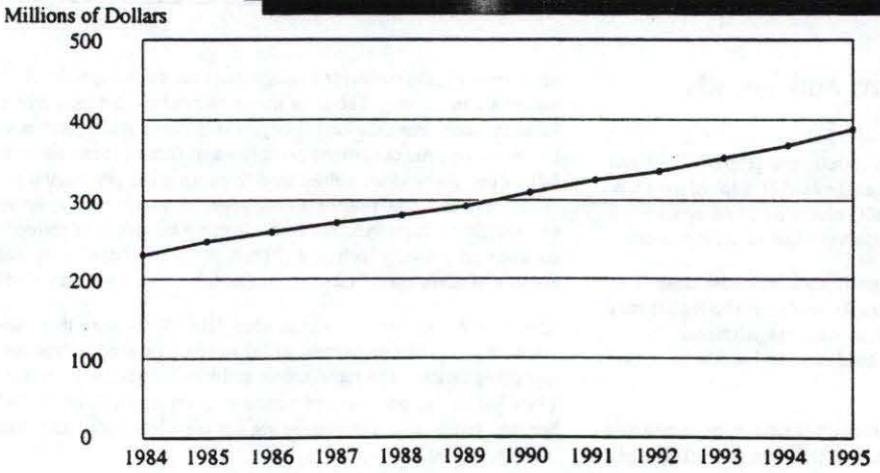
Year Payable	Average Mill Rate
1984	240.30
1985	246.95
1986	264.15
1987	276.77
1988	287.78
1989	303.41
1990	322.72
1991	339.45
1992	355.45
1993	372.54
1994	382.84
1995	389.14

Statewide Property Taxable Valuations - For Taxes Payable in 1984-1995



Year Payable	Taxable Value
1984	$ 956,531,174
1985	999,942,014
1986	981,350,136
1987	978,485,250
1988	974,592,455
1989	962,666,937
1990	959,683,146
1991	957,661,303
1992	943,865,654
1993	944,768,282
1994	960,176,210
1995	997,007,697

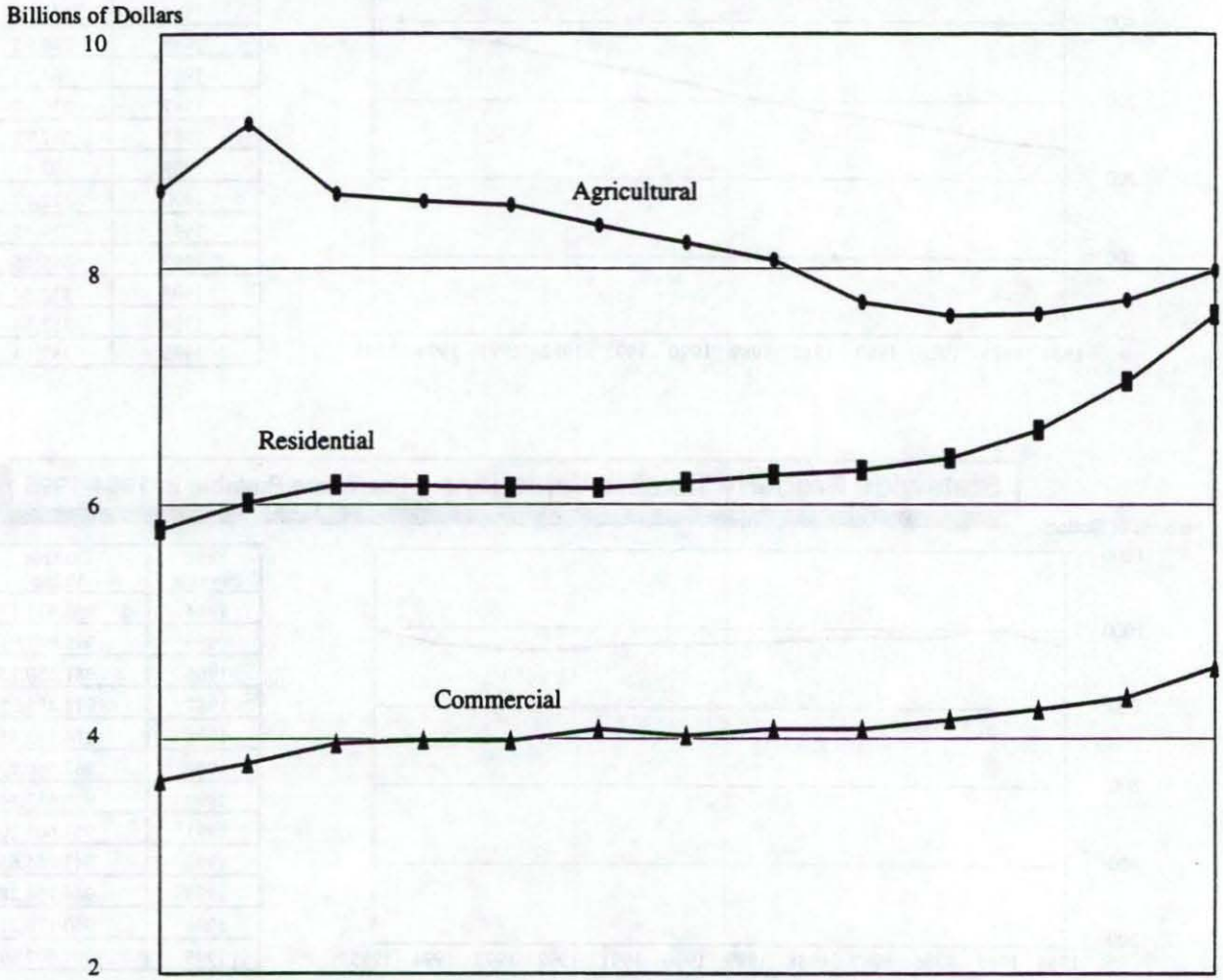
General Property Taxes Levied - For Taxes Payable in 1984-1995



Year Payable	Taxes
1984	$ 229,852,002
1985	246,936,403
1986	259,225,963
1987	270,811,885
1988	280,470,645
1989	292,078,379
1990	309,709,406
1991	325,074,648
1992	335,500,901
1993	351,968,176
1994	367,598,089
1995	387,979,413

True and Full Value by Classification

For Taxes Payable in 1984 - 1996



Year Payable	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Agricultural	8.662	9.231	8.633	8.574	8.540	8.366	8.217	8.070	7.712	7.600	7.612	7.731	7.983
Residential	5.784	6.011	6.167	6.161	6.143	6.137	6.187	6.251	6.289	6.389	6.625	7.041	7.610
Commercial	3.646	3.790	3.961	3.988	3.984	4.084	4.025	4.083	4.082	4.163	4.246	4.349	4.602

Explanation of Terms and Trends

True and full value. For residential and commercial property "true and full value" is the local assessor's estimate of the market value of the property. For agricultural property, true and full value is based on agricultural production and is typically less than its market value or selling price.

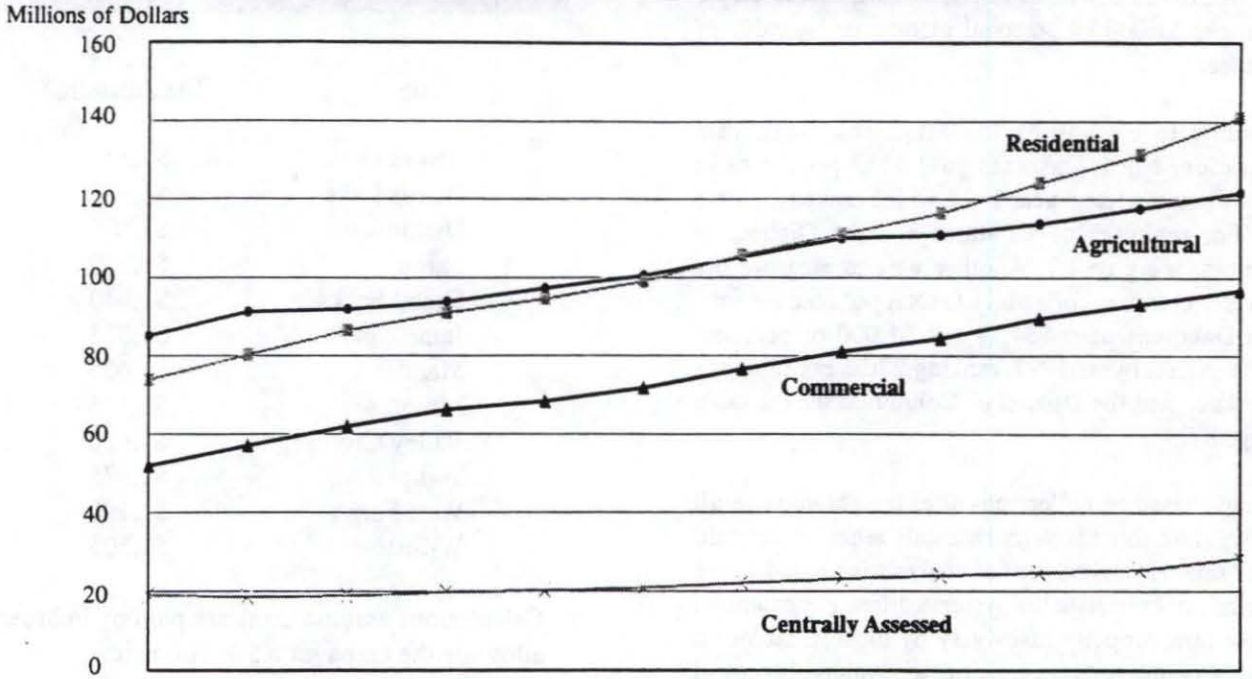
Effective Rates. An annual sales ratio study measures how close "true and full values" are to actual selling prices for property. The results may be used to calculate an effective tax rate for each classification. The effective rate is the total tax divided by the total indicated selling price (see table on page 85).

Trends. During most of the past 12 years, mill rates were increasing while total taxable valuations were declining slightly (see preceding page). More recently, the statewide average mill rate is tending to level off while values are increasing. The table above shows how the total true and full value for each classification has begun to increase at an accelerating pace. Current economic conditions point towards further increases in true and full values. Agriculture values tend to go up when production and commodity prices are increasing. Other property values tend to go up when employment is high. Another factor is that total values of residential and commercial property include a slightly rising number of properties. The number of acres classified as agricultural land is down very slightly.

Charts in this section show statewide data. Please note that values and taxes for individual properties will depend on local economic conditions and other factors. The table above includes values for taxes payable in 1996. Tables that present information on taxes levied do not include 1996 because audits of county figures are not completed until after this booklet is published.

General Property Taxes by Classification

Payable in 1984 - 1995



Year Payable	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Residential	73.9	80.2	86.5	91.0	94.6	99.0	105.8	111.1	116.3	124.1	131.4	141.0
Agricultural	85.1	91.3	92.0	93.9	97.3	100.5	105.3	110.0	110.8	113.7	117.6	121.7
Commercial	51.8	57.0	62.0	66.2	68.4	71.8	76.6	81.0	84.4	89.6	93.2	96.8
Central	19.0	18.5	18.8	19.7	20.1	20.8	22.0	23.1	23.9	24.6	25.4	28.4
Total	229.9	246.9	259.2	270.8	280.5	292.1	309.7	325.1	335.5	352.0	367.6	388.0

SOURCE: North Dakota Tax Department, Property Tax Division, "Property Valuations and Property Taxes Levied in North Dakota."

General Property Taxes Percent of Total by Classification

Payable in 1985 and 1995

	1985	1995
Residential	32.5%	36.3%
Agricultural	37.0%	31.4%
Commercial	23.1%	25.0%
Centrally Assessed	7.5%	7.3%
Total	100.0%	100.0%

Effective Rates by Classification

Payable in 1985 and 1995

Property Classification	Effective Rate 1985	Effective Rate 1995
Residential	1.34%	1.88%
Agricultural	0.59%	1.01%
Commercial	1.50%	2.26%
Centrally Assessed	1.08%	1.71%
Total	**0.92%**	**1.52%**

STATE COMPARISONS

North Dakota's property taxes are relatively moderate compared to those in other states, whether measured per capita, per $1,000 of personal income or by value of residence.

According to a study by the Minnesota Taxpayers Association, North Dakotans paid $532 per capita in property taxes in fiscal year 1992, which ranked the state 34th. For rankings of all states and the District of Columbia, see page 87. Another way to measure tax levels is to compare collections to total personal income. North Dakotans paid $34.14 per $1,000 of personal income in fiscal year 1992, ranking 27th. For rankings of all states and the District of Columbia, see the table on page 87.

Rankings based on collections offer insight into overall tax levels and about how much a state relies on a certain type of tax. However, further analysis is needed to see the details of how state tax systems differ. For example, to show how property taxes vary by locality, tables on this page compare taxes on similarly valued homes in cities in the region. Property taxes also vary by property classification and different types of property may be taxed or excluded. Some states, such as Wyoming, use the property tax to tax mineral wealth while states like North Dakota levy separate severance taxes.

Property Taxes on a $70,000 Home in North Dakota

Payable in 1996

City	Tax Amount*
Bismarck	$1,385
Devils Lake	$1,315
Dickinson	$1,405
Fargo	$1,330
Grand Forks	$1,440
Jamestown	$1,375
Mandan	$1,405
Minot	$1,175
Valley City	$1,420
Wahpeton	$1,375
West Fargo	$1,190
Williston	$1,505

* Calculations assume taxes are paid by February 15, allowing the taxpayer a 5% discount.

SOURCE: Survey by North Dakota Tax Department, Property Tax Division, February 1996.

Property Taxes on a $70,000 Home in Neighboring States and Provinces

Payable in 1996

SOUTH DAKOTA[1]		MONTANA		MINNESOTA[1]		MANITOBA[1][2]		SASKATCHEWAN[2]	
City	Tax Amount	City	Tax Amount	City	Tax Amount	City	Tax Amount	City	Tax Amount
Aberdeen	$ 1,385	Miles City	$1,170	Bemidji	$ 920	Winkler	$ 610	Estevan	$ 1,030
Rapid City	1,450	Great Falls	1,100	St. Cloud	800	Brandon	1,200	Moose Jaw	1,085
Sioux Falls	1,250	Billings	1,000	Minneapolis	985	Winnipeg	1,400	Regina	1,910

[1] Includes reductions for owner-occupied residences: 20% in South Dakota and $175 in Manitoba. In Minnesota, the reduction on the first $72,000 of an owner-occupied residence is about 56.5%.

[2] Canadian amounts are in Canadian dollars.

SOURCE: Survey by North Dakota Tax Department, Property Tax Division, February 1996.

Per Capita Property Tax Collections

1992

Rank	State	Amount
1	District of Columbia	1,534
2	New Hampshire	1,349
3	New Jersey	1,273
4	Connecticut	1,197
5	New York	1,178
6	Alaska	1,071
7	Wyoming	989
8	Vermont	956
9	Michigan	950
10	Rhode Island	939
11	Massachusetts	876
12	Oregon	863
13	Illinois	848
14	Maine	823
15	Wisconsin	819
16	Minnesota	776
17	Florida	738
18	Texas	731
19	Nebraska	727
20	Kansas	726
21	Iowa	711
22	Montana	706
23	Washington	681
24	Arizona	674
25	Colorado	673
26	California	668
27	Maryland	654
28	Virginia	650
29	South Dakota	610
30	Pennsylvania	608
31	Ohio	568
32	Indiana	568
33	Georgia	542
34	NORTH DAKOTA	532
35	Nevada	492
36	Hawaii	480
37	Utah	460
38	South Carolina	451
39	Idaho	446
40	Missouri	402
41	North Carolina	374
42	Mississippi	357
43	Tennessee	348
44	Delaware	331
45	Kentucky	297
46	West Virginia	293
47	Louisiana	276
48	Arkansas	261
49	Oklahoma	242
50	New Mexico	217
51	Alabama	174

SOURCE: Minnesota Taxpayers Association. "How Does Minnesota Compare?" October 1994.

Property Tax Collections Per $1,000 of Personal Income

1992

Rank	State	Amount
1	District of Columbia	62.74
2	New Hampshire	62.36
3	Wyoming	59.24
4	Vermont	53.43
5	New York	52.58
6	Alaska	52.33
7	Michigan	51.29
8	Oregon	50.01
9	New Jersey	49.77
10	Rhode Island	48.94
11	Maine	47.17
12	Wisconsin	46.16
13	Montana	45.89
14	Connecticut	45.86
15	Texas	43.18
16	Arizona	41.52
17	Nebraska	41.35
18	Iowa	41.33
19	Illinois	41.20
20	Minnesota	41.00
21	Kansas	40.05
22	Florida	39.46
23	South Dakota	38.34
24	Massachusetts	38.09
25	Washington	35.78
26	Colorado	35.74
27	NORTH DAKOTA	34.14
28	Indiana	33.35
29	Virginia	32.82
30	California	32.55
31	Utah	32.24
32	Ohio	32.17
33	Georgia	31.69
34	Pennsylvania	31.62
35	Idaho	29.87
36	Maryland	29.77
37	South Carolina	29.50
38	Mississippi	27.01
39	Nevada	25.68
40	Hawaii	23.14
41	Missouri	22.55
42	North Carolina	22.52
43	Tennessee	21.40
44	West Virginia	20.65
45	Kentucky	19.21
46	Louisiana	18.51
47	Arkansas	18.04
48	Delaware	16.13
49	Oklahoma	15.78
50	New Mexico	15.17
51	Alabama	11.35

SOURCE: Minnesota Taxpayers Association. "How Does Minnesota Compare?" October 1994.