

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2243

2005 SENATE FINANCE AND TAXATION

SB 2243

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2243

Senate Finance and Taxation Committee

Conference Committee

Hearing Date January 25, 2005

Tape Number	Side A	Side B	Meter #
# 1	X		42.5 - 61.4
		X	0.0 - 22.6
Committee Clerk Signature <i>Sharon Rynrow</i>			

Minutes: All committee member present.

**SEN. URLACHER:** called the committee to order and opened the hearing on SB 2243.

**SEN. COOK:** appeared as prime sponsor of the bill stating this bill deals with assessments in the State of ND. This bill sets up a new concept or process to create an audit for the assessors work and the intent of this audit is ensure they are doing their work. The intent of the last section is that she shall cause an annual random of audits. The whole intent through that audit process, that it aids in this one most important responsibility that the supervisor has and that is one of education, instruction so they will reach the ultimate goal of uniformity. The intent of this audit is audit the procedures that are being followed. It's not to create a debate over whether this piece of property that's 25 miles from no where is worth \$20,000 or \$40,000. The intent of this is to assure that assessors have the tools they need to do the job that they are required to do. Another thing that this audit will do that should greatly benefit assessors is when they find themselves in a box when they are trying to do what they're supposed to do and maybe somebody up the ladder

says, we don't want you to do it that way, hopefully it will remove to whatever degree "the good ole boy system" out there.

**MARCY DICKERSON:** from the Tax Dept. Appeared in support of the bill with written testimony stating they support the concept of random audits.

**SEN. WARDNER:** what do you think would be an affective percentage, you have do enough of them so that its affective.

**MARCY:** 5% is a pretty small percent. I have no problem with the concept of it but I have a problem with the cost of it. Any random audit would be beneficial

**SEN. COOK:** what about doubling up with a private company?

**MARCY:** doesn't know if a mass appraisal would do a good job.

**SEN. COOK:** we could take out 5% and put an appropriation on it and provide some sort of audit test as described in this bill, could we not?

**MARCY:** I think that would be a very good way to go about it. We'd do as many as we could before we ran out of money.

**SEN. BERCIER:** how would you randomly check?

**MARCY:** would be determined by computer.

**SEN. BERCIER;** concerns with fairness towards everyone. Also counties will have to provide the data bases, what would that cost?

**MARCY:** doesn't know, some counties have a better computer system than others.

**SEN. COOK:** Morton County has been instructed by you to reassess all Ag property, is that correct? If so, what lead up to that and what are the costs going to be incurred as the county pursues.

**MARCY:** the State Board of Equalization ordered the county to reassess the agricultural property. That was based on 2 things, first there were some tax payers who complained about agricultural assessment, someone from our office did investigate and did find that there are inequities in ag assessments in Morton County. Also, a lot of counties are going onto soil types which is what the Legislature has required in the statute, if the soil capability information is available that should be the basis for the way the counties do distribute the value among those various agriculture parcels.

**SEN. URLACHER:** noted that a large majority do assess on the soil mapping.

**SEN. COOK:** So that was done because of tax payers who were concerned and of course their concern is as somebody's taxes are lower than their and they end up paying more. This will be done at the expense to Morton County and when its all done, Morton County will not get any more revenue for the taxes that will be collected (property taxes collected) it will just come from different people, is that correct?

**MARCY:** basically that is correct, but the whole idea of it is equity so that each tax payer pays its fair share.

**DAVID MUNSCH:** I'm not sure if I oppose the bill or not, I'm the gentleman who complained in Morton County, stating we need to equalize the taxes. We need to go to the soil types and then there are ways to tweak it and the farm buildings, I believe can be exempt. But when a guy builds a \$400,000 or \$150,000 house on that property, I don't give a damn how long he's been farming, he should pay taxes just like the guy living in Bismarck or the guy without farm income.

**SEN. WARDNER:** in order to address and do the things we'd like to do in the bill that Sen.

Cook has sponsored, it might cause a growth in the state govt. We might need to add employees, in your opinion, do you feel that it's worth it, the increase in govt. To get this problem solved?

**DAVID MUNSCH:** I think we need to do something with the law, I don't know what, but I think you need to show an interest to whoever and basically that's what in swayed in the vote. The county commissioners can direct dray their feet on this stuff, you got to put some teeth in there. What about CRP, it's leased out, isn't that farm income? Because they are retired, they get a break.

**SEN. WARDNER:** Would you agree it's an enforcement issue?

**DAVID MUNSCH:** give the assessor some immunity, I'm sure he knows his job, but he's working for the commissioner and the commissioners are related to half the people in the county, so what are you going to do.

**KEVIN TERNES:** City Assessor of Minot appeared in opposition with written testimony stating they already go out about every 7 years we will go out and physically go out and look at a home in Minot with the owners permission. Would an auditing team be then coming, would they go visit a tax payer that we've already seen a couple years ago? We're just not sure about the mechanics of it.

**SEN. URLACHER:** do you feel any amount of audit would be acceptable and hopefully have some reflection of outside of the audit to bring about anymore equalize direction?

**MR. TERNES:** I know Sen. Cook's goal is to get policy followed, we can agree to disagree that the assessor thought it was \$40,000 but another private audit might think the value is \$30,000, I just feel like we need to have a little bit more of a determination as to are we auditing policy or

are we auditing values, I believe some sort of audit might work, but the numbers for certain cities may be too big.

**SEN. COOK:** the intent is to come within 5% of its true value.

**ERIC AASMUNDSTAD:** Pres. Of NDFB appeared in opposition stating his concerns with the fiscal note and it being too high and wondering would you ever make it up, doesn't think so.

This isn't about the valuation, its about the uniformity in the process of doing assessments. We don't that the counties can afford it, we don't think the state can afford it and we don't think we're going to get the desired affect from it. SB 2240 should handle a lot of that.

**KEN YANTS or YANTES:** ND Township Officers Assoc. Appeared neutral on the bill stating he's come here today and has worked with Sen. Cook on this bill and didn't realize the amount of dollars we were talking about, maybe 5% is way too much, but I do believe that just the idea that there's an audit out there someplace, there is some merit and consideration.

No further testimony, the hearing was closed.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2243

Senate Finance and Taxation Committee

Conference Committee

Hearing Date January 26, 2005

Tape Number	Side A	Side B	Meter #
# 2	X		36.4 - 51.6
Committee Clerk Signature <i>Sharon Reynolds</i>			

Minutes: Afternoon Committee Work.

**SEN. COOK:** presented amendments to the committee stating they remove 5% and creates an appropriations of \$500,000 for the purpose of doing the **audits**.

**SEN. COOK:** made a **MOTION TO ADOPT THE AMENDMENTS**, seconded by Sen. Every.

**VOICE VOTE:** 6-0-0 Motion carries.

**SEN. COOK:** made a **MOTION FOR DO PASS AS AMENDED AND REFER TO APPROPRIATIONS**, seconded by Sen. Every.

**ROLL CALL VOTE:** 5-1-0 Sen. Bercier voted no Motion carries.

**SEN. BERCIER:** concerns with random procedure that's going to be fair and the possibility of going after someone and being vindictive.

**SEN. COOK:** this just looks at property assets and assessors doing their job. Assessment.

**SEN. BERCIER:** if taxes are collected and found unconstitutional and they find they've been under collected, are they going to be able to go back. No.

**SEN. URLACHER & SEN. COOK:** gave explanation of being able to file an abatement if found they were being assessed too high.

**SEN. WARDNER:** if your property taxes are set too low, its your fault, its the political subdivisions that set them and they certify them and when they are certified, their bona fide and its over, so that's their fault. So if after 10 yrs they look and say we missed an evaluation of your property, all they can do is adjust it up from that point on, they can't go back and collect anything that you didn't pay. If it's set too high, your going to be howling and then its on you to go for the tax abatement and if you don't say anything after 3 years and you pay these high taxes, all you say is "this is enough" and file an abatement, those 3 yrs are done, you can only go from the present time forward on property taxes.

**SEN. BERCIER** changed his vote to yes - Vote is 6-0-0. Sen. Cook will carry the bill.

**FISCAL NOTE**  
 Requested by Legislative Council  
 02/16/2005

Amendment to: Engrossed  
 SB 2243

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations			\$200,000			

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Re-engrossed SB 2243 requires the state supervisor of assessments to conduct annual random audits of all property assessments statewide, including farm building and farm residence exemptions allowed or denied, and valuations of real property exempt from taxation.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Re-engrossed SB 2243 provides an appropriation of \$200,000 to the tax commissioner's office for implementation of the bill.

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	02/17/2005

## FISCAL NOTE

Requested by Legislative Council

01/28/2005

Amendment to: SB 2243

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations			\$500,000			

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Engrossed SB 2243 requires the state supervisor of assessments to conduct annual random audits of all property assessments statewide, including farm building and farm residence exemptions allowed or denied, and valuations of real property exempt from taxation.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Engrossed SB 2243 provides an appropriation of \$500,000 to the tax commissioner's office for implementation of the bill.

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	02/03/2005

**FISCAL NOTE**  
**Requested by Legislative Council**  
01/18/2005

Bill/Resolution No.: SB 2243

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$1,206,000			
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

SB 2243 requires the state supervisor of assessments to conduct annual random audits of five percent of all property assessments statewide, including farm building and farm residence exemptions allowed or denied, and valuations of real property exempt from taxation.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The tax department would incur costs associated with the provisions of SB 2243. Based on data from the International Association of Assessing Officers and other sources of assessment administration information, we estimate the bill would require between 6.5 and 11.5 FTE's to annually audit five percent (or 30,955 parcels) of the approximate 619,100 parcels statewide. The farm building and farm residence exemptions would require an additional 2,500 annual audits. The estimated total cost for the state is between \$878,000 and \$1,533,000 per biennium. (The midpoint is shown on the expenditure line.)

Additionally, counties would incur costs of compiling complete lists of all properties to be included in a statewide database from which the random samples will be selected. Counties would also need to provide assistance to the state auditors. County costs are not included in the expenditure amount above.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	01/24/2005

PROPOSED AMENDMENTS TO SENATE BILL NO. 2243

Page 1, line 2, after "decisions" insert "; and to provide an appropriation"

Page 2, line 29, replace "The" with "Within the limits of legislative appropriations, the"

Page 2, line 30, remove "at least five percent of"

Page 2, line 31, replace ". The state supervisor of" with "and"

Page 3, line 1, remove "assessments shall cause an annual random audit of at least five percent"

Page 3, line 3, remove "five percent"

Page 3, after line 11, insert:

**"SECTION 2. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$500,000, or so much of the sum as may be necessary, to the tax commissioner for the purpose of random property tax audits as directed by the supervisor of assessments under section 57-01-05, for the biennium beginning July 1, 2005, and ending June 30, 2007."

Renumber accordingly





**REPORT OF STANDING COMMITTEE**

SB 2243: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the Appropriations Committee (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2243 was placed on the Sixth order on the calendar.

Page 1, line 2, after "decisions" insert "; and to provide an appropriation"

Page 2, line 29, replace "The" with "Within the limits of legislative appropriations, the"

Page 2, line 30, remove "at least five percent of"

Page 2, line 31, replace ". The state supervisor of" with "and"

Page 3, line 1, remove "assessments shall cause an annual random audit of at least five percent"

Page 3, line 3, remove "five percent"

Page 3, after line 11, insert:

**"SECTION 2. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$500,000, or so much of the sum as may be necessary, to the tax commissioner for the purpose of random property tax audits as directed by the supervisor of assessments under section 57-01-05, for the biennium beginning July 1, 2005, and ending June 30, 2007."

Renumber accordingly

2005 SENATE APPROPRIATIONS

SB 2243

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2243

Senate Appropriations Committee

Conference Committee

Hearing Date February 4, 2005

Tape Number	Side A	Side B	Meter #
1	a		
Committee Clerk Signature <i>Janet Parks</i>			

Minutes:

Roll call was taken 11 present 4 absent.

**Chairman Holmberg** opened the hearing on SB 2243.

**Senator Dwight Cook**, introduced SB 2243. He discussed background of the bill being introduced after the interim committee met. He indicated this bill expands the roll of the state supervisor of assessments to conduct random audits and provide education process.

Questions were raised regarding the percentage of random audits being changed, whether there is a way to access other funding for this bill, whether there will be more ability to check for errors, whether the assessor has access to the tax records, if the Association of Counties or League of Cities supports this bil, and how the funding would be used..

Marcy Dickerson, State Supervisor of Assessments, ND State Tax Commissioners Office responded to several questions as to how the funding would be used.

Hearing no further questions, **Chairman Holmberg** closed the hearing SB 2243.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2243

Senate Appropriations Committee

Conference Committee

Hearing Date 02/11/05

Tape Number	Side A	Side B	Meter #
		x	2875-4231
Committee Clerk Signature 			

Minutes: **Chairman Holmberg** opened discussion on SB 2243.

**Sen. Christmann** motioned for an amendment changing \$500,000 to \$200,000, seconded by Sen. Schobinger.

**Sen. Krauter:** Did you say they were going to add more employees with this.

**Sen. Christmann:** I need to refresh myself, give me a minute.

**Sen. Andrist:** A lot of the counties do a good job in this regard, and a lot are deficient. Was there a discussion of during a preliminary screening and go to the counties where the need is greatest?

**Sen. Christmann:** No there is not, any detailed discussion.

**Sen. Krauter:** As we look at what we are trying to do here, and we try to figure out what we are trying to do here, I see a couple issues that need our support. This one is at the bottom of my list. I cannot support any type of funding for any of these programs.

Page 2

Senate Appropriations Committee

Bill/Resolution Number SB 2243

Hearing Date 02/11/05

A voice vote was taken to adopt amendment. A **DO PASS as AMENDED** motion was made by

Sen. Christmann, seconded by Sen. Tallackson.

**Sen. Tallackson:** I was on the Interim taxation committee, I know it is general fund money.

Why have an interim committee if you do not do anything about the recommendation?

**Sen. Krauter:** If this was that good, why wasn't it an interim bill.

**Sen. Tallackson:** The chairman of the interim committee brought this in.

It passed 10 to 4 with 1 absent and not voting. The carrier of the bill is Sen. Cook.

Date 2-14-05  
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2243

Senate SENATE APPROPRIATIONS Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass as Amended

Motion Made By Christmann Seconded By Tall

Senators	Yes	No	Senators	Yes	No
CHAIRMAN HOLMBERG	✓		SENATOR KRAUTER		✓
VICE CHAIRMAN BOWMAN	✓		SENATOR LINDAAS		✓
VICE CHAIRMAN GRINDBERG	✓		SENATOR MATHERN	✓	
SENATOR ANDRIST	✓		SENATOR ROBINSON		✓
SENATOR CHRISTMANN	✓		SEN. TALLACKSON	✓	
SENATOR FISCHER	✓				
SENATOR KILZER	✓				
SENATOR KRINGSTAD	✓				
SENATOR SCHOBINGER		✓			
SENATOR THANE					

Total (Yes) 10 No 4

Absent 1

Floor Assignment TAX Committee Cook

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

SB 2243, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (10 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2243 was placed on the Sixth order on the calendar.

Page 3, line 15, replace "\$500,000" with "\$200,000"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

This amendment reduces the general fund appropriation to the Tax Commissioner for conducting random property tax audits by \$300,000, from \$500,000 to \$200,000.

2005 HOUSE FINANCE AND TAXATION

SB 2243

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2243

House Finance and Taxation Committee

Conference Committee

Hearing Date **March 1, 2005**

Tape Number	Side A	Side B	Meter #
2	X		4.6
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

**REP. WES BELTER, CHAIRMAN** Called the committee hearing to order.

**SEN. DWIGHT COOK, DIST. 34, MANDAN** Introduced the bill. This bill deals with the responsibilities of the state supervisor of assessments. It offers one more responsibility that Subsection 7, on page 3 of the bill. To me, this is one of the most important bills we have here, dealing with working toward seeing that property assessments are done uniformly across the state. What that Subsection does, I look at as an educational tool, within the limits of the legislative appropriation, I believe if you look at your fiscal note, those limits are now \$200,000. The supervisor of assessments shall cause an annual random audit performed on property assessments statewide. The \$200,000 would be used to employ an individual or individuals who would go to the field. It is not only rural assessments, it is city, township and county assessors. They would sit down and review the procedures that the assessors follow. That is the intent of the bill.

**REP. BELTER** Has appropriations seen this bill.

**SEN. COOK** As this bill passed out of the Senate Finance and Tax Committee, it had a \$500,000 appropriation. Appropriation Committee lowered it to \$200,000. They did see it.

**REP. WRANGHAM** This money, if there are inequities taking place out there, if there are tax dollars that should be collected that are not being collected, which government entity is being shorted, is that the county?

**SEN. COOK** If there is an exemption given or it is done improperly, no one is shorted any money. It just shifts the bill to somebody else.

**REP. WRANGHAM** It affects dollars that come from other people in that local entity, I question using state dollars to clear up a county problem, are the county commissioners supporting this bill?

**SEN. COOK** I don't recall if the county commissioners sat in on this bill. I won't speak on behalf of them.

**MARCY DICKERSON, STATE TAX DEPARTMENT** Testified in support of the bill. See attached written testimony.

She responded to Rep. Wrangham's question, stating that this will be a value to all of the taxpayers in North Dakota. I don't see it as a problem expending state funds to assist all of the taxpayers. There are specific areas, not only in farm residence exemptions, one area that comes to mind, is assessment of vacant lots, around large cities, where there is new property suddenly becoming residential and commercial property and it would be worthwhile if someone audited that to see if they are being assessed equitably. There are a lot of issues out there that can definitely be helped by the provisions of this bill.

**REP. BELTER** If we can't find \$200,000, will you be able to absorb this in the tax department?

**MARCY DICKERSON** I don't know the answer to that.

**KEN YANTES, TOWNSHIP OFFICER'S ASSOCIATION** Testified in support of the bill.

I believe this is one of the best bills I have seen for quite some time as far as being responsible on the township level. I think someone should have the authority, if things are not being handled correctly, that someone will correct it. I think we need that audit, and a \$200,000 figure is not too bad.

**WADE MOSER, NORTH DAKOTA STOCKMEN'S ASSOCIATION** Testified in support

of the bill. We are here to support this mainly because of the comment Sen. Cook made concerning uniformity. We see a huge problem coming down the line here with the use of soil maps, to determine taxation on classification of property. An audit would be able to bring out those differences. We know of examples in Barnes County, Barnes County uses soil types to determine productivity for cropland and rangeland, but does not classify one type as another based on soils. We know another county that basically, takes the soil and disregards what it is being used for. You could have native pasture with good soil, being classified as farmland. We think that is not right. We do see very big problems with uniformity.

**ARVID WINKLER, TOWNSHIP ASSESSOR, BARNES COUNTY** Testified in a neutral position. Related to a big problem in his area of inundated farmland. He stated some values got reduced that should not have been reduced.

**ERIC AASMUNDSTAD, REPRESENTING THE NORTH DAKOTA FARM BUREAU**

Testified in opposition of the bill. He stated when this bill went to the Senate, they thought about doing a five percent random audit of property assessment statewide which carried a fiscal note of

1.2 million dollars. We opposed it at that time for that reason. We continue that here with a \$200,000 fiscal note for the appropriation. It is estimated that there are 619,000 parcels in the state, five percent would be approximately 30,955 parcels to audit, or \$38.70 a parcel cost to audit. If you take the expenditure in this bill of \$200,000 and do the math, you would come up with less than 5,168 audits could be performed. It seems that 8/10ths of one percent of all parcels audited in the state, to see that it is a uniform procedure, is probably not enough to have any repeatable, statistical accuracy, to see if anything is being done right, or wrong. You may pick out one here or there that was done wrong, there would be nothing gained by the state or any political subdivision if this were passed. As for Marcy's comments on the value to the taxpayer, the only effect would be the \$200,000 spent.

With no further testimony, the committee hearing was closed.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2243

House Finance and Taxation Committee

Conference Committee

Hearing Date **March 9, 2005**

Tape Number	Side A	Side B	Meter #
2	X		13.7

Committee Clerk Signature

Minutes:

**COMMITTEE ACTION**

**REP. OWENS** Made a motion for a **do not pass**.

**REP. IVERSON** Second the motion. **MOTION CARRIED**

**12 YES    2 NO    0 ABSENT**

**REP. IVERSON** Was given the floor assignment.

Date: 3-9-05  
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2243

House FINANCE & TAXATION Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Not Pass

Motion Made By Rep. Owens Seconded By Rep. Iverson

Representatives	Yes	No	Representatives	Yes	No
BELTER, WES, CHAIRMAN	✓				
DROVDAL, DAVID, V-CHAIR	✓				
BRANDENBURG, MICHAEL	✓				
CONRAD, KARI		✓			
FROELICH, ROD	✓				
GRANDE, BETTE	✓				
HEADLAND, CRAIG	✓				
IVERSON, RONALD	✓				
KELSH, SCOT	✓				
NICHOLAS, EUGENE	✓				
OWENS, MARK	✓				
SCHMIDT, ARLO	✓				
WEILER, DAVE		✓			
WRANGHAM, DWIGHT	✓				

Total (Yes) 12 No 2

Absent 0

Floor Assignment Rep. Iverson

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
March 9, 2005 1:34 p.m.

**Module No: HR-43-4521**  
**Carrier: Iverson**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2243, as reengrossed: Finance and Taxation Committee (Rep. Belter, Chairman)**  
recommends **DO NOT PASS** (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING).  
Reengrossed SB 2243 was placed on the Fourteenth order on the calendar.

**2005 TESTIMONY**

SB 2243

DATE: 1/25/2005

TO: Senate Finance and Taxation Committee

FROM: Kevin Ternes, City Assessor for Minot, ND KJT

SUBJECT: Regarding Senate Bill No. 2243.

Senate Bill 2243 proposes to add an annual random audit of at least 5 percent of property assessments statewide to be conducted by the supervisor of assessments in the ND Tax Department. Five percent of random property assessments for Minot would be about 550 of around 12,000 residential parcels and about 80 commercial parcels of around 1,600

To add a layer of assessment auditors in the Tax Department would probably more than double the size of the current Tax Commissioner's property tax division, cost the state hundreds of thousands of dollars per year, and could in many ways be a duplication of the assessment process already performed at the local level.

Would this be a physical review of a homeowner's property to include making an appointment with the homeowner, then checking the measurements and walking through the property? A physical review is quite labor intensive. We spend the majority of the year doing about 15% of our parcel count. Even 5% would take a small team months to complete when you calculate weather, sick days and vacation. What policies will the tax department use when the property owner refuses to co-operate in the assessment process?

The City of Minot already does a physical review of taxable property about every 7 years and an annual office review of all property using computer models and statistics. Would 5% of Minot property owners/residents be visited by State Tax Department officials on a rotating basis in addition to the local assessor's staff? Or would the Tax Department audit be an in-office mass appraisal of randomly selected properties? Who would be responsible to produce the data, the research and sales verifications? How many days and weeks will be required by the local assessor's office to devote to such an audit in assisting State Tax Department staff? Would just an office review of assessment data be productive without actually going out and physically reviewing the assessor's data?

All assessment offices in the state have different computer programs and some have no computer assessment software as small assessment jurisdictions may have property data that resides in file cabinets only.

The local assessor and staff are more familiar with the real estate market than an out of town assessment auditing team could possibly be. Will the Tax Department staff select appropriate comparable sales to be used in their study and will it be based on adequate information and knowledge of the local market? Again, our concern is that the local assessor will spend days and weeks per year in assisting the auditing team in gathering data, and researching the real estate market. Time and effort they currently apply to new construction and review of existing property to ensure an up to date estimate of True and Full Value.

The local assessor has already subscribed to the local realty company data bases which are meant to be confidential. Will the state also budget adequate funds to subscribe to all the various local realty boards so they can be on-line?

Our office is open to anyone who has questions about the assessment process and produces an annual report for its citizens. We do believe however that this bill moves the state tax department further into the assessment of property that has always been done on a local level under the guidance and supervision of the State Supervisor of Assessments in the Tax Commissioner's office. If there is a concern among lawmakers that good assessment practices and procedures are not being followed, possibly there are opportunities to address those concerns with out such a massive auditing program.

An annual real estate sales ratio study is conducted by the State Tax Department to determine if the assessment jurisdiction is assessing property at or near market value as indicated by the real estate sales reported to the Tax Commissioner. Those jurisdictions that fail to meet the requirements of the State Board of Equalization are usually ordered to be adjusted so that the assessment levels comply. Therefore, the current system tries to ensure that property owners throughout the state are assessed equitably at current market value. Almost all jurisdictions consistently meet the requirements of assessing property at or near market value. There are relatively few individuals that appear at the annual meeting in Bismarck to protest the assessment of their property. In fact, most cities and counties have no one to appear to protest their assessment.

I believe the current system that studies assessment levels to actual sales is good but could possibly be improved upon and would we be happy to give suggestions. Improvements could be made that could be accomplished at a fraction of the cost and would be an easier task for the local assessor to assist with.

We would ask that you consider our immediate concerns about the lack of guidelines in performing the audit, and the investment of time, resources and funding of this auditing proposal by both the state and local jurisdictions when deliberating this bill.

Thank you for your time and consideration!

Kevin Ternes  
City Assessor  
City of Minot  
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Minot ND 58701

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**SENATE FINANCE AND TAXATION COMMITTEE**  
January 25, 2005

Testimony of Marcy Dickerson, State Supervisor of Assessments

SENATE BILL 2243

Mr. Chairman, Members of the Committee, for the record my name is Marcy Dickerson and I am employed as State Supervisor of Assessments and Director of the Property Tax Division by the Tax Commissioner.

Senate Bill 2243 provides that the state supervisor of assessments shall conduct an annual random audit of 5 percent of property assessments statewide, farm building and farm residence exemptions allowed or denied, and valuations under N.D.C.C. §57-02-14 of real property exempt from taxation. We support the concept of random audits.

We estimated costs of conducting an annual random audit of 5 percent of property assessments statewide based on a preliminary bill draft. Based on data from the International Association of Assessing Officers and books on assessment administration, we estimate a need for between 6.5 and 11.5 FTE's to annually audit 30,955 parcels or 5 percent of the total 619,095 property tax parcels statewide. All estimated costs indicate a budget of between \$813,011 and \$1,419,051 per biennium.

The requirements for audits of 5 percent of farm building and residence exemptions allowed or denied would require approximately an additional 2,500 annual audits. We cannot estimate the number of audits of exempt properties because we do not know the number of exempt properties. To cover all the requirements of this bill, I estimate the total biennial cost to the State to be somewhere between \$878,050 and \$1,532,575. Also, time would be needed to acquire and train necessary additional personnel.

In addition to state expense, counties will incur costs. They will have to provide complete lists of all properties to be compiled in a state database from which the random samples will be selected. They will have to provide assistance to the state auditors. We have not estimated those costs.

This concludes my prepared testimony. I will be glad to try to answer any questions.

OFFICE OF STATE TAX COMMISSIONER  
FISCAL ESTIMATE FOR PROPOSED PROPERTY TAX BILL

cription	Cost per 1 FTE per biennium	2 FTE	6.5 FTE	11.5 FTE
Database with all parcels in state to include selection criteria and tolerances. Cost of program does not change with # of FTEs.	15,000	15,000	15,000	15,000
Audit program - assume develop internally to provide guideline for employee while auditing. Random selection process done within database	0	0	0	0
Salary with fringe benefits	77,400	154,800	503,100	890,100
Training program	10,000	20,000	70,000	120,000
Computer - laptop	2,000	4,000	14,000	24,000
Equipment workstation, chair, calculator, supplies, file cabinet	5,950	11,900	41,650	71,400
Network fees	720	1,440	5,040	8,640
Telephone	1,648	3,296	11,536	19,776
Travel - mileage, food, lodging	23,490	46,980	152,685	270,135
<b>TOTAL</b>	<b>136,208</b>	<b>257,416</b>	<b>813,011</b>	<b>1,419,051</b>

Assumptions

- \* Counties would provide data via the Internet. We will take info and combine in an Access database. This database will identify parcels that meet the criteria and tolerance levels established and randomly select from listing.
- \* Assume starting pay at \$2520 / mo x 28% fringe benefits
- \* Assume no rental space is required to house additional employees
- \* Assume training program includes two advanced apprasier classes @ \$5,000 ea.
- \* Travel expenses based on 50% travel (27 weeks / yr) using per diem and state fleet mileage rates

**HOUSE FINANCE AND TAXATION COMMITTEE**

March 1, 2005

Testimony of Marcy Dickerson, State Supervisor of Assessments

SENATE BILL 2243

Mr. Chairman, Members of the Committee, for the record my name is Marcy Dickerson and I am employed as State Supervisor of Assessments and Director of the Property Tax Division by the Tax Commissioner.

Senate Bill 2243 provides that the state supervisor of assessments shall conduct an annual random audit of property assessments statewide, farm building and farm residence exemptions allowed or denied, and valuations under N.D.C.C. § 57-02-14 of real property exempt from taxation. The State Supervisor of Assessments shall present the results of random audits to the State Board of Equalization and to a committee designated by the Legislative Council.

I support the concept of performing random audits as set out in Senate Bill 2243. This will be a tool to improve the quality of property tax assessments statewide.

This concludes my prepared testimony. I will be glad to try to answer any questions.