

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1051

2007 HOUSE FINANCE AND TAXATION

HB 1051

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1051 A

## House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 17, 2007

Recorder Job Number: 1264

Committee Clerk Signature

*Michele Schmitt*

### Minutes:

Chairman Belter opened the hearing on HB 1051. Vice Chairman Drovdal took over the meeting while the Chairman Belter testified. The clerk read the roll and everyone was present.

**Chairman Belter:** HB 1051 is a State paid property tax credit. The credit in the Bill is for amount of 10% for residential property and 5% for commercial and Ag property. It also has a tax credit for property owned by RR's as well as Air Carriers. Sections 4, 5, & 6 on page 3 give the mechanisms by which the Tax Commissioner, State Treasurer and the County Auditors can do all the transactions that need to be done in order to make this provision of law work. The tax payer will still receive their 5% tax credit if they choose to do the early payment on their taxes. This doesn't affect any property tax credit that is effective by payments in lieu of personal property or real estate taxes. In section 5 there is an appropriation for this Bill for \$116,720,911.00. Pam Sharp from OMB will be testifying on this portion of the Bill. I do have amendments to this Bill. **(See attachment #1, amendment 0105 and 3 other attachments)** One of the unfortunate things with the Government, is the government giveth and government taketh away. What the amendments do is cap the Political Sub.'s to a 3% increase for the amount of levied dollars. The reason I introduced this portion is because if the State is going to become involved in property tax relief, it's important that we insure that tax payers are getting

actual property tax relief and necessary that we put some type of cap on Political Sub.'s.

These amendments are identical to Rep. Herbel's amendments except his doesn't change the percentage on the tax.

**Rep. Gil Herbel: (See attachment #2, amendment #0104)** testified in support. If you look on the back of the amendments that has been added where it has changed the 5% Ag land, 5% for commercial and the 10% for residential to 7.45% across the border for all entities involved. That's the only difference between the two amendments. \$116 million dollars is real property tax relief. As amended we've capped the Bill and also the percentage. This Bill has a tax statement and there is a provision in the statement that will specify how many dollars were returned. It gives relief to everyone and attacks our greatest problem, property tax. Our property tax is high compared to the national average.

**Vice Chairman Drovdal:** If we adopt your amendments and change it, will that change the fiscal note?

**Rep. Gil Herbel:** No, it's using the same number of dollars; it's just how it got spread out.

**Sen. Dwight Cook:** testified in support. We've had many a discussion on who should get the relief and we ended up with a Bill where all property owners in the State of ND get property tax relief. That is unique with this Bill compared to some of the others. We also ended up with a Bill with favorable attention in giving it to homeowners. I believe that is very important. We need to look at the property taxes levied in ND, you compare them to property taxes levied in neighboring States, and you'll find that our taxes on homes are really out of whack. We discussed multiple ideas of how to deliver this relief. At the end, keep it simple prevailed. It is easy for the tax payer to understand this Bill and more importantly it's easier to administer. We introduced this Bill early so the discussions and debate could be brought before the people of

this State. ND has a three-legged tax stool; sales tax, income tax, and property tax. I as you believe that the property tax leg is broken.

**Representative Weiler:** In all of the discussions, was there any discussion to the method of returning this money by sending a check back to the people versus just sending a notice to people that they received "x" amount of dollars and if so, if there was discussion on that, why was that not one of the options?

**Sen. Dwight Cook:** It was never discussed and also I believe it might be unconstitutional.

**Representative Wrangham:** Do you support the amendments that were offered by Rep. Belter?

**Sen. Dwight Cook:** Yes, I support those amendments.

**Representative Wrangham:** On the 3% cap, how did you determine the 3%?

**Sen. Dwight Cook:** I agree with the comments that the Chairman made that if we are going to offer property tax relief that we'd have to put some kind of caps on what local Political Sub.'s can do without the vote of the people. I think you'll probably have people from Political Sub.'s that will add some red flags to this Bill, and that this is a local issue. This does not mean that a Political Sub. cannot raise the taxes more than 3%, it just simply says they can't do it without the vote of the people. And I can't think of what's closer to the people than a vote of the people.

**Representative Wrangham:** Was 2% considered?

**Sen. Dwight Cook:** I didn't draft those amendments; the amount of the cap will certainly be discussed and debated.

**Representative Pinkerton:** On the commercial property rates are fairly reasonable as compared to our residential property rates. Did the committee study that issue as far as the commercial property versus residential?

**Sen. Dwight Cook:** In the last three Interims that I served on and that issue was discussed in great detail. It's a tremendous amount of data that's been put out. A question that comes to mind is a company like Walmart, when they move into ND, do they consider the commercial property tax that they have to pay here, versus what they pay in another State? My guess is no. But I can tell you this, when I drive down the Strip in Mandan, and talk to the property owners, they will tell me that their commercial property tax is high and I can't argue with them.

**Representative Pinkerton:** Seemingly it's the school taxes that seem to be so escalated, and other entities have held their taxes. If you put a cap on it, will it affect all Political Sub.'s the same or capping school districts, cities, counties, parks?

**Sen. Dwight Cook:** It will affect all Political Sub.'s. If they need to exceed the cap, they can go to the vote of the people. When we talk about property taxes, we have to understand property tax pays for local government. That's what that leg of the stool is for. We demand local government and at the same time, to some degree the citizens have to understand that there's going to be a Bill to come along with that. When you try to find a way efficiencies or ways of downsizing local government, the citizens don't tend to be too receptive to that for some reason, yet they certainly don't like to pay the property taxes for local government. So we have a mixed message here and sooner or later we will have to address it.

**Representative Pinkerton:** The 3% cap, is that going to go to the vote of the people, a simple majority or require 60%?

**Sen. Dwight Cook:** I didn't draft those amendments.

**Vice Chairman Drovdal:** Thank you. I will turn the hearing back over to the Chairman.

**Chairman Belter:** John Walstad, could you walk us through the amendments?

**John Walstad, Legislative Counsel:** not for or against any of this. The amendment prepared by Rep. Belter. I think it's important to recognize the property tax levy increase authority that

Political Sub.'s have under current law. There are a number of caps. Many Political Sub.'s have levy authority based on a number of mills against taxable valuation, that's the traditional method for those that are not levying up to the number of mill allowed by statute, under current law, they could increase their levy in one shot right up to that number. If it's a 40 mill limit and they're levying 28, they could jump it up to 40 mills tomorrow. There are also some unlimited levies, some are voter approved, unlimited property tax levy authority, or by statute there are some kinds of levies for specific purposes that are unlimited that the levy goes as high as it needs to go pay the cost of whatever that thing is, like a judgment against a Political Sub. The other situation that exists for Political Sub.'s is with school districts. They can levy up to 185 mills for their general fund and if they're below that the statute allows them to increase their levy by 18% in dollars from what they levied last year. So those districts can bump up their property tax levy by 18% in one year under current statutory authority. The other situation that exists is derived from a 1981 statutory change. At that time the property tax system was restructured, we weren't sure what was going to happen. Subdivisions either gained or lost value and so a different kind of levy limitation was put in place. And what that was, we weren't going to look at mills against taxable value anymore because values flips all directions. This was going to be based on the number of dollars levied by the district in the previous tax year and that would be their bench mark for what they could levy the next year. That method is still in place. It used to provide a percentage increase each year until about 1993, at that point the Legislature locked it down. No more increases by a percentage but, that provision is still in law, you can levy the same amount of dollars that you levied in the highest levy of your most recent three years. That becomes your levy limit. There are a lot of Political Sub.'s that are under that kind of limit because for whatever reason, they are now levying at a number that is above those statutory mill rates that they could levy without this section and they need this section of

law to continue to levy at the amount they're levying now. The amendment that was prepared says that a levy increase of 35, but it is worded so that this by itself does not give a Political Sub. a 3% increase. It says if the Political Sub. has authority under mill rights, that increase for school districts or otherwise, if they have authority for an increase, they can take it but the increase is limited to 3%. So that district that was 28 mills, they couldn't jump to 40 mills, they could go up 3% above the 28 mills. The one situation where there's no increase in authority is those districts that are capped out under that levy in dollars measure. They've been capped out since 1993, which has been the Legislatures decision that that caps stays there. This would leave that there. This does not allow 3% on top of that number. Those districts that are capped under current law will remain capped and this would not give them the 3%. This is all very complicated. The question about the vote requirement to increase this, I don't think we have voters' authority to exceed this and if that was intended that that be in here, then my apologies Mr. Chairman, that was my oversight, and it's not in here.

**Chairman Belter:** Yes it was my intent; we'll have to add it.

**John Walstad:** As long as we're talking about that, what should that percentage be; majority vote?

**Chairman Belter:** Yes, 60%.

**Representative Kelsh:** Does this affect Home Rule?

**John Walstad:** This does not address Home Rule or contain a provision that this limit could not be exceeded under Home Rule Authority. That really gets into a different issue. I think Home Rule could supersede this. The Home Rule law says you can supersede any conflicting State law if it's properly implemented and approved by the voters under the Home Rule Charter. I suspect none of them have that now. Home Rule is not prohibited by current law

from superseding mill levy limitations and things like that under State Law. That might be an issue some people may want to open.

**Vice Chairman Drovdal:** Under this proposal, do the residences get 10%; commercial gets 7.45% with the one amendment? A number of our farmers in the State pay property tax on their home because of income farming and so forth, but when they get this tax statement it's all shown as part of the quarter of land. Does the Assessor have a different type of formula that they compute separately?

**John Walstad:** we got some Assessors in the room who could probably address that better. As you indicated, if there is a residence on farm land that is subject to property tax because of non farm income, the 10% reduction would have to apply against the residence and the 5% against the Ag land and how you sort that out, I don't know. I would imagine that the Assessor is going to have to provide separate assessments for those properties. When the property tax relief is provided it goes against the property it's supposed to at the rates provided here.

**Representative Froelich:** Has this been done in any other States?

**John Walstad:** Other States have all kinds of ways to deal with property tax levels and some of them do provide property tax relief. One that we are constantly asked to look at is Minnesota. Minnesota provides some substantial property tax relief for residence, which I think is unconstitutional, but I don't have property there, so I can't assume. They do provide a property tax refund, a payment from the State. We have a provision in our Constitution that the State cannot provide a gift, except for reasonable support of the poor. What that means is from the case law I've read, is that once a tax obligation has become fixed, in the case of a property tax, the tax year ends, boom, the mill rates are in place, your values in place, your liability is set. Once that liability is set, the State can't write you a check for part of that. The Legislature is always free to provide reductions of tax liability that has not yet become due. That's why the

Legislature can change income taxes effective for this tax year we're in right now because the liability doesn't fix until the end of the year. The Legislature can provide relief for property taxes based on this tax year because your tax bill isn't fixed till the year ends.

**Representative Pinkerton:** Can we have a list of the top property tax payers in the State?

**John Walstad:** It's available in the County Auditor's office. Are you talking about individual entities owning property?

**Representative Pinkerton:** Yes. Like Burlington Northern/Sante Fe, etc...

**John Walstad:** We can tag those guys.

**Representative Pinkerton:** So what can you tag out of this building?

**John Walstad:** Centralized assessed property only, public utilities, RR's, airlines, etc...

**Representative Pinkerton:** Are the RR's taxed at 100% value?

**John Walstad:** Yes. They are assessed by the State Board of Equalization. All of their property is valued at market value. Then that property within each taxing district in the State, the part of that RR property in a Township is subject to that Township's mill rate. The taxes that the RR pays in each County and each school district differ although the value of property is uniform; the mill rates in each district are different.

**Chairman Belter:** On page 2, line 11; Does that not answer Rep. Drovdal's question about the Treasurer shall allow credit for the appropriate percentage? Are they just talking in general terms or would it apply to a specific individual?

**John Walstad:** Yes, that provision that addresses the issue that Rep. Drovdal raised about if property contains, it could contain commercial, Ag, and residential all in one and if that is the case, then the Assessor is going to have to value those properties, the portion of the total value of the parcel, according to how much is each of those categories, so that each category receives the proper percentage of relief under the structure laid out here, the 10, 5, 5.

**Bill Goetz, Chief of Staff for Governor Hoven:** testified in support; central to tax policy as we're faced with it today, is that piece of policy that relates to ability to pay and the burden of the property tax that we as property owners are subject to pay within our jurisdictions. I'm here to encourage you to on behalf of the Governor to not only work on this particular Bill but other legislation that is coming forward, taking the best ideas and bringing those ideas together in what is right for the tax payers of ND.

**Pam Sharp, Director of Office of Management and Budget:** I am testifying in support of this Bill relating to property tax relief. The funding for this property tax relief is included in the Governors budget. This is a good plan. We believe that at the end of the current biennium that fund will have about 128 million dollars. We expect revenues at about 167 million to flow through into fund next biennium. Now after taking out 115.7 million for the property tax relief, the fund will still have a balance at the end of the next biennium of 178 million dollars. So even with funding this property tax relief, the fund is still growing by 50 million dollars per biennium and will continue to grow in the future bienniums. This Bill also contains an appropriation section, so we'll just need to work through it.

**Cory Fong, State Tax Commissioner: (See attachment #3 & #4)**

**Representative Froelich:** Has anybody crunched the numbers? All of these entities would allow at least 3% and I know it's not going to happen but if they did, would that exceed the 116 million dollar property tax relief?

**Cory Fong:** I've not seen the amendments that were proposed today. I know for certain those figures have not been crunched at least not by our department.

**Representative Weiler:** You talk about sustainability. As we look over the last 30 years that the oil tax revenue, I don't know if that number has always exceeded 100 million dollars. What happens if oil goes in the tank?

**Cory Fong:** I think you raised an important question. I think that this Legislature has to take a look at. Even with the 116 million, we're looking at 178 million dollars remaining in the current trust fund based on forecasting information that we will work on with Industry and other industries. We show that the price of oil will sustain at approximately that 45 dollar level in the future, which will provide a sustainable funding source. You're correct, what happens if the economy changes, global markets change and etc... I do think going forward with the current price and the forecasted price, I believe we are going to be able to sustain the level of relief.

**Dewayne Pool, Citizen and Home owner from Bismarck:** testified in support; I think the ND tax burden is significant the way it quotes property taxes and I think it's important you keep it in mind. This shows a respectful level of fiscal restraint.

**Janis S. Cheney, State Director for AARP in ND: (See attachment #5)**

**Eric Aasmundstad, President of ND Farm Bureau:** testimony in support; our position is quite simple; we pay our property tax relief. We're generally supportive of a lot of the concepts here in HB1051. We believe that the relief must go to all classifications of property. We're all paying too much and this Bill addresses that. We like the cap on dollars, although we think it should be something less than 3%.

**Mark Johnson, President of ND Counties:** The Counties of ND have looked at this proposal and we think there's much to like in the Governors initial proposal on property tax relief, but I cannot stand here and say that we totally support this because we see already there's going to be some suggested changes and amendments to this piece of legislation. I hope that this will maybe be the vehicle for which we include the session and that we can all come in to some agreement as to what's the proper way to deliver property tax relief. There are already a number of proposals and we also know that there are proposals trying to drain these 116

million dollars into other, where they would consider being more valuable proposals. We want to work with you, and support property tax relief. This is a good start.

**Representative Weiler:** The amendment of 3%, capped for the budgets, how many of the 53 Counties is that going to negatively affect?

**Mark Johnson:** I can't tell you the exact number. I can get back to you with that information with the cooperation of the Tax Dept. We could give you something that will show you what Counties would be affected that are already in effect capped out and not able to levy any more, with the exception that John Walstad talked about which is, we have some unlimited levy authority but it's things like providing for the poor. If we run out of money for Social Services we can in fact levy efficiency for those costs. But many of our Counties are capped out. It started down that path in 1993.

**Representative Weiler:** Could you get the last 3 or 5 years of each budget or some type of number along those lines so we can see a trend?

**Mark Johnson:** We as an Association independently pay an individual to be a State auditor to audit the odds of the Counties. We are unfortunate in terms of being able to go back any farther right now than 2005 because we don't have an audit on 2006. I can try to get that information for you. It's in their total dollars expended.

**Rebecca Albers, Mandan Resident:** I am here to state that I support the upper tool on our taxes as a resident of Mandan we're feeling the increase for high residential taxes. In 2008 our two year taxes will be less and my property taxes will surpass my monthly mortgage payment. Our property taxes are too high. I urge you to support the effort to lower our taxes.

**Larry Severson, Farmer from Mayville, Tax Assessor of Roseville Township, and District**

**Director of the North Dakota Township Officers Association:** I represent 6,000 Township Officers that serve 1,100 Townships. We support the efforts of this Bill. We are looking at the

amendments and we question the cap and this application to the Townships. The Township budget is determined each year by a vote of the people at our annual meeting. With that I ask you to support this Bill and carefully look at the amendments.

**Dan Wogsland, Executive Director of the North Dakota Grain Growers Association:**

Obviously Agriculture's very interested in this and we support your efforts. We all look forward to working with your committee as well as with the legislature to put together a package that we can all live with.

**Connie Sprynczynatyk, ND League of Cities:** I know that the amendments that have been talked about, even though I haven't seen them, are probably going to be troublesome for City budgets where property tax isn't in the general fund and the general funds are used for policing, fire and emergency communications, in some cases, roads and streets. And so some of those essential services, if these amendments impact the provision of the essential services, I suspect there will be concern from the Cities. We are supportive of the original proposal and will be happy to take an in depth look at the amendments.

**Chairman Belter:** Is there any other testimony in support? Opposition? Neutral?

**Bev Nielson, North Dakota School Boards Association:** I did want to get up in favor of the Bill, but then when the amendments came up, unfortunately, I couldn't. **(See attachment #6)**

**Representative Weiler:** I'd like to go back to the mandated minimum teachers salaries that you said are unfunded. We fully funded those and you supported them when they were up two sessions ago... Of all of the school boards, this 3% cap, how many school boards will that affect?

**Bev Nielson:** According to what? Do you want to know how many are at the cap? John Walstad said it will affect everybody that there wasn't a provision. For those who are at the

cap, I'm going to say about 30%, but I can't be sure. DPI keeps all of those records and we don't do that in manipulation, like they do at DPI.

**Representative Weiler:** This Bill without the amendments, as I understand it, doesn't affect education funding. It's all about property tax revenues, correct?

**Bev Nielson:** That's absolutely correct, but the point that we were making was that we believe that the funds really are sustainable. That perhaps the better way to reach the percentage problem would be to push some of these funds into K-12 formula as opposed to giving it back.

**Representative Weiler:** How much is enough?

**Bev Nielson:** We've paid a quarter of a million dollars to do an adequacy study in the State of ND and they have done the majority of the adequacy studies for the court cases across the country. They said to provide with the Federal and State government requiring of local schools, yet we were 200 million dollars a year short. That's 400 million dollars a biennium. We've never supported the State mandating minimum salary.

**Representative Headland:** So we can fully understand what we're looking at with these caps, would it be possible that you provide the committee on per district basis for every school district, how much State aid that 's been received over the last five years?

**Bev Nielson:** I personally can't get that information, DPI has it.

**Representative Pinkerton:** You probably haven't seen this chart. It shows property taxes and inflation. If we were to get where the chart line was of the State funding, how do you think that would fit in there?

**Bev Nielson:** I know that you could get that from DPI. They also have information about the cost of education and the amount of State funding and how much has been picked up by the locals.

**Chairman Belter:** We can get that information. Are there any other questions? We will close the hearing.

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1051

## House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 1, 2007

Recorder Job Number: 2666

Committee Clerk Signature

*Mickie Schmiel*

### Minutes:

Chairman Belter opened the hearing on HB 1051 and had the clerk read the roll; everyone was present except Rep. Grande. The Chairman handed out some amendments and asked John Walstad from Legislative Counsel to walk the committee through the amendments.

**John Walstad, Legislative Counsel:** I am not here to support or oppose the amendments, just providing my public service information. There are number of points covered by the amendments. The first section on the first page of the amendments, section 1, brings a new thing into 1051 and it is a homestead credit adjustment. The Homestead Credit is available for property owners, renters, mobile home owners, sixty-five or older or permanently and totally disabled; if their incomes are within the ranges provided by statute. The income ranges in statute begin on page 1, at the bottom. You can see the lowest income bracket amount in current law runs up to \$8,500. This amendment would increase that to \$10,000. On page 2, the current high end income to qualify for the HC is \$14,500 and this amendment would increase that amount to \$17,500. Those income adjustments don't sound like a lot, but the estimated effect of this is to increase the current cost of the HC to the State from about 4.5 million dollars a biennium to about 8.1 million dollars a biennium, so it is a significant fiscal affect. On page 4, the limitation on property tax levies by taxing districts. We already have a

number of kinds of limitations on property tax levies under current law. Under those provisions there are three situations that a Political Sub. might be in. One is the authority to levy up to a certain number of mills for general fund or special fund purposes, and there are all kinds of those in law. Under any of those, if the sub division is levying below that number of mills under current law, that sub division can, without approval from voters or anything else, kick that levy from wherever they are up to that statutory maximum, even if it's a 100% increase. The other possibility is for school districts. The statutory mill levy limit is 185 mills. Get the school district to levy below 185 mills, the current law says they can raise their levy in dollars by 18% from the previous year until they hit that 185 mills. So they've got a limit but it's 18% a year. The other ones, there was no limit till they hit the cap. The other situation that exists is for sub divisions that have capped out. For whatever reason above those mill levy numbers otherwise provided by law 57-15-01.1 allows them to levy the same amount in dollars as the highest of the previous three tax years and that is their benchmark for what their levy is. Within that there are some adjustments made to reflect property that comes on or goes off the tax rolls. There's an exception for bonded indebtedness, new levies approved by the voters or by the legislatures. Under those three scenarios, a sub division might be capped out at no more tax levy increase authority, might have an 18% increase authority, but the school district might have a substantial increase authority if it has been able to keep it's levy below the statutory mill levy limits. This section would lie above and over the top of all of those kinds of provisions. This says not with a standing that a taxing district may have some unused levy authority anywhere else in law. That taxing district can't increase its property tax levy by more than 3-1/2% over the previous year's amount in dollars. Then there are some exceptions. The same kind of adjustments that exists in 57-15-01.1 for improvements to property, this is commonly called growth, growth in a tax base, property tax exemptions that existed in a previous year but

now the property is taxable and adjustment is allowed for that so there's more property tax can be levied against that property. There's an adjustment for property that was taxable but has become exempt now and an adjustment has to be made downward. Temporary mill levy increases have now expired, there has to be an adjustment made for that. There's a mistake here, and that's sub division three. It says 3%; it should say 3-1/2% on page 4.

**Representative Weiler:** At the top of page 4, number 1. Is that each individual home or is that as a whole basically the dollars that they took in for property taxes can't exceed more than 3-1/2%?

**John Walstad:** It's the whole kit and caboodle levied by the taxing district.

**Representative Weiler:** Is there a provision in here? We had Rep. Koppelman in here the other day and one of his concerns is if you get a new development in town where 30 new houses went up, that's going to greatly increase the property taxes that you take in. Where is that? Is that sub A?

**John Walstad:** Yes that's that sub A.

**Representative Weiler:** It says when improvements to property have been made which were not taxable, that's improvements. I'm talking about brand new subdivisions.

**John Walstad:** You mean the land that was not within the City that's been annexed in?

**Representative Weiler:** I'm talking about new houses that go up.

**John Walstad:** Those are improvements.

**Representative Weiler:** Those are considered improvements? Ok.

**John Walstad:** Now that you mention it; that does not deal with annexation if property is annexed into a City. There wouldn't be an adjustment here, and there probably should be.

Looking at subsection 2, these are exceptions. This 3-1/2% cap will now apply in the case of newer increased levies authorized by State law, that is, if something is enacted by the

Legislature saying you can levy 2 mills or whatever, that will be an add on, it won't be subject to this cap.

The second thing is irrepealable taxes to pay bonded indebtedness, we have to allow property taxes to cough up the money necessary to pay off bonds or nobody will write bonds in this State. It's also required by the Constitution.

The third thing is the County or City emergency fund levy. Under current law, Counties and Cities have authority to levy its 2 mill levy for Counties and 2-1/2 mill for Cities with a maximum that can be held in a fund for emergencies of 5 mills in both Counties and Cities. That emergency fund is available for snow removal, unanticipated kinds of expenditures and things like that. That levy is limited by law, 2 mills and a 5 mill balance, but 3-1/2% limit on the increase from last year would not apply to that levy for the City and the County. The Governors office had some concerns about that ability to deal with emergencies. That levy is accepted but its still subject to the 2 mill or 2-1/2 mill limit per year and a 5 mill balance.

In subsection 3 the mill rate for property that wasn't taxable can't be subjected to a higher mill rate than property that was taxable.

Subsection 4; the limitation here is this limit on property tax levies can't be superseded by City or County Home Rule but, it can be suspended within a taxing district by a majority vote of electors voting on question at a regular or special election. So Home Rule can't supersede it, but any taxing district can present the question to their voters, will you let us live without this limitation and if the majority of the voters approve it, this limitation doesn't apply and there's no sunset on this, so whatever the voters are willing to approve, a permanent suspension, that's what will happen.

**Vice Chairman Drovdal:** It was brought up that annexations are covered; if you went into A in subsection 1; and put the word "annexation and/or" right before improvements so it reads

"when annexation and/or improvements to property have been made." Would that solve the problem with adding annexation in there?

**John Walstad:** The language wouldn't quite fit but I think you're right. That's probably the place that that could be blended into there. I can come up with some language to do that here. On page 5; this is a different area of the Bill and relates to what is in the Bill now. It's not a new provision but it is a change to what the Bill does. First of all the Bill provides the Property Tax Relief Credit, ten percent for residential, five percent for commercial and Ag property. The first change is page 2, line 8; that ten percent for residential property, some language is tacked on that saying residential property owned and occupied by an individual as that individual's homestead. Homestead by law is your one primary residence, where you spend most of your time, where you consider yourself to be a voter, that residence and only that. Only North Dakota residents would be eligible for property tax relief. If you have a second home in North Dakota or a hunting lodge or a cabin at the lake in ND, but there primary residence is elsewhere would not receive any property tax credit.

**Representative Headland:** If you have 2 homes, you have one in Florida and one in ND. And you are calling your residence Florida because they have no income tax, but you only live there 5 months a year, you're not going to get property tax relief in ND?

**John Walstad:** That's correct.

**Representative Froelich:** If I owned 2 homes in Bismarck, would I only get one?

**John Walstad:** Yes. This is only good for one residence per individual.

**Representative Froelich:** If I owned this home and got the tax credit, how does that work with apartments?

**John Walstad:** There might be an issue there on whether that is considered commercial or residential property. If you own a single family home and you rent it to somebody and live in

another single family home yourself, I'm not sure if that's a commercial or residential property. Since it's not your primary residence, it wouldn't be exempted if it's residential. If it's commercial it would be eligible for the credit. I said exempt, I meant eligible for the credit if it's residential.

**Representative Froseth:** If you own a home in the town you live in and own a lake cabin in ND, both properties wouldn't qualify?

**John Walstad:** Yes. This could limit the residential property tax credit to a homestead residence.

**Representative Weiler:** I'm trying to put some clarification on the person that owns one house, lives in it and owns another house, but rents it out, that house is not zoned commercial. So does zoning affect this at all, because, apartment buildings aren't going commercial either.

**John Walstad:** Zoning would be one of the things that are looked at but I don't think it's going to be controlling as to classification of property. Commercial property is a catch all classification. It doesn't really have a definition. It is anything that's not residential, agricultural or essentially assessed. I will have to talk to Marcy about the rental property classification. If it's classified residential, there's going to be no credit for that property if it's not a homestead. If it's commercial then the owner would be eligible for a 5 percent credit because of commercial status.

The next category here, the 5% credit for commercial of Ag property and you can see in the amendments the language is tacked on there. Page 5, sub 3 on the amendment. What this would do is greatly restrict the possibility of property tax credits of property owned by non residents. It's appraised as homestead residency but the effect of it is, for example, Walmart will not get a 5% property tax credit. Joe's Hardware Store might get a 5% credit if Joe owns

20% of the business and makes the management decisions and has a house or mobile home in ND that is homestead.

**Representative Froelich:** My brother lives in Georgia. He has  $\frac{3}{4}$  of land in Stutsman County. Because he doesn't live here, have a residence here, he would not get any relief?

**John Walstad:** That is correct.

**Representative Froelich:** Do you think that will stand up constitutionally?

**John Walstad:** It's not a slam dunk either way. Anytime tax policy boils down to residence versus non residence, is a real issue. I perceive that courts are getting tougher about that. On the other hand, legislation in ND has a pretty strong presumption of constitutionality. It takes at least 4 of the Judges of our court to declare something unconstitutional. This approach as far as I know has never been taken by a State. There's no case law on this exact legal situation and a decision of court saying yes or no.

The next part and this was requested by the Tax Commissioner to be included. The little indented 3 and 4 there, it's for mobile homes. Apparently it was intended originally when the Bill was introduced that the credits would be available for mobile homes and so it is a 10% credit occupied as a homestead. It is a 5% for mobile homes that are classified as commercial and then the same limitations applies, the 20% ownership, the homestead in the State for the owner and management decisions and so on.

The next couple changes about owner/operator lessee; those were also requested by the Tax Commissioner to be included. They relate to the RR property and the air carrier transportation property.

Page 3, line 20 on the Bill right now the property tax credit is stated to not apply to any property subject to payments or taxes in lieu, real property taxes. In putting the Bill together, I

didn't recognize mobile homes are actually subject to a tax in lieu of property tax. It's a mobile home tax, so that's why it's necessary to say other than mobile homes.

The next change in the amendments is on page 4 of the Bill, after line 2, a new section is inserted. This is requested by the Tax Commissioner. The problem is the current law says if there are delinquent taxes against the property, when some money becomes available to the County. On that property, the first thing the County does is apply that money to the delinquency, not your current taxes. And so to make sure that the property tax credit payment that goes out doesn't get applied to delinquent taxes, it's necessary to make a change here so that the payment actually would read to us; current taxes even if there is a delinquency against property, it's an administrative thing.

The next change adds the section into the Bill draft and this is one we did to this page of all these nice numbers. It's scary to look at but what it does is fairly easy to explain. This has to do with HB1150, the marriage penalty. The Bill as introduced would have changed the low end bracket for married filing jointly to be double what the single filer bracket amount was. It only went that far because federal law only goes that far in getting rid of the marriage penalty. This amendment provides complete marriage penalty relief by going through all of the marriage filing jointly bracket amounts and making them equal to double the single filing bracket amounts. So if you look at that first lump of numbers there under single, then you look at the second lump of numbers under married filing jointly, and compare those income amounts. The married filing jointly number is exactly twice what the single filing number is. That's why there's a marriage penalty under current law. The married filing jointly numbers are not doubled in the single bracket amounts; they're probably more in the area of 1.7 or something like that.

The next part is at the very end of the amendments, some changes in the affect of date clause.

There has to be a one year delay for mobile home taxes, because mobile home taxes are paid in advance. On page 7, the last paragraph of amendments.

In section 8, its effective, that means a special provision because it's income tax. Everything else in the Bill relates to property tax. Hopefully I covered everything.

**Chairman Belter:** Getting back to that annexation. Is that something you could fix?

**John Walstad:** Yes. Ok, let's do it this way. It says when improvements to property have been made, then let's insert;"or property has been added to the taxing district, which was not taxable in the previous year the additional taxable valuation attributable to the improvements or additional property is taxable without regard to the limitation under this subsection. So if we've got some property brought into the taxing district that wasn't there, that's an add on.

**Chairman Belter:** Are there any questions on those?

**Representative Froseth:** On page 5, a question on these subsections 3 and 4. Is this information and calculations that the County has on file at the present time of ownership? There's like 20%. Is that information readily available by the Counties at this time?

**John Walstad:** The ownership of mobile homes is what the 10% fiscal effect would be?

**Representative Froseth:** How do they know its primary? How do they know that he owns 20% of the business?

**John Walstad:** The Political Sub. won't know that. They will have to require that individual to claim that credit and prove that ownership interests, residency status, management status. It's a situation that exists to some extent now under the Homestead Tax Credit; we've got some income requirements. It also exists under the Farm Residency exemption. We've got income requirements, activity requirements, and non farm income requirements. Those are things the Assessor doesn't know, they have to ask.

**Chairman Belter:** The marriage penalty would be, I assume the same as we had earlier, which I believe 16 million. The Homestead Credit is 8.1.

**Representative Weiler:** Also the money that's going to go out of State is decreased by we don't know. We need to take that off of there.

**Chairman Belter:** That amount is at this point indeterminable.

**Representative Pinkerton:** I'd like to know how much the credit was on that Homestead.

**Vice Chairman Drovdal:** By the proposal it's 8.1 but previously it was 4.5 so the increase would be 3.6.

**Representative Pinkerton:** So it's about 7 total.

**Vice Chairman Drovdal:** 8.1.

**Chairman Belter:** It was 4.5. Any other questions? I'd ask for a motion to adopt the amendments and then John, you will make those corrections?

**John Walstad:** Yes.

**Vice Chairman Drovdal:** I will move the amendments.

**Representative Weiler:** Second it.

**Chairman Belter:** Any discussion?

**Representative Pinkerton:** Can the minority ask for a recess to go over this?

**Chairman Belter:** How much time do you need?

**Representative Pinkerton:** 15 minutes.

**Chairman Belter:** You can take 5 minutes. John, we have another correction we'd like to make.

**John Walstad:** On page 4 of the amendments, that first subsection number 1 at the very bottom of that first paragraph. The concern of some with that is if you're high water mark is last year, then that's your bench mark for future levities. There's a real disensitive to levying less in

dollars in one year than you did before because it drops your high water mark. The suggestion was made that the same provision should be here that's in 57-15-01.1, and that is that your benchmark is your highest levy in the last 3 years so that you can levy less in one year without losing levying authority and you don't have that insensitive levy to keep your levy out artificially. To make that change, on that third line at the bottom of that paragraph, insert the word "highest" after "exceed more than 3-1/2 % the." He goes on to correct the amendment.

**Chairman Belter:** What are your wishes on the amendments?

**Vice Chairman Drovdal:** I would move the amendment, 106 with the corrections.

**Representative Weiler:** Second it.

**Chairman Belter:** Any questions?

**Representative Pinkerton:** This is a pretty nice tax Bill. I wish we could have had it earlier so that we could have a chance to digest it and maybe we could have been some help to the Bill. I do disagree with the amount of the income tax breaks. Is there a chance that it could be adjusted down to a more reasonable number?

**Chairman Belter:** I don't look at this as a tax break, but a correcting an inequity in our tax system between those who file a single and those who file jointly. That's all we're doing is correcting that inequity.

We have a motion. All those in favor of the proposed amendments signify by saying aye. The motion carries. What are your wishes?

**Vice Chairman Drovdal:** I move a Do Pass as Amended and rerefered to Appropriations.

**Representative Headland:** Second it.

**Chairman Belter:** Is there any discussion?

**Representative Vig:** A small clarification. Did we only add 0106 or other amendments as well?

**Chairman Belter:** No, we just added 0106 with the corrections that were made here today.

**Representative Pinkerton:** Again on the Bill. Without me being able to check back with my constituents I will have to oppose this.

**Representative Froelich:** I share the same, I will have to oppose this also. I still have some question about the constitutionalities.

**Vice Chairman Drovdal:** I'm going to support the Bill.

**Chairman Belter:** I do apologize for rushing this. You will find that stuff does get on the fast track when we get into conference committees and everything else, it really rolls. It doesn't always seem like the best way to do things but it still works well.

**Representative Kelsh:** I will have to oppose this Bill, not because of the amendment but because of the one time rebate for the property tax payer.

**Representative Schmidt:** I kind of like parts of this Bill but will have to oppose it also.

**Representative Owens:** If we had any problem constitutionally it would be with the commercial aspect of it.

**Chairman Belter:** Any other questions? Will the clerk read the roll; 8-y; 5-n; 1-absent; Rep. Weiler will carry the Bill. Closed the hearing on HB1051.



**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 10 of HB 1051 second engrossment with Senate Amendments provides a standing and continuing appropriation from the permanent oil tax trust fund for the state-paid property tax relief contained in Section 5 of the bill.

Section 11 of HB 1051 second engrossment with Senate Amendments provides a general fund appropriation of \$3.8 million to the tax commissioner for the homestead credit provisions contained in Section 1 of the bill.

The executive budget contains \$116.7 million for state-paid property tax relief for the 2007-09 biennium.

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	03/15/2007

**FISCAL NOTE**  
 Requested by Legislative Council  
 02/16/2007

**REVISION**

Amendment to:           Engrossed  
                                   HB 1051

**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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			(\$20,774,000)			
<b>Expenditures</b>			\$3,776,000	\$100,533,000		
<b>Appropriations</b>				\$116,700,000		

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1051 second engrossment provides state-paid property tax relief for certain resident property owners, modifies the homestead credit program, and increases the individual income tax brackets for married joint filers to twice the single brackets (to remove the "marriage penalty").

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of HB 1051 second engrossment modifies the homestead credit program.

Section 5 of HB 1051 second engrossment provides the specifics of the state-paid property tax relief.

Section 9 of HB 1051 second engrossment changes the individual income tax brackets for married filers.

**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.*

Section 9 of HB 1051 second engrossment updates the individual income tax brackets for Form ND-1 to the inflation-indexed level for tax year 2007. It also adjusts the "married-joint" brackets to twice the level of the single brackets, and makes the "married-separate" brackets equal to the single brackets. This removes the "marriage penalty" from the individual income tax brackets. This is expected to reduce state general fund revenues by an estimated \$20.774 million in the 2007-09 biennium.

**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.*

Section 1 of HB 1051 second engrossment modifies the homestead credit program and is expected to increase state general fund expenditures by an estimated \$3.776 million in the 2007-09 biennium.

Section 5 of HB 1051 second engrossment provides state-paid property tax relief and is expected to increase permanent oil tax trust fund expenditures by an estimated \$100.533 million in the 2007-09 biennium.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency*

*and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 10 of HB 1051 second engrossment provides an appropriation of \$116,700,000 from the permanent oil tax trust fund for the state-paid property tax relief contained in Section 5 of Eng. 1051.

The expected biennial fiscal impact of the property tax relief contained in the original version of this bill (equal to the appropriation contained in Section 10 of HB 1051 second engrossment) is included in the executive budget.

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	02/16/2007

**FISCAL NOTE**  
**Requested by Legislative Council**  
02/14/2007

Amendment to:           Engrossed  
                                  HB 1051

**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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			(\$20,774,000)			
<b>Expenditures</b>			\$104,309,000			
<b>Appropriations</b>				\$116,700,000		

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1051 second engrossment provides state-paid property tax relief for certain resident property owners, modifies the homestead credit program, and increases the individual income tax brackets for married joint filers to twice the single brackets (to remove the "marriage penalty").

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of HB 1051 second engrossment modifies the homestead credit program.

Section 5 of HB 1051 second engrossment provides the specifics of the state-paid property tax relief.

Section 9 of HB 1051 second engrossment changes the individual income tax brackets for married filers.

**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.*

Section 9 of HB 1051 second engrossment updates the individual income tax brackets for Form ND-1 to the inflation-indexed level for tax year 2007. It also adjusts the "married-joint" brackets to twice the level of the single brackets, and makes the "married-separate" brackets equal to the single brackets. This removes the "marriage penalty" from the individual income tax brackets. This is expected to reduce state general fund revenues by an estimated \$20.774 million in the 2007-09 biennium.

**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.*

Section 1 of HB 1051 second engrossment modifies the homestead credit program and is expected to increase state general fund expenditures by an estimated \$3.776 million in the 2007-09 biennium.

Section 5 of HB 1051 second engrossment provides state-paid property tax relief and is expected to increase state general fund expenditures by an estimated \$100.533 million in the 2007-09 biennium.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and*

*appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 10 of HB 1051 second engrossment provides an appropriation of \$116,700,000 from the permanent oil tax trust fund for the state-paid property tax relief contained in Section 5 of Eng. 1051.

The expected biennial fiscal impact of the property tax relief contained in the original version of this bill (equal to the appropriation contained in Section 10 of HB 1051 second engrossment) is included in the executive budget.

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	02/16/2007

**FISCAL NOTE**  
 Requested by Legislative Council  
 02/06/2007

Amendment to: HB 1051

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			(\$20,774,000)			
<b>Expenditures</b>			\$104,309,000			
<b>Appropriations</b>			\$116,720,911			

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Eng. HB 1051 provides state-paid property tax relief for certain resident property owners, modifies the homestead credit program, and increases the individual income tax brackets for married joint filers to twice the single brackets (to remove the "marriage penalty").

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of Eng. HB 1051 modifies the homestead credit program.

Section 4 of Eng. HB 1051 provides the specifics of the state-paid property tax relief.

Section 8 of Eng. HB 1051 changes the individual income tax brackets for married filers.

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.*

Section 8 of Eng. HB 1051 updates the individual income tax brackets for Form ND-1 to the inflation-indexed level for tax year 2007. It also adjusts the "married-joint" brackets to twice the level of the single brackets, and makes the "married-separate" brackets equal to the single brackets. This removes the "marriage penalty" from the individual income tax brackets. This is expected to reduce state general fund revenues by an estimated \$20.774 million in the 2007-09 biennium.

The expected biennial fiscal impact of the property tax relief contained in the original version of this bill (equal to the appropriation contained in Section 9 of Eng. HB 1051) is 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.*

Section 1 of Eng. HB 1051 modifies the homestead credit program and is expected to increase state general fund expenditures by an estimated \$3.776 million in the 2007-09 biennium.

Section 4 of Eng. HB 1051 provides state-paid property tax relief and is expected to increase state general fund expenditures by an estimated \$100.533 million in the 2007-09 biennium.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 9 of Eng. HB 1051 provides an appropriation of \$116,720,911 for the state-paid property tax relief contained in Section 4 of Eng. 1051.

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	02/12/2007

**FISCAL NOTE**  
**Requested by Legislative Council**  
12/26/2006

Bill/Resolution No.: HB 1051

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>			\$116,720,911			
<b>Appropriations</b>			\$116,720,911			

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1051 provides state-paid property tax relief of ten percent for residential properties, and five percent for agricultural and commercial properties in the state.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 of HB 1051 provides the specifics of the state-paid property tax relief.

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.*

The expected biennial fiscal impact of this bill is 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.*

HB 1051 is expected to increase state general fund expenditures by an estimated \$116,721,000.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 5 of HB 1051 provides an appropriation equal to the estimated amount of property tax relief provided in 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>	01/16/2007

1-17-07

#2 HB 1051  
70332.0104  
Title.

Prepared by the Legislative Council staff for  
Representative Herbel

January 15, 2007

Rep. Herbel

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1051

Page 1, line 1, replace "section" with "sections 57-15-01.2 and"

Page 1, line 2, after the first "to" insert "limitations on levies by taxing districts and"

Page 1, after line 6, insert:

"SECTION 1. Section 57-15-01.2 of the North Dakota Century Code is created and enacted as follows:

**57-15-01.2. Limitation on levies by taxing districts.**

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section limits that authority. This section may not be interpreted as authority to increase any levy limitation otherwise provided by law and may only be applied to limit any unused or excess levy authority that a taxing district may otherwise be entitled to use. Property taxes in dollars levied by a taxing district may not exceed by more than three percent the amount levied in dollars by that taxing district against taxable property in that taxing district in the preceding taxable year except:
  - a. When improvements to property have been made which were not taxable in the previous taxable year, the additional taxable valuation attributable to the improvements is taxable without regard to the limitation under this subsection.
  - b. When a property tax exemption existed in the previous taxable year which has been reduced or does not exist, the portion of the taxable valuation of the property which is no longer exempt is not subject to the limitation in this subsection.
  - c. When a property tax exemption exists for property that was taxable in the previous year, the amount levied in dollars in the previous taxable year by the taxing district must be reduced by the amount determined by applying the previous year's calculated mill rate for that taxing district to the previous year's taxable valuation of that property before the three percent increase allowable under this subsection is applied.
  - d. When temporary mill levy increases authorized by the electors of the taxing district or mill levies authorized by state law existed in the previous taxable year but are no longer applicable or have been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increases and the reduced or eliminated mill levies authorized by state law before the three percent increase allowable under this subsection is applied.
2. The limitation under subsection 1 does not apply to:
  - a. New or increased mill levies authorized by state law or the electors of the taxing district which did not exist in the previous taxable year.

- b. Any irrepeatable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota.
3. The mill rate applied to property that was not taxed in the previous taxable year may not exceed the mill rate determined by law for the current taxable year for property that was taxed in the previous taxable year."

Page 2, line 4, replace the first "against" with "of seven and forty-five hundredths percent of" and after "taxes" insert "in dollars"

Page 2, remove lines 5 through 15

Page 2, line 18, replace "five" with "seven and forty-five hundredths"

Page 2, line 21, replace "five" with "seven and forty-five hundredths"

Renumber accordingly

#1/E

HB 1051 1-17-07

70332.0105  
Title.

Prepared by the Legislative Council staff for  
Representative Belter  
January 16, 2007

Rep. Belter's

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1051

Page 1, line 1, replace "section" with "sections 57-15-01.2 and"

Page 1, line 2, after the first "to" insert "limitations on levies by taxing districts and"

Page 1, after line 6, insert:

"SECTION 1. Section 57-15-01.2 of the North Dakota Century Code is created and enacted as follows:

57-15-01.2. Limitation on levies by taxing districts.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section limits that authority. This section may not be interpreted as authority to increase any levy limitation otherwise provided by law and may only be applied to limit any unused or excess levy authority that a taxing district may otherwise be entitled to use. Property taxes in dollars levied by a taxing district may not exceed by more than three percent the amount levied in dollars by that taxing district against taxable property in that taxing district in the preceding taxable year except:
  - a. When improvements to property have been made which were not taxable in the previous taxable year, the additional taxable valuation attributable to the improvements is taxable without regard to the limitation under this subsection.
  - b. When a property tax exemption existed in the previous taxable year which has been reduced or no longer exists, the portion of the taxable valuation of the property which is no longer exempt is not subject to the limitation in this subsection.
  - c. When a property tax exemption exists for property that was taxable in the previous year, the amount levied in dollars in the previous taxable year by the taxing district must be reduced by the amount determined by applying the previous year's calculated mill rate for that taxing district to the previous year's taxable valuation of that property before the three percent increase allowable under this subsection is applied.
  - d. When temporary mill levy increases authorized by the electors of the taxing district or mill levies authorized by state law existed in the previous taxable year but are no longer applicable or have been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increases and the reduced or eliminated mill levies authorized by state law before the three percent increase allowable under this subsection is applied.
2. The limitation under subsection 1 does not apply to:
  - a. New or increased mill levies authorized by state law or the electors of the taxing district which did not exist in the previous taxable year.

- b. Any irrepeatable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota.
3. The mill rate applied to property that was not taxed in the previous taxable year may not exceed the mill rate determined by law for the current taxable year for property that was taxed in the previous taxable year."

Renumber accordingly

February 1, 2007

## PROPOSED AMENDMENTS TO HOUSE BILL NO. 1051

Page 1, line 1, replace "section" with "sections 57-15-01.2 and"

Page 1, line 2, after the first "to" insert "limitations on levies by taxing districts and" and after "sections" insert "57-02-08.1,"

Page 1, line 3, replace "and" with "57-20-21.1," and after "57-32-03" insert ", and 57-38-30.3"

Page 1, line 4, after "statements" insert ", income tax rates, priority for delinquent taxes, the homestead property tax credit,"

Page 1, after line 6, insert:

**"SECTION 1. AMENDMENT.** Section 57-02-08.1 of the North Dakota Century Code is amended and reenacted as follows:

**57-02-08.1. Homestead credit.**

1. a. Any person sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied, with an income that does not exceed the limitations of subdivision c is entitled to receive a reduction in the assessment on the taxable valuation on the person's homestead. An exemption under this subsection applies regardless of whether the person is the head of a family.
- b. The exemption under this subsection continues to apply if the person does not reside in the homestead and the person's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the person is not rented to another person.
- c. The exemption must be determined according to the following schedule:
  - (1) If the person's income is not in excess of ~~eight~~ ten thousand ~~five hundred~~ dollars, a reduction of one hundred percent of the taxable valuation of the person's homestead up to a maximum reduction of three thousand thirty-eight dollars of taxable valuation.
  - (2) If the person's income is in excess of ~~eight~~ ten thousand ~~five hundred~~ dollars and not in excess of ~~ten~~ twelve thousand dollars, a reduction of eighty percent of the taxable valuation of the person's homestead up to a maximum reduction of two thousand four hundred thirty dollars of taxable valuation.
  - (3) If the person's income is in excess of ~~ten~~ twelve thousand dollars and not in excess of ~~eleven~~ fourteen thousand ~~five hundred~~ dollars, a reduction of sixty percent of the taxable valuation of the person's homestead up to a maximum reduction of one thousand eight hundred twenty-three dollars of taxable valuation.

- (4) If the person's income is in excess of ~~eleven~~ fourteen thousand ~~five hundred~~ dollars and not in excess of ~~thirteen~~ sixteen thousand dollars, a reduction of forty percent of the taxable valuation of the person's homestead up to a maximum reduction of one thousand two hundred fifteen dollars of taxable valuation.
- (5) If the person's income is in excess of ~~thirteen~~ sixteen thousand dollars and not in excess of ~~fourteen~~ seventeen thousand five hundred dollars, a reduction of twenty percent of the taxable valuation of the person's homestead up to a maximum reduction of six hundred eight dollars of taxable valuation.
- d. Persons residing together, as spouses or when one or more is a dependent of another, are entitled to only one exemption between or among them under this subsection. Persons residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full exemption under this subsection equal to their ownership interests in the property.
- e. This subsection does not reduce the liability of any person for special assessments levied upon any property.
- f. Any person claiming the exemption under this subsection shall sign a verified statement of facts establishing the person's eligibility.
- g. A person is ineligible for the exemption under this subsection if the value of the assets of the person and any dependent residing with the person, excluding the unencumbered value of the person's residence that the person claims as a homestead, exceeds fifty thousand dollars, including the value of any assets divested within the last three years. For purposes of this subdivision, the unencumbered valuation of the homestead is limited to one hundred thousand dollars.
- h. The assessor shall attach the statement filed under subdivision f to the assessment sheet and shall show the reduction on the assessment sheet.
- i. An exemption under this subsection terminates at the end of the taxable year of the death of the applicant.
2. a. Any person who would qualify for an exemption under subdivisions a and c of subsection 1 except for the fact that the person rents living quarters is eligible for refund of a portion of the person's annual rent deemed by this subsection to constitute the payment of property tax.
- b. For the purpose of this subsection, twenty percent of the annual rent, exclusive of any federal rent subsidy and of charges for any utilities, services, furniture, furnishings, or personal property appliances furnished by the landlord as part of the rental agreement, whether expressly set out in the rental agreement, must be considered as payment made for property tax. When any part of the twenty percent of the annual rent exceeds four percent of the annual income of a qualified applicant, the applicant is entitled to receive a refund from the state general fund for that amount in excess of four percent of the person's annual income, but the refund may not be in excess of two hundred forty dollars. If the calculation for the refund is less than five dollars, a minimum of five dollars must be sent to the qualifying applicant.

- c. Persons who reside together, as spouses or when one or more is a dependent of another, are entitled to only one refund between or among them under this subsection. Persons who reside together in a rental unit, who are not spouses or dependents, are each entitled to apply for a refund based on the rent paid by that person.
  - d. Each application for refund under this subsection must be made to the tax commissioner before the first day of June of each year by the person claiming the refund. The tax commissioner may grant an extension of time to file an application for good cause. The tax commissioner shall issue refunds to applicants.
  - e. This subsection does not apply to rents or fees paid by a person for any living quarters, including a nursing home licensed pursuant to section 23-16-01, if those living quarters are exempt from property taxation and the owner is not making a payment in lieu of property taxes.
  - f. A person may not receive a refund under this section for a taxable year in which that person received an exemption under subsection 1.
3. All forms necessary to effectuate this section must be prescribed, designed, and made available by the tax commissioner. The county directors of tax equalization shall make these forms available upon request.
  4. A person whose homestead is a farm structure exempt from taxation under subsection 15 of section 57-02-08 may not receive any property tax credit under this section.
  5. For the purposes of this section:
    - a. "Dependent" has the same meaning it has for federal income tax purposes.
    - b. "Homestead" has the same meaning as provided in section 47-18-01.
    - c. "Income" means income for the most recent complete taxable year from all sources, including the income of any dependent of the applicant, and including any county, state, or federal public assistance benefits, social security, or other retirement benefits, but excluding any federal rent subsidy, any amount excluded from income by federal or state law, and medical expenses paid during the year by the applicant or the applicant's dependent which is not compensated by insurance or other means.
    - d. "Medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the person may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.
    - e. "Permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician.

**SECTION 2.** Section 57-15-01.2 of the North Dakota Century Code is created and enacted as follows:

**57-15-01.2. Limitation on levies by taxing districts.**

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section limits that authority. This section may not be interpreted as authority to increase any levy limitation otherwise provided by law and may only be applied to limit any unused or excess levy authority that a taxing district may otherwise be entitled to use. Property taxes in dollars levied by a taxing district may not exceed by more than three and one-half percent the amount levied in dollars by that taxing district against taxable property in that taxing district in the preceding taxable year except:
  - a. When improvements to property have been made which were not taxable in the previous taxable year, the additional taxable valuation attributable to the improvements is taxable without regard to the limitation under this subsection.
  - b. When a property tax exemption existed in the previous taxable year which has been reduced or no longer exists, the portion of the taxable valuation of the property which is no longer exempt is not subject to the limitation in this subsection.
  - c. When a property tax exemption exists for property that was taxable in the previous year, the amount levied in dollars in the previous taxable year by the taxing district must be reduced by the amount determined by applying the previous year's calculated mill rate for that taxing district to the previous year's taxable valuation of that property before the three and one-half percent increase allowable under this subsection is applied.
  - d. When temporary mill levy increases authorized by the electors of the taxing district or mill levies authorized by state law existed in the previous taxable year but are no longer applicable or have been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increases and the reduced or eliminated mill levies authorized by state law before the three percent increase allowable under this subsection is applied.
2. The limitation under subsection 1 does not apply to:
  - a. New or increased mill levies authorized by state law or the electors of the taxing district which did not exist in the previous taxable year.
  - b. Any irrevocable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota.
  - c. A county emergency fund levy under section 57-15-28 or a city emergency fund levy under section 57-15-48.
3. The mill rate applied to property that was not taxed in the previous taxable year may not exceed the mill rate determined by law for the current taxable year for property that was taxed in the previous taxable year.
4. The limitation under this section may not be superseded by a city or county under home rule authority but may be suspended within a taxing district by approval of a majority of electors of the taxing district voting on the question at a regular or special election of the taxing district."

Page 2, line 8, after "property" insert "owned and occupied by an individual as that individual's homestead" and remove "or"

Page 2, line 10, replace the underscored period with ", if the individual primarily responsible for management decisions regarding that property has an ownership interest of at least twenty percent in that property and owns and occupies residential property or a mobile home in this state as that person's homestead;

(3) Ten percent of mobile home taxes in dollars levied against residential mobile homes under chapter 57-55 if the mobile home is owned and occupied by an individual as that individual's homestead; or

(4) Five percent of mobile home taxes in dollars levied against commercial mobile homes under chapter 57-55 if the individual primarily responsible for management decisions regarding that property has an ownership interest of at least twenty percent in that property and owns and occupies residential property or a mobile home in this state as that individual's homestead."

Page 2, line 16, after "owner" insert ", operator, or lessee"

Page 2, line 20, after "owner" insert ", operator, or lessee"

Page 3, line 20, after "property" insert "other than mobile homes"

Page 4, after line 2, insert:

**"SECTION 6. AMENDMENT.** Section 57-20-21.1 of the North Dakota Century Code is amended and reenacted as follows:

**57-20-21.1. Priority for delinquent taxes.** When payment is made for any real or personal property taxes or special assessments, payments must be applied first to the oldest unpaid delinquent taxes or special assessments due, if any, shown to exist upon the property for which the tax payments are made, including any penalty and interest, except payments of state-paid property tax relief credit made by the state must be applied to taxes for the year for which the state-paid property tax relief credit is granted. The discounts applicable to payment of taxes set out in section 57-20-09 do not apply to payment of taxes made on property upon which tax payments are delinquent."

Page 4, after line 22, insert:

**"SECTION 8. AMENDMENT.** Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to

North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$27,050</del> <u>\$31,850</u>	2.10%
Over <del>\$27,050</del> <u>\$31,850</u> but not over <del>\$65,550</del> <u>\$77,100</u>	<del>\$568.05</del> <u>\$668.85</u> plus 3.92% of amount over <del>\$27,050</del> <u>\$31,850</u>
Over <del>\$65,550</del> <u>\$77,100</u> but not over <del>\$136,750</del> <u>\$160,850</u>	<del>\$2,077.25</del> <u>\$2,442.65</u> plus 4.34% of amount over <del>\$65,550</del> <u>\$77,100</u>
Over <del>\$136,750</del> <u>\$160,850</u> but not over <del>\$297,350</del> <u>\$349,700</u>	<del>\$5,167.33</del> <u>\$6,077.40</u> plus 5.04% of amount over <del>\$136,750</del> <u>\$160,850</u>
Over <del>\$297,350</del> <u>\$349,700</u>	<del>\$13,261.57</del> <u>\$15,595.44</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u>

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$45,200</del> <u>\$63,700</u>	2.10%
Over <del>\$45,200</del> <u>\$63,700</u> but not over <del>\$109,250</del> <u>\$154,200</u>	<del>\$949.20</del> <u>\$1,337.70</u> plus 3.92% of amount over <del>\$45,200</del> <u>\$63,700</u>
Over <del>\$109,250</del> <u>\$154,200</u> but not over <del>\$166,500</del> <u>\$321,700</u>	<del>\$3,459.96</del> <u>\$4,885.30</u> plus 4.34% of amount over <del>\$109,250</del> <u>\$154,200</u>
Over <del>\$166,500</del> <u>\$321,700</u> but not over <del>\$297,350</del> <u>\$699,400</u>	<del>\$5,944.61</del> <u>\$12,154.80</u> plus 5.04% of amount over <del>\$166,500</del> <u>\$321,700</u>
Over <del>\$297,350</del> <u>\$699,400</u>	<del>\$12,539.45</del> <u>\$31,190.88</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$699,400</u>

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$22,600</del> <u>\$31,850</u>	2.10%
Over <del>\$22,600</del> <u>\$31,850</u> but not over <del>\$54,625</del> <u>\$77,100</u>	<del>\$474.60</del> <u>\$668.85</u> plus 3.92% of amount over <del>\$22,600</del> <u>\$31,850</u>
Over <del>\$54,625</del> <u>\$77,100</u> but not over <del>\$83,250</del> <u>\$160,850</u>	<del>\$1,729.98</del> <u>\$2,442.65</u> plus 4.34% of amount over <del>\$54,625</del> <u>\$77,100</u>
Over <del>\$83,250</del> <u>\$160,850</u> but not over <del>\$148,675</del> <u>\$349,700</u>	<del>\$2,972.31</del> <u>\$6,077.40</u> plus 5.04% of amount over <del>\$83,250</del> <u>\$160,850</u>
Over <del>\$148,675</del> <u>\$349,700</u>	<del>\$6,269.73</del> <u>\$15,595.44</u> plus 5.54% of amount over <del>\$148,675</del> <u>\$349,700</u>

d. Head of household.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$36,250</del> <u>\$42,650</u>	2.10%
Over <del>\$36,250</del> <u>\$42,650</u> but not over <del>\$93,650</del> <u>\$110,100</u>	<del>\$761.25</del> <u>\$895.65</u> plus 3.92% of amount over <del>\$36,250</del> <u>\$42,650</u>
Over <del>\$93,650</del> <u>\$110,100</u> but not over <del>\$151,650</del> <u>\$178,350</u>	<del>\$3,011.33</del> <u>\$3,539.69</u> plus 4.34% of amount over <del>\$93,650</del> <u>\$110,100</u>
Over <del>\$151,650</del> <u>\$178,350</u> but not over <del>\$297,350</del> <u>\$349,700</u>	<del>\$5,529.53</del> <u>\$6,501.74</u> plus 5.04% of amount over <del>\$151,650</del> <u>\$178,350</u>
Over <del>\$297,350</del> <u>\$349,700</u>	<del>\$12,971.81</del> <u>\$15,137.78</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u>

e. Estates and trusts.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$1,800</del> <u>\$2,150</u>	2.10%
Over <del>\$1,800</del> <u>\$2,150</u> but not over <del>\$4,250</del> <u>\$5,000</u>	<del>\$37.80</del> <u>\$45.15</u> plus 3.92% of amount over <del>\$1,800</del> <u>\$2,150</u>
Over <del>\$4,250</del> <u>\$5,000</u> but not over <del>\$6,500</del> <u>\$7,650</u>	<del>\$133.84</del> <u>\$156.87</u> plus 4.34% of amount over <del>\$4,250</del> <u>\$5,000</u>

Over ~~\$6,500~~ \$7,650 but not over  
~~\$8,900~~ \$10,450  
Over ~~\$8,900~~ \$10,450

~~\$231.49~~ \$271.88 plus 5.04% of amount  
over ~~\$6,500~~ \$7,650  
~~\$352.45~~ \$413.00 plus 5.54% of amount  
over ~~\$8,900~~ \$10,450

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

- (1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and
- (2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. For taxable years beginning after December 31, ~~2004~~ 2007, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes."

Page 4, line 29, after "2006" insert ", for ad valorem property taxes and for taxable years beginning after December 31, 2007, for mobile taxes. Section 8 of this Act is effective for taxable years beginning after December 31, 2006"

Renumber accordingly

Home - mistake

**House Amendments to HB 1051 (70332.0107) - Finance and Taxation Committee  
02/02/2007**

Page 1, line 1, replace "section" with "sections 57-15-01.2 and"

Page 1, line 2, after the first "to" insert "limitations on levies by taxing districts and" and after "sections" insert "57-02-08.1,"

Page 1, line 3, after the first comma insert "57-20-21.1," and after "57-32-03" insert "and subsection 1 of section 57-38-30.3"

Page 1, line 4, after "statements" insert ", income tax rates, priority for delinquent taxes, the homestead property tax credit,"

Page 1, after line 6, insert:

**"SECTION 1. AMENDMENT.** Section 57-02-08.1 of the North Dakota Century Code is amended and reenacted as follows:

**57-02-08.1. Homestead credit.**

1. a. Any person sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied, with an income that does not exceed the limitations of subdivision c is entitled to receive a reduction in the assessment on the taxable valuation on the person's homestead. An exemption under this subsection applies regardless of whether the person is the head of a family.
- b. The exemption under this subsection continues to apply if the person does not reside in the homestead and the person's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the person is not rented to another person.
- c. The exemption must be determined according to the following schedule:
  - (1) If the person's income is not in excess of ~~eight ten~~ ten thousand ~~five hundred~~ dollars, a reduction of one hundred percent of the taxable valuation of the person's homestead up to a maximum reduction of three thousand thirty-eight dollars of taxable valuation.
  - (2) If the person's income is in excess of ~~eight ten~~ ten thousand ~~five hundred~~ dollars and not in excess of ~~ten~~ twelve thousand dollars, a reduction of eighty percent of the taxable valuation of the person's homestead up to a maximum reduction of two thousand four hundred thirty dollars of taxable valuation.
  - (3) If the person's income is in excess of ~~ten~~ twelve thousand dollars and not in excess of ~~eleven~~ fourteen thousand ~~five hundred~~ dollars, a reduction of sixty percent of the taxable valuation of the person's homestead up to a maximum reduction of one thousand eight hundred twenty-three dollars of taxable valuation.

- (4) If the person's income is in excess of ~~eleven~~ fourteen thousand ~~five hundred~~ dollars and not in excess of ~~thirteen~~ sixteen thousand dollars, a reduction of forty percent of the taxable valuation of the person's homestead up to a maximum reduction of one thousand two hundred fifteen dollars of taxable valuation.
- (5) If the person's income is in excess of ~~thirteen~~ sixteen thousand dollars and not in excess of ~~fourteen~~ seventeen thousand five hundred dollars, a reduction of twenty percent of the taxable valuation of the person's homestead up to a maximum reduction of six hundred eight dollars of taxable valuation.
- d. Persons residing together, as spouses or when one or more is a dependent of another, are entitled to only one exemption between or among them under this subsection. Persons residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full exemption under this subsection equal to their ownership interests in the property.
- e. This subsection does not reduce the liability of any person for special assessments levied upon any property.
- f. Any person claiming the exemption under this subsection shall sign a verified statement of facts establishing the person's eligibility.
- g. A person is ineligible for the exemption under this subsection if the value of the assets of the person and any dependent residing with the person, excluding the unencumbered value of the person's residence that the person claims as a homestead, exceeds fifty thousand dollars, including the value of any assets divested within the last three years. For purposes of this subdivision, the unencumbered valuation of the homestead is limited to one hundred thousand dollars.
- h. The assessor shall attach the statement filed under subdivision f to the assessment sheet and shall show the reduction on the assessment sheet.
- i. An exemption under this subsection terminates at the end of the taxable year of the death of the applicant.
2. a. Any person who would qualify for an exemption under subdivisions a and c of subsection 1 except for the fact that the person rents living quarters is eligible for refund of a portion of the person's annual rent deemed by this subsection to constitute the payment of property tax.
- b. For the purpose of this subsection, twenty percent of the annual rent, exclusive of any federal rent subsidy and of charges for any utilities, services, furniture, furnishings, or personal property appliances furnished by the landlord as part of the rental agreement, whether expressly set out in the rental agreement, must be considered as payment made for property tax. When any part of the twenty percent of the annual rent exceeds four percent of the annual income of a qualified applicant, the applicant is entitled to receive a refund from the state general fund for that amount in excess of four percent of the person's annual income, but the refund may not be in excess of two hundred forty dollars. If the calculation for the refund is less than five dollars, a minimum of five dollars must be sent to the qualifying applicant.

- c. Persons who reside together, as spouses or when one or more is a dependent of another, are entitled to only one refund between or among them under this subsection. Persons who reside together in a rental unit, who are not spouses or dependents, are each entitled to apply for a refund based on the rent paid by that person.
  - d. Each application for refund under this subsection must be made to the tax commissioner before the first day of June of each year by the person claiming the refund. The tax commissioner may grant an extension of time to file an application for good cause. The tax commissioner shall issue refunds to applicants.
  - e. This subsection does not apply to rents or fees paid by a person for any living quarters, including a nursing home licensed pursuant to section 23-16-01, if those living quarters are exempt from property taxation and the owner is not making a payment in lieu of property taxes.
  - f. A person may not receive a refund under this section for a taxable year in which that person received an exemption under subsection 1.
3. All forms necessary to effectuate this section must be prescribed, designed, and made available by the tax commissioner. The county directors of tax equalization shall make these forms available upon request.
  4. A person whose homestead is a farm structure exempt from taxation under subsection 15 of section 57-02-08 may not receive any property tax credit under this section.
  5. For the purposes of this section:
    - a. "Dependent" has the same meaning it has for federal income tax purposes.
    - b. "Homestead" has the same meaning as provided in section 47-18-01.
    - c. "Income" means income for the most recent complete taxable year from all sources, including the income of any dependent of the applicant, and including any county, state, or federal public assistance benefits, social security, or other retirement benefits, but excluding any federal rent subsidy, any amount excluded from income by federal or state law, and medical expenses paid during the year by the applicant or the applicant's dependent which is not compensated by insurance or other means.
    - d. "Medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the person may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.
    - e. "Permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician.

**SECTION 2.** Section 57-15-01.2 of the North Dakota Century Code is created and enacted as follows:

## 57-15-01.2. Limitation on levies by taxing districts.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section limits that authority. This section may not be interpreted as authority to increase any levy limitation otherwise provided by law and may only be applied to limit any unused or excess levy authority that a taxing district may otherwise be entitled to use. Property taxes in dollars levied by a taxing district may not exceed by more than three and one-half percent the highest amount levied in dollars by that taxing district against taxable property in that taxing district in the three preceding taxable years except:
  - a. When an improvement to property has been made or property has been added to the taxing district which was not taxable in the previous taxable year, the additional taxable valuation attributable to the improvement or additional property is taxable without regard to the limitation under this subsection.
  - b. When a property tax exemption existed in the previous taxable year which has been reduced or no longer exists, the portion of the taxable valuation of the property which is no longer exempt is not subject to the limitation in this subsection.
  - c. When a property tax exemption exists for property that was taxable in the previous year, the amount levied in dollars in the previous taxable year by the taxing district must be reduced by the amount determined by applying the previous year's calculated mill rate for that taxing district to the previous year's taxable valuation of that property before the three and one-half percent increase allowable under this subsection is applied.
  - d. When temporary mill levy increases authorized by the electors of the taxing district or mill levies authorized by state law existed in the previous taxable year but are no longer applicable or have been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increases and the reduced or eliminated mill levies authorized by state law before the three and one-half percent increase allowable under this subsection is applied.
2. The limitation under subsection 1 does not apply to:
  - a. New or increased mill levies authorized by state law or the electors of the taxing district which did not exist in the previous taxable year.
  - b. Any irrepealable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota.
  - c. A county emergency fund levy under section 57-15-28 or a city emergency fund levy under section 57-15-48.
3. The mill rate applied to property that was not taxed in the previous taxable year may not exceed the mill rate determined by law for the current taxable year for property that was taxed in the previous taxable year.
4. The limitation under this section may not be superseded by a city or county under home rule authority but may be suspended within a taxing district by approval of a majority of electors of the taxing district voting on the question at a regular or special election of the taxing district."

Page 2, line 8, after "property" insert "owned and occupied by an individual as that individual's homestead" and remove "or"

Page 2, line 10, replace the underscored period with ", if the individual primarily responsible for management decisions regarding that property has an ownership interest of at least twenty percent in that property and owns and occupies residential property or a mobile home in this state as that person's homestead:

- (3) Ten percent of mobile home taxes in dollars levied against residential mobile homes under chapter 57-55 if the mobile home is owned and occupied by an individual as that individual's homestead; or
- (4) Five percent of mobile home taxes in dollars levied against commercial mobile homes under chapter 57-55 if the individual primarily responsible for management decisions regarding that property has an ownership interest of at least twenty percent in that property and owns and occupies residential property or a mobile home in this state as that individual's homestead."

Page 2, line 16, after "owner" insert ", operator, or lessee"

Page 2, line 20, after "owner" insert ", operator, or lessee"

**House Amendments to HB 1051 (70332.0107) - Finance and Taxation Committee  
02/02/2007**

Page 3, line 20, after "property" insert "other than mobile homes"

Page 4, after line 2, insert:

**"SECTION 6. AMENDMENT.** Section 57-20-21.1 of the North Dakota Century Code is amended and reenacted as follows:

**57-20-21.1. Priority for delinquent taxes.** When payment is made for any real or personal property taxes or special assessments, payments must be applied first to the oldest unpaid delinquent taxes or special assessments due, if any, shown to exist upon the property for which the tax payments are made, including any penalty and interest, except payments of state-paid property tax relief credit made by the state must be applied to taxes for the year for which the state-paid property tax relief credit is granted. The discounts applicable to payment of taxes set out in section 57-20-09 do not apply to payment of taxes made on property upon which tax payments are delinquent."

Page 4, after line 22, insert:

**"SECTION 8. AMENDMENT.** Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$27,050</del> <u>\$31,850</u>	2.10%
Over <del>\$27,050</del> <u>\$31,850</u> but not over <del>\$66,550</del> <u>\$77,100</u>	<del>\$568.05</del> <u>\$668.85</u> plus 3.92% of amount over <del>\$27,050</del> <u>\$31,850</u>
Over <del>\$66,550</del> <u>\$77,100</u> but not over <del>\$136,750</del> <u>\$160,850</u>	<del>\$2,077.25</del> <u>\$2,442.65</u> plus 4.34% of amount over <del>\$66,550</del> <u>\$77,100</u>
Over <del>\$136,750</del> <u>\$160,850</u> but not over <del>\$297,350</del> <u>\$349,700</u>	<del>\$5,167.33</del> <u>\$6,077.40</u> plus 5.04% of amount over <del>\$136,750</del> <u>\$160,850</u>
Over <del>\$297,350</del> <u>\$349,700</u>	<del>\$13,261.57</del> <u>\$15,595.44</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u>

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$45,200</del> <u>\$63,700</u>	2.10%
Over <del>\$45,200</del> <u>\$63,700</u> but not over <del>\$109,250</del> <u>\$154,200</u>	<del>\$949.20</del> <u>\$1,337.70</u> plus 3.92% of amount over <del>\$45,200</del> <u>\$63,700</u>
Over <del>\$109,250</del> <u>\$154,200</u> but not over <del>\$166,500</del> <u>\$321,700</u>	<del>\$3,459.96</del> <u>\$4,885.30</u> plus 4.34% of amount over <del>\$109,250</del> <u>\$154,200</u>
Over <del>\$166,500</del> <u>\$321,700</u> but not over <del>\$297,350</del> <u>\$699,400</u>	<del>\$5,944.64</del> <u>\$12,154.80</u> plus 5.04% of amount over <del>\$166,500</del> <u>\$321,700</u>
Over <del>\$297,350</del> <u>\$699,400</u>	<del>\$12,539.45</del> <u>\$31,190.88</u> plus 5.54% of amount

over ~~\$297,350~~ \$699,400

c. Married filing separately.

If North Dakota taxable income is:

Not over ~~\$22,600~~ \$31,850

Over ~~\$22,600~~ \$31,850 but not over ~~\$54,625~~ \$77,100

Over ~~\$54,625~~ \$77,100 but not over ~~\$83,250~~ \$160,850

Over ~~\$83,250~~ \$160,850 but not over ~~\$148,675~~ \$349,700

Over ~~\$148,675~~ \$349,700

The tax is equal to:

2.10%

~~\$474.60~~ \$668.85 plus 3.92% of amount over ~~\$22,600~~ \$31,850

~~\$1,729.98~~ \$2,442.65 plus 4.34% of amount over ~~\$54,625~~ \$77,100

~~\$2,972.31~~ \$6,077.40 plus 5.04% of amount over ~~\$83,250~~ \$160,850

~~\$6,269.73~~ \$15,595.44 plus 5.54% of amount over ~~\$148,675~~ \$349,700

d. Head of household.

If North Dakota taxable income is:

Not over ~~\$36,250~~ \$42,650

Over ~~\$36,250~~ \$42,650 but not over ~~\$93,650~~ \$110,100

Over ~~\$93,650~~ \$110,100 but not over ~~\$151,650~~ \$178,350

Over ~~\$151,650~~ \$178,350 but not over ~~\$297,350~~ \$349,700

Over ~~\$297,350~~ \$349,700

The tax is equal to:

2.10%

~~\$761.25~~ \$895.65 plus 3.92% of amount over ~~\$36,250~~ \$42,650

~~\$3,011.33~~ \$3,539.69 plus 4.34% of amount over ~~\$93,650~~ \$110,100

~~\$5,528.53~~ \$6,501.74 plus 5.04% of amount over ~~\$151,650~~ \$178,350

~~\$12,871.81~~ \$15,137.78 plus 5.54% of amount over ~~\$297,350~~ \$349,700

e. Estates and trusts.

If North Dakota taxable income is:

Not over ~~\$1,800~~ \$2,150

Over ~~\$1,800~~ \$2,150 but not over ~~\$4,250~~ \$5,000

Over ~~\$4,250~~ \$5,000 but not over ~~\$6,500~~ \$7,650

Over ~~\$6,500~~ \$7,650 but not over ~~\$8,900~~ \$10,450

Over ~~\$8,900~~ \$10,450

The tax is equal to:

2.10%

~~\$37.80~~ \$45.15 plus 3.92% of amount over ~~\$1,800~~ \$2,150

~~\$133.84~~ \$156.87 plus 4.34% of amount over ~~\$4,250~~ \$5,000

~~\$231.49~~ \$271.88 plus 5.04% of amount over ~~\$6,500~~ \$7,650

~~\$352.45~~ \$413.00 plus 5.54% of amount over ~~\$8,900~~ \$10,450

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

- (1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and
- (2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. For taxable years beginning after December 31, ~~2004~~ 2007, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is

imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes."

Page 4, line 26, replace "2" with "4"

Page 4, line 29, after "2006" insert ", for ad valorem property taxes and for taxable years beginning after December 31, 2007, for mobile home taxes. Section 8 of this Act is effective for taxable years beginning after December 31, 2006"

Renumber accordingly

Date: 2-1-07  
Roll Call Vote #: 1051

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

House Finance & Tax Committee

Check here for Conference Committee

Legislative Council Amendment  
Number

Action Taken Do Pass As Amended & Referred to Appropri's

Motion Made By Rep. Drovdal Seconded By Rep. Headland

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich		✓
Vice Chairman Drovdal	✓		Rep. Kelsh		✓
Rep. Brandenburg	✓		Rep. Pinkerton		✓
Rep. Froseth	✓		Rep. Schmidt		✓
Rep. Grande			Rep. Vig		✓
Rep. Headland	✓				
Rep. Owens	✓				
Rep. Weller	✓				
Rep. Wrangham	✓				

Total (Yes) 8 No 5

Absent 1

Floor Assignment Rep. Weller

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

**REPORT OF STANDING COMMITTEE**

**HB 1051: Finance and Taxation Committee (Rep. Belter, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (8 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). HB 1051 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "section" with "sections 57-15-01.2 and"

Page 1, line 2, after the first "to" insert "limitations on levies by taxing districts and" and after "sections" insert "57-02-08.1,"

Page 1, line 3, after the first comma insert "57-20-21.1," and after "57-32-03" insert "and subsection 1 of section 57-38-30.3"

Page 1, line 4, after "statements" insert ", income tax rates, priority for delinquent taxes, the homestead property tax credit,"

Page 1, after line 6, insert:

**"SECTION 1. AMENDMENT.** Section 57-02-08.1 of the North Dakota Century Code is amended and reenacted as follows:

**57-02-08.1. Homestead credit.**

1. a. Any person sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied, with an income that does not exceed the limitations of subdivision c is entitled to receive a reduction in the assessment on the taxable valuation on the person's homestead. An exemption under this subsection applies regardless of whether the person is the head of a family.
- b. The exemption under this subsection continues to apply if the person does not reside in the homestead and the person's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the person is not rented to another person.
- c. The exemption must be determined according to the following schedule:
  - (1) If the person's income is not in excess of ~~eighteen~~ eighteen thousand ~~five hundred~~ dollars, a reduction of one hundred percent of the taxable valuation of the person's homestead up to a maximum reduction of three thousand thirty-eight dollars of taxable valuation.
  - (2) If the person's income is in excess of ~~eighteen~~ eighteen thousand ~~five hundred~~ dollars and not in excess of ~~ten~~ twelve thousand dollars, a reduction of eighty percent of the taxable valuation of the person's homestead up to a maximum reduction of two thousand four hundred thirty dollars of taxable valuation.
  - (3) If the person's income is in excess of ~~ten~~ twelve thousand dollars and not in excess of ~~eleven~~ fourteen thousand ~~five hundred~~ dollars, a reduction of sixty percent of the taxable valuation of the person's homestead up to a maximum

reduction of one thousand eight hundred twenty-three dollars of taxable valuation.

- (4) If the person's income is in excess of ~~eleven~~fourteen thousand ~~five hundred~~ dollars and not in excess of ~~thirteen~~ sixteen thousand dollars, a reduction of forty percent of the taxable valuation of the person's homestead up to a maximum reduction of one thousand two hundred fifteen dollars of taxable valuation.
  - (5) If the person's income is in excess of ~~thirteen~~sixteen thousand dollars and not in excess of ~~fourteen~~seventeen thousand five hundred dollars, a reduction of twenty percent of the taxable valuation of the person's homestead up to a maximum reduction of six hundred eight dollars of taxable valuation.
- d. Persons residing together, as spouses or when one or more is a dependent of another, are entitled to only one exemption between or among them under this subsection. Persons residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full exemption under this subsection equal to their ownership interests in the property.
  - e. This subsection does not reduce the liability of any person for special assessments levied upon any property.
  - f. Any person claiming the exemption under this subsection shall sign a verified statement of facts establishing the person's eligibility.
  - g. A person is ineligible for the exemption under this subsection if the value of the assets of the person and any dependent residing with the person, excluding the unencumbered value of the person's residence that the person claims as a homestead, exceeds fifty thousand dollars, including the value of any assets divested within the last three years. For purposes of this subdivision, the unencumbered valuation of the homestead is limited to one hundred thousand dollars.
  - h. The assessor shall attach the statement filed under subdivision f to the assessment sheet and shall show the reduction on the assessment sheet.
  - i. An exemption under this subsection terminates at the end of the taxable year of the death of the applicant.
2.
    - a. Any person who would qualify for an exemption under subdivisions a and c of subsection 1 except for the fact that the person rents living quarters is eligible for refund of a portion of the person's annual rent deemed by this subsection to constitute the payment of property tax.
    - b. For the purpose of this subsection, twenty percent of the annual rent, exclusive of any federal rent subsidy and of charges for any utilities, services, furniture, furnishings, or personal property appliances furnished by the landlord as part of the rental agreement, whether expressly set out in the rental agreement, must be considered as payment made for property tax. When any part of the twenty percent of the annual rent exceeds four percent of the annual income of a qualified applicant, the applicant is entitled to receive a refund from

the state general fund for that amount in excess of four percent of the person's annual income, but the refund may not be in excess of two hundred forty dollars. If the calculation for the refund is less than five dollars, a minimum of five dollars must be sent to the qualifying applicant.

- c. Persons who reside together, as spouses or when one or more is a dependent of another, are entitled to only one refund between or among them under this subsection. Persons who reside together in a rental unit, who are not spouses or dependents, are each entitled to apply for a refund based on the rent paid by that person.
  - d. Each application for refund under this subsection must be made to the tax commissioner before the first day of June of each year by the person claiming the refund. The tax commissioner may grant an extension of time to file an application for good cause. The tax commissioner shall issue refunds to applicants.
  - e. This subsection does not apply to rents or fees paid by a person for any living quarters, including a nursing home licensed pursuant to section 23-16-01, if those living quarters are exempt from property taxation and the owner is not making a payment in lieu of property taxes.
  - f. A person may not receive a refund under this section for a taxable year in which that person received an exemption under subsection 1.
3. All forms necessary to effectuate this section must be prescribed, designed, and made available by the tax commissioner. The county directors of tax equalization shall make these forms available upon request.
  4. A person whose homestead is a farm structure exempt from taxation under subsection 15 of section 57-02-08 may not receive any property tax credit under this section.
  5. For the purposes of this section:
    - a. "Dependent" has the same meaning it has for federal income tax purposes.
    - b. "Homestead" has the same meaning as provided in section 47-18-01.
    - c. "Income" means income for the most recent complete taxable year from all sources, including the income of any dependent of the applicant, and including any county, state, or federal public assistance benefits, social security, or other retirement benefits, but excluding any federal rent subsidy, any amount excluded from income by federal or state law, and medical expenses paid during the year by the applicant or the applicant's dependent which is not compensated by insurance or other means.
    - d. "Medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the person may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.

- e. "Permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician.

**SECTION 2.** Section 57-15-01.2 of the North Dakota Century Code is created and enacted as follows:

57-15-01.2. Limitation on levies by taxing districts.

1. Notwithstanding that a taxing district may have unused or excess levy authority under any other provision of law, this section limits that authority. This section may not be interpreted as authority to increase any levy limitation otherwise provided by law and may only be applied to limit any unused or excess levy authority that a taxing district may otherwise be entitled to use. Property taxes in dollars levied by a taxing district may not exceed by more than three and one-half percent the highest amount levied in dollars by that taxing district against taxable property in that taxing district in the three preceding taxable years except:
  - a. When an improvement to property has been made or property has been added to the taxing district which was not taxable in the previous taxable year, the additional taxable valuation attributable to the improvement or additional property is taxable without regard to the limitation under this subsection.
  - b. When a property tax exemption existed in the previous taxable year which has been reduced or no longer exists, the portion of the taxable valuation of the property which is no longer exempt is not subject to the limitation in this subsection.
  - c. When a property tax exemption exists for property that was taxable in the previous year, the amount levied in dollars in the previous taxable year by the taxing district must be reduced by the amount determined by applying the previous year's calculated mill rate for that taxing district to the previous year's taxable valuation of that property before the three and one-half percent increase allowable under this subsection is applied.
  - d. When temporary mill levy increases authorized by the electors of the taxing district or mill levies authorized by state law existed in the previous taxable year but are no longer applicable or have been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the expired temporary mill levy increases and the reduced or eliminated mill levies authorized by state law before the three and one-half percent increase allowable under this subsection is applied.
2. The limitation under subsection 1 does not apply to:
  - a. New or increased mill levies authorized by state law or the electors of the taxing district which did not exist in the previous taxable year.
  - b. Any irrevocable tax to pay bonded indebtedness levied under section 16 of article X of the Constitution of North Dakota.

- c. A county emergency fund levy under section 57-15-28 or a city emergency fund levy under section 57-15-48.
3. The mill rate applied to property that was not taxed in the previous taxable year may not exceed the mill rate determined by law for the current taxable year for property that was taxed in the previous taxable year.
4. The limitation under this section may not be superseded by a city or county under home rule authority but may be suspended within a taxing district by approval of a majority of electors of the taxing district voting on the question at a regular or special election of the taxing district."

Page 2, line 8, after "property" insert "owned and occupied by an individual as that individual's homestead" and remove "or"

Page 2, line 10, replace the underscored period with ", if the individual primarily responsible for management decisions regarding that property has an ownership interest of at least twenty percent in that property and owns and occupies residential property or a mobile home in this state as that person's homestead;

(3) Ten percent of mobile home taxes in dollars levied against residential mobile homes under chapter 57-55 if the mobile home is owned and occupied by an individual as that individual's homestead; or

(4) Five percent of mobile home taxes in dollars levied against commercial mobile homes under chapter 57-55 if the individual primarily responsible for management decisions regarding that property has an ownership interest of at least twenty percent in that property and owns and occupies residential property or a mobile home in this state as that individual's homestead."

Page 2, line 16, after "owner" insert ", operator, or lessee"

Page 2, line 20, after "owner" insert ", operator, or lessee"

Page 3, line 20, after "property" insert "other than mobile homes"

Page 4, after line 2, insert:

**"SECTION 6. AMENDMENT.** Section 57-20-21.1 of the North Dakota Century Code is amended and reenacted as follows:

**57-20-21.1. Priority for delinquent taxes.** When payment is made for any real or personal property taxes or special assessments, payments must be applied first to the oldest unpaid delinquent taxes or special assessments due, if any, shown to exist upon the property for which the tax payments are made, including any penalty and interest, except payments of state-paid property tax relief credit made by the state must be applied to taxes for the year for which the state-paid property tax relief credit is granted. The discounts applicable to payment of taxes set out in section 57-20-09 do not apply to payment of taxes made on property upon which tax payments are delinquent."

Page 4, after line 22, insert:

"SECTION 8. AMENDMENT. Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$27,050</del> <u>\$31,850</u>	2.10%
Over <del>\$27,050</del> <u>\$31,850</u> but not over <del>\$66,550</del> <u>\$77,100</u>	<del>\$568.05</del> <u>\$668.85</u> plus 3.92% of amount over <del>\$27,050</del> <u>\$31,850</u>
Over <del>\$66,550</del> <u>\$77,100</u> but not over <del>\$136,750</del> <u>\$160,850</u>	<del>\$2,077.25</del> <u>\$2,442.65</u> plus 4.34% of amount over <del>\$66,550</del> <u>\$77,100</u>
Over <del>\$136,750</del> <u>\$160,850</u> but not over <del>\$297,350</del> <u>\$349,700</u>	<del>\$5,167.33</del> <u>\$6,077.40</u> plus 5.04% of amount over <del>\$136,750</del> <u>\$160,850</u>
Over <del>\$297,350</del> <u>\$349,700</u>	<del>\$13,261.57</del> <u>\$15,595.44</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u>

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$45,200</del> <u>\$63,700</u>	2.10%
Over <del>\$45,200</del> <u>\$63,700</u> but not over <del>\$109,250</del> <u>\$154,200</u>	<del>\$949.20</del> <u>\$1,337.70</u> plus 3.92% of amount over <del>\$45,200</del> <u>\$63,700</u>
Over <del>\$109,250</del> <u>\$154,200</u> but not over <del>\$166,500</del> <u>\$321,700</u>	<del>\$3,459.96</del> <u>\$4,885.30</u> plus 4.34% of amount over <del>\$109,250</del> <u>\$154,200</u>
Over <del>\$166,500</del> <u>\$321,700</u> but not over <del>\$297,350</del> <u>\$699,400</u>	<del>\$5,944.61</del> <u>\$12,154.80</u> plus 5.04% of amount over <del>\$166,500</del> <u>\$321,700</u>
Over <del>\$297,350</del> <u>\$699,400</u>	<del>\$12,539.45</del> <u>\$31,190.88</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$699,400</u>

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$22,600</del> <u>\$31,850</u>	2.10%
Over <del>\$22,600</del> <u>\$31,850</u> but not over <del>\$54,625</del> <u>\$77,100</u>	<del>\$474.60</del> <u>\$668.85</u> plus 3.92% of amount over <del>\$22,600</del> <u>\$31,850</u>
Over <del>\$54,625</del> <u>\$77,100</u> but not over <del>\$83,250</del> <u>\$160,850</u>	<del>\$1,729.98</del> <u>\$2,442.65</u> plus 4.34% of amount over <del>\$54,625</del> <u>\$77,100</u>
Over <del>\$83,250</del> <u>\$160,850</u> but not over <del>\$148,675</del> <u>\$349,700</u>	<del>\$2,972.31</del> <u>\$6,077.40</u> plus 5.04% of amount over <del>\$83,250</del> <u>\$160,850</u>
Over <del>\$148,675</del> <u>\$349,700</u>	<del>\$6,269.73</del> <u>\$15,595.44</u> plus 5.54% of amount over <del>\$148,675</del> <u>\$349,700</u>

d. Head of household.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$36,250</del> <u>\$42,650</u>	2.10%

Over <del>\$36,250</del> <u>\$42,650</u> but not over <del>\$93,650</del> <u>\$110,100</u>	<del>\$761.25</del> <u>\$895.65</u> plus 3.92% of amount over <del>\$36,250</del> <u>\$42,650</u>
Over <del>\$93,650</del> <u>\$110,100</u> but not over <del>\$151,650</del> <u>\$178,350</u>	<del>\$3,011.33</del> <u>\$3,539.69</u> plus 4.34% of amount over <del>\$93,650</del> <u>\$110,100</u>
Over <del>\$151,650</del> <u>\$178,350</u> but not over <del>\$297,350</del> <u>\$349,700</u>	<del>\$5,528.53</del> <u>\$6,501.74</u> plus 5.04% of amount over <del>\$151,650</del> <u>\$178,350</u>
Over <del>\$297,350</del> <u>\$349,700</u>	<del>\$12,871.81</del> <u>\$15,137.78</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u>

e. Estates and trusts.

If North Dakota taxable income is:

Not over ~~\$1,800~~ \$2,150  
Over ~~\$1,800~~ \$2,150 but not over  
~~\$4,250~~ \$5,000  
Over ~~\$4,250~~ \$5,000 but not over  
~~\$6,500~~ \$7,650  
Over ~~\$6,500~~ \$7,650 but not over  
~~\$8,900~~ \$10,450  
Over ~~\$8,900~~ \$10,450

The tax is equal to:

2.10%  
~~\$37.80~~ \$45.15 plus 3.92% of amount  
over ~~\$1,800~~ \$2,150  
~~\$133.84~~ \$156.87 plus 4.34% of amount  
over ~~\$4,250~~ \$5,000  
~~\$231.49~~ \$271.88 plus 5.04% of amount  
over ~~\$6,500~~ \$7,650  
~~\$352.45~~ \$413.00 plus 5.54% of amount  
over ~~\$8,900~~ \$10,450

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

- (1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and
- (2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. For taxable years beginning after December 31, ~~2004~~2007, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes."

Page 4, line 26, replace "2" with "4"

Page 4, line 29, after "2006" insert ", for ad valorem property taxes and for taxable years beginning after December 31, 2007, for mobile home taxes. Section 8 of this Act is effective for taxable years beginning after December 31, 2006"

Renumber accordingly

2007 HOUSE APPROPRIATIONS

HB 1051

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1051

House Appropriations Committee

Check here for Conference Committee

Hearing Date: February 9, 2007

Recorder Job Number: 3321

Committee Clerk Signature

*Holly N. Sund*

Minutes:

**Chm. Svedjan** opened the hearing on HB 1051.

**Rep. Weiler** spoke in support of HB 1051.

**Chm. Svedjan:** We pushed hard for the fiscal note on this bill. We are going to proceed with our discussion.

**Rep. Weiler** went through Engrossed HB 1051 section by section.

Section 1 is the Homestead Tax Credit which is not part of the original bill. This increases the income limits and ultimately is an increase over the current provision of homestead tax credit of \$3.6 million – an 80 percent increase in funding of the homestead tax credit.

Section 2 puts a cap on the taxing districts of 3.5 percent (p. 5, lines 19 – 22). The highest of the previous three years will be the baseline. Subsections 1a, 1b, 1c, and 1d are adjustments to that baseline number. This allows for growth, improvements, etc. Subsection 2, p. 6, lines 14 on talks about the exemptions to the limitation.

Section 3 of HB 1051 says that the County Treasurer must put a line saying there is a state paid property relief credit and the dollar amount.

Section 4 is where the provisions for the 10 percent credit (residential), 5 percent (commercial and agricultural).

Section 5 relates to the discount for early payment of tax. The credit you receive is applied against 100 percent of your tax bill, not the 95 percent if you pay your bill by Feb. 15.

Section 6 was recommended by the Tax Commissioner. This provision says that the state-paid property tax relief credit will go to the current taxes, not to the delinquent taxes. The state is not going to start paying for the delinquent taxes and will not take people off the hook for not paying their taxes.

Section 7 was recommended by the Tax Commissioner for railroads and air carrier land.

Section 8 eliminates the marriage penalty.

Section 9 deals with the appropriation.

Section 10 is the effective date.

**Rep. Bellew:** Why is Section 8 in the bill? This bill deals with property taxes and this is an income tax issue. (Ref. 10:56)

**Rep. Weiler:** In committee, it was a decision that this is a tax relief bill, not just a property tax relief bill. There is a provision in the bill to try to keep the money in the state of North Dakota. If you have property in North Dakota but you live out of state, there are some attempts to not give a credit to those who do not live here. I believe it's in Section 4.

**Rep. Klein:** We just passed HB 1170 which has that same portion as Section 8. Is that a duplication?

**Rep. Weiler:** I'll let John Walstad answer that.

**Rep. Nelson:** Why in Section 4 do you give residential property owners twice the tax break as you do agricultural land?

**Rep. Weiler:** That was part of the original bill.

**Rep. Belter:** It was a compromise the bill sponsors came up with. There are a number of issues that the farm industry gets such as the tax break on not having their farmstead taxed.

There are other issues such as the differentials in sales tax so it was a decision I and the other sponsors take responsibility for.

**Rep. Nelson:** Was one of the criteria the possibility that residential valuations have increased faster than agricultural land values?

**Rep. Belter:** That was not part of the decision.

**Rep. Weiler** distributed amendment .0203 (Attachment A).

**John Walstad, Attorney, Legislative Council** (Ref. 16:30) Regarding HB 1170 and how it relates to this bill: this bill has a change that relates only to the marriage penalty. It does not change rates of income taxes. HB 1170 is a change to the income tax rates. If both those things pass, they will be in conflict. HB 1170 has a contingency where if HB 1051 passes, there's an amendment in HB 1170 that includes these same marriage penalty bracket changes and makes the rate changes that are in HB 1170. That will harmonize the bills if both pass. If HB 1051 does not pass or does not have the marriage penalty relief, HB 1170 will make rate changes without the marriage penalty bracket changes.

**Mr. Walstad** described amendment .0203 (Ref. 18:51). This amendment still keeps the 3.5 percent maximum levy increase in dollars but that would be an allowable increase for **every** taxing district – even those that are capped in dollars. Those districts capped out in dollars with a zero percent levy increase authority under current law under this amendment would also have a 3.5 percent in dollars increase allowable.

**Rep. Skarphol:** The entities that are not at their dollar cap are allowed a 3.5 percent increase – when they hit that dollar cap, will they still be allowed to have the 3.5 percent increase?

**Mr. Walstad:** Yes, under this amendment. Under the amendment that came from Committee – no.

**Rep. Skarphol:** Under the previous amendment, there was a 3-year high that was used as a basis. What's the basis for the new category that you're creating that is already above the spending cap?

**Mr. Walstad:** Same basis. Highest of the previous three years levies and dollars.

**Chm. Svedjan:** When you reference the previous committee's amendments, they are already in the engrossed bill?

**Mr. Walstad:** Yes.

**Mr. Walstad** discusses the language on p. 2, subsection 5 of amendment .0203 (Ref. 22:52). The 3.5 percent increase limit does not apply to every levy that can be imposed by a county. The 3.5 percent applies to the entire levy by the county but have flexibility within individual levies to decide which ones can go down or up.

Subsection 6 relates to school district levies. This eliminates unlimited levy authority. If the school districts want more than 3.5 percent increase in dollars, it must go before the voters.

**Mr. Walstad** discusses the changes that need to be made to Subsection 7 language (See changes on Attachment A).

Section 3 is being added and related to emergency levy authority. It provides, in addition to the 3.5 percent, a county or city by a 2/3 vote of the governing body can levy a property tax sufficient in amount to cover the costs of dealing with an emergency declared by the Governor. Section 9 deals with the Legislative Council study that must be done to monitor the effects of the property tax relief and the effects on property taxes.

**Rep. Glasheim:** Does the 3.5 percent cap also include new money? Is it a cap on the total or is new construction beyond last year allowed outside the cap?

**Mr. Walstad:** New construction or growth property is factored into that dollar amount -- the highest of the 3 years -- an adjustment is added to that to reflect the growth (Ref. 29:05).

**Rep. Nelson:** is it conceivable that if every political subdivision in a taxing district takes advantage of the 3.5 percent growth that no tax rebate would be given at all?

**Mr. Walstad:** That shouldn't happen because the taxpayer should at least be getting a 5 percent reduction in property taxes.

**Mr. Walstad** answered a variety of questions having to do with different tax scenarios (Ref. 38:38).

**Rep. Hawken:** Are we going to get an updated Fiscal Note on this before we deal with it? If we don't get it, I don't think we should go further with this (Ref. 42:19).

**Rep. Wald motioned to adopt amendment .0203. Rep. Bellew seconded the motion. The motion carried by voice vote and amendment .0203 was adopted.**

**Rep. Carlson:** The budget book shows this as a \$116 million expenditure from the permanent oil and gas trust fund, but the language of this bill shows it as a transfer to the general fund and then back to cover this? Is it a switch between the two?

**Mr. Walstad:** I don't know. That's the way the bill was introduced.

**Chm. Svedjan:** I do not understand this to be a transfer to the general fund.

**Don Wolf, Legislative Council:** I'm thinking the Fiscal Note will change when the revisions come in.

**Rep. Belter:** That is something we did not discuss in Committee.

**Joe Morrissette, OMB:** There needs to be some coordination between this and other bills. In the OMB budget bill, there is a continuing appropriation of this amount from the Oil Tax Trust Fund – which conflicts with this section of this bill. There is no transfer – at least in the Executive Budget – unless there's a transfer that I'm not aware of.

**Rep. Williams:** This came out of the interim committee and it was to come out of the general fund at that point and time.

**Rep. Carlson:** Does this have a continuing appropriation?

**Mr. Walstad:** No. It's a one-time appropriation of \$116 million (see p. 14 of engrossed bill).

**Rep. Gulleason:** In Section 10, the language is ongoing in policy. How do we plan for this to be sustained?

**Mr. Walstad:** You're correct. The provisions laying out how the property tax relief is to be provided are not sunsetted, but if they are not funded nothing will happen.

**Jack Dalrymple, Lt. Governor:** The budget proposal is that the funds come from the Oil and Gas Trust Fund, on a continuing appropriation. Our projections show that fund, even with this tax relief program, growing at approximately \$50 million each biennium, above and beyond the cost of this program. We feel it is a permanent funding source and it is sustainable as far into the future as we can see. And we are recommending it be put together that way (Ref. 49:49).

**Chm. Svedjan:** But right now, it's not there.

**Mr. Dalrymple:** This version of the bill does refer to the funds coming from the general fund and that is not compatible with the Governor's recommendation.

**Chm. Svedjan:** In order for us to proceed and take final action that needs to be clarified. We would need an amendment that would either pay for this out of the Permanent Oil Tax Trust Fund or transfer the funds into the general fund.

**Mr. Dalrymple:** That would be correct. We would prefer that this bill follow the language that's in the OMB bill.

**Chm. Svedjan:** What is the Committee's preference?

**Rep. Hawken:** Can we divide this bill up?

**Chm. Svedjan:** I suppose you could, but the intent was to package what's in this bill separate from the income tax piece.

**Rep. Hawken:** But we didn't really do that. This is distressful the way this is put together.

**Chm. Svedjan:** I think we did do that here. What is your preference (Committee) in terms of the amendment?

**Rep. Wald:** I think it should be funded out of the general fund. Oil is too volatile to sustain tax relief.

**Rep. Carlson:** Are we assuming the first \$71 million will stay in place? (Ref. 54:20)

**Lt. Gov.:** No. There will be a higher balance. The ending fund balance will be around \$70 million.

**Rep. Glassheim:** Do we have a Fiscal Note on the homestead credit and the marriage license change because that's not part of the \$116 million.

**Rep. Weiler:** The fiscal effect of the homestead tax credit is \$8.1 million – a \$3.6 million increase over what it is currently.

**Rep. Glassheim:** I'd like to draw an amendment to better define the source of funds (Ref. 58:44).

**Rep. Aarsvold:** I cannot support the bill as it sits today with the general fund appropriation. The manner in which we differentiate between property owners is not what I consider fair.

**Chm. Svedjan:** We will set this bill aside and take it up Monday. Any amendments that relate to the funding source need to be available then.

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1051

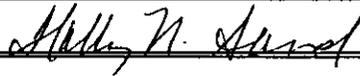
House Appropriations Committee

Check here for Conference Committee

Hearing Date: February 12, 2007

Recorder Job Number: 3409

Committee Clerk Signature



Minutes:

**Chm. Svedjan** opened the hearing on HB 1051.

**Rep. Weiler** distributed amendment .0210 which corrected an error on prior amendment.

**Chm. Svedjan:** The amendment we adopted (.0203) did not include the language changes Mr.

Walstad said we needed corrected. Amendment .0210 makes that correction.

**Rep. Carlson** motioned to reconsider the action to adopt amendment .0203 that was taken Friday (2/9/07). **Rep. Klein** seconded the motion. The motion carried by a voice vote and amendment .0203 was stripped from the bill.

**Rep. Carlson** motioned to adopt amendment .0210. **Rep. Wald** seconded the motion.

**Rep. Weiler** reviewed the amendment. The only change from .0203 is Section 10 relating to the funding mechanism. This was changed to reflect a continuing appropriation. Mr. Weiler explained the part of the amendment dealing with levy authority (Ref. 11:08). The difference with .0210 and .0203 is that now if a political subdivision is not capped out, they can raise 3.5 percent until they get capped out. Once capped out, they must have a vote by the people before they can go above that 3.5 percent.

**Rep. Glassheim:** Are all the other sections of amendment .0203 gone?

**John Walstad, Legislative Council:** The .0203 amendment language is not here. That language is an amendment to a section of law that allows political subdivisions to levy up to the highest amount in dollars. The bill from FTX did not have that section. It had a different section in which these amendments would leave in tact those amendments stripped out of the bill and replaced. There were problems trying to make that fit in to what the committee was working with. Amendment .0210 would retain the section that was in the engrossed bill (Ref. 15:43).

**Mr. Walstad** answered various clarifying questions from the Committee.

**Rep. Wald:** Is there anywhere in the code where county ad valorem taxes end up in the general fund?

**Mr. Walstad:** In the state general fund? No.

**Rep. Wald:** So we're discriminating against one type of tax.

**Rep. Carlson:** Re: exemptions from taxation, what does this bill do to those exemptions?

**Mr. Walstad:** It wouldn't affect exemptions directly. When those exemptions expire and that property becomes taxable, that would fall into the new construction category.

**The motion to adopt amendment .0210 carried by a voice vote and the amendment was adopted.**

**Rep. Glassheim** distributed amendment .0209 (Attachment A). He explained that he sees property tax relief as a way for money to get to schools and this is what he proposes amendment .0209 to do. As the money to schools increases, it decreases the pressure on property taxes. Amendment .0209 seeks to take \$30 million of the \$116 million (proposed by the Governor) to be given back to the school system. It also takes the percentage going back

to taxpayer's pockets from 10 percent to 7 percent, and reduces the tax relief from 5 percent to 4 percent for commercial and farm. The tax relief will be permanent because it is a commitment to the schools to continue that as there base level. It's sustainable because we will end with \$250 - \$450 million in one of our three funds.

**Rep. Glassheim motioned to adopt amendment .0209. Rep. Gulleson seconded the motion. A voice vote was taken, but the outcome was not definitive. A roll call vote was taken and the motion to adopt amendment .0209 failed by a vote of 9 ayes, 15 nays and 0 absent and not voting.**

**Rep. Glassheim requested a Minority Report.**

**Rep. Gulleson:** There is no continuing appropriation language, nothing that supports the sustainability?

**Chm. Svedjan:** The fiscal note is available, dated Feb. 6, 2007.

**Rep. Thoreson:** There is a fiscal note online dated Feb. 12, 2007, but the numbers are the same.

**Rep. Kempenich motioned a Do Not Pass as amended by .0210. Rep. Monson seconded the motion. The motion carried by a roll call vote of 14 ayes, 10 nays and 0 absent and not voting. Rep. Kempenich was designated to carry the bill.**

**Chm. Svedjan** asked Rep. Glassheim if he still wanted the Minority Report and the response was "yes."

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1051

House Appropriations Committee

Check here for Conference Committee

Hearing Date: February 13, 2007

Recorder Job Number: 3428

Committee Clerk Signature

*Shelby N. Sured*

Minutes:

**Chm. Svedjan** called the House Appropriations Committee to order.

A handout provided by OMB, "Criteria for One-Time Expenditures," (Attachment A) was distributed.

**Rep. Kempenich** motioned to reconsider HB 1051. **Rep. Wald** seconded the motion. The motion carried by voice vote.

**Rep. Kempenich** discussed the reasons why he made the motion to reconsider. HB 1051 has the homestead credit in it and the tax relief package and the marriage penalty. We should probably move this bill forward.

**Rep. Kempenich** motioned a Do Pass as Amended by .0210. **Rep. Klein** seconded the motion.

**Rep. Gulleason:** an option would be to amend out the two sections we wanted to keep moving forward – the homestead credit and the marriage penalty. Which I think had been amended in FTX. They were stand alone bills. We have options here.

**Rep. Skarphol:** Those are the only two portions of the bill I'll support.

**Rep. Gulleason:** That's what I'm getting at.

**The motion carried by a roll call vote of 15 ayes, 9 nays and 0 absent and not voting.**

**Rep. Kempenich was designated to carry the bill.**

**Rep. Glassheim: Is my Minority Report still on this?**

**Chm. Svedjan: Yes.**

*Attach 1*  
*2/9/07*

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1051

Page 1, line 1, replace "57-15-01.2" with "57-15-10.3"

Page 1, line 2, replace "limitations on levies by" with "emergency levy authority of"

Page 1, line 3, after "57-02-08.1" insert ", 57-15-01.1"

Page 1, line 5, after "statements" insert ", property tax levies of taxing districts"

Page 1, line 6, after "taxes" insert "; to provide for a legislative council study"

Page 5, replace lines 12 through 31 with:

**"SECTION 2. AMENDMENT.** Section 57-15-01.1 of the North Dakota Century Code is amended and reenacted as follows:

**57-15-01.1. Protection of taxpayers and taxing districts.** Each taxing district ~~may~~ must levy the lesser of the amount in dollars as certified in the budget of the governing body, or the amount in dollars as allowed in this section, subject to the following:

1. No taxing district may levy more taxes expressed in dollars than the amounts allowed by this section plus three and one-half percent more than the highest amount levied in dollars by the taxing district against taxable property in that taxing district in the three preceding taxable years.
2. For purposes of this section:
  - a. "Base year" means the taxing district's taxable year with the highest amount levied in dollars in property taxes of the three taxable years immediately preceding the budget year. For a park district general fund, the "amount levied in dollars in property taxes" is the sum of amounts levied in dollars in property taxes for the general fund under section 57-15-12 including any additional levy approved by the electors, the insurance reserve fund under section 32-12.1-08, the employee health care program under section 40-49-12, the public recreation system under section 40-55-09 including any additional levy approved by the electors, forestry purposes under section 57-15-12.1 except any additional levy approved by the electors, pest control under section 4-33-11, and handicapped person programs and activities under section 57-15-60;
  - b. "Budget year" means the taxing district's year for which the levy is being determined under this section;
  - c. "Calculated mill rate" means the mill rate that results from dividing the base year taxes levied by the sum of the taxable value of the taxable property in the base year plus the taxable value of the property exempt by local discretion or charitable status, calculated in the same manner as the taxable property; and

- d. "Property exempt by local discretion or charitable status" means property exempted from taxation as new or expanding businesses under chapter 40-57.1; improvements to property under chapter 57-02.2; or buildings belonging to institutions of public charity, new single-family residential or townhouse or condominium property, property used for early childhood services, or pollution abatement improvements under section 57-02-08.
3. A taxing district may ~~elect to~~ levy the amount levied in dollars in the base year plus an amount not exceeding the allowable increase under subsection 1. ~~Any levy under this section must be specifically approved by a resolution approved by the governing body of the taxing district.~~ Before determining the levy limitation under this section, the dollar amount levied in the base year must be:
- Reduced by an amount equal to the sum determined by application of the base year's calculated mill rate for that taxing district to the final base year taxable valuation of any taxable property and property exempt by local discretion or charitable status which is not included in the taxing district for the budget year but was included in the taxing district for the base year.
  - Increased by an amount equal to the sum determined by the application of the base year's calculated mill rate for that taxing district to the final budget year taxable valuation of any taxable property or property exempt by local discretion or charitable status which was not included in the taxing district for the base year but which is included in the taxing district for the budget year.
  - Reduced to reflect expired temporary mill levy increases authorized by the electors of the taxing district.
4. In addition to any other levy limitation factor under this section, a taxing district may increase its levy in dollars to reflect new or increased mill levies authorized by the legislative assembly or authorized by the electors of the taxing district.
5. ~~Under this~~ This section a taxing district may supersede ~~supersedes~~ any applicable mill levy limitations otherwise provided by law, ~~or a taxing district may levy up to the mill levy limitations otherwise provided by law without reference to this section, but the.~~ This section is not a limitation on individual mill levy statutes but is a limitation on the cumulative amount levied by a taxing district for a taxable year. The provisions of this section do not apply to the following:
- Any irrevocable tax to pay bonded indebtedness levied pursuant to section 16 of article X of the Constitution of North Dakota.
  - The one-mill levy for the state medical center authorized by section 10 of article X of the Constitution of North Dakota.
6. Notwithstanding any other provision of law, each school district choosing to determine its levy authority under this section may apply subsection 3 only to the amount in dollars levied for general fund purposes under section 57-15-14 or, if the levy in the base year included separate general fund and special fund levies under sections 57-15-14 and 57-15-14.2, the school district may apply subsection 3 to the total amount levied in dollars in the base year for both the general fund and special fund accounts. ~~School district levies under any section other than section 57-15-14 may be made within applicable limitations but these levies are not subject to~~

~~subsection 3~~, including a school district with unlimited levy authority approved before July 1, 2007, is subject to the limitations of this section.

*Change per  
Wahlstedt  
LC*

7. ~~Optional levies~~ Levies under this section <sup>must</sup> ~~may~~ be used by any city or county that has adopted a home rule charter ~~unless the provisions of the charter supersede state laws related to property tax levy limitations.~~ A taxing district may exceed the increase set out in subsection 1 by a majority vote of the qualified electors of the taxing district voting on the question at a regular or special election of the taxing district.

**SECTION 3.** Section 57-15-10.3 of the North Dakota Century Code is created and enacted as follows:

**57-15-10.3. Emergency levy authority.** If the emergency fund or other funds available to a county or city are insufficient to meet demands imposed on the county or city by a disaster or emergency, the governing body of the county or city may levy a tax on the taxable valuation of property in the county or city in an amount sufficient to meet those demands and pay any costs incurred by the county or city to borrow or otherwise obtain necessary funding. A tax may not be levied under this section unless it is approved by at least two-thirds of the members elected to the governing body of the city or county. For purposes of this section, "disaster or emergency" means a disaster or emergency declared by executive order or proclamation of the governor under chapter 37-17.1."

Page 6, remove lines 1 through 27

Page 14, after line 2, insert:

**"SECTION 9. LEGISLATIVE COUNCIL STUDY.** During the 2007-08 interim, the legislative council shall study property tax assessment, limitations, imposition, and administration and the effectiveness of property tax relief provided by enactment of this Act. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly."

Page 14, line 10, replace "8" with "9"

Renumber accordingly

Date: 2/9/07  
 Roll Call Vote #: \_\_\_\_\_

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1051

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number 70332.0203

Action Taken Adopt Amend 0203

Motion Made By Wald Seconded By Bellew

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Representative Wald			Representative Aarsvold		
Representative Monson			Representative Gulleson		
Representative Hawken					
Representative Klein					
Representative Martinson					
Representative Carlson			Representative Glassheim		
Representative Carlisle			Representative Kroeber		
Representative Skarphol			Representative Williams		
Representative Thoreson					
Representative Pollert			Representative Ekstrom		
Representative Bellew			Representative Kerzman		
Representative Kreidt			Representative Metcalf		
Representative Nelson					
Representative Wieland					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

*Voicy Vote - Carries*

Date: 2/12/07  
 Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1057

House Appropriations Full Committee

Check here for Conference Committee

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

Action Taken Rescind action of adoption 0203

Motion Made By Carlson Seconded By Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Representative Wald			Representative Aarsvoid		
Representative Monson			Representative Gulleson		
Representative Hawken					
Representative Klein					
Representative Martinson					
Representative Carlson			Representative Glassheim		
Representative Carlisle			Representative Kroeber		
Representative Skarphol			Representative Williams		
Representative Thoreson					
Representative Pollert			Representative Ekstrom		
Representative Bellew			Representative Kerzman		
Representative Kreidt			Representative Metcalf		
Representative Nelson					
Representative Wieland					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

*Vote - carries*

VR  
2/13/07  
1082

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1051

Page 1, line 1, after "57-15-01.2" insert ", 57-15-10.3,"

Page 1, line 2, after "districts" insert ", emergency levy authority of taxing districts,"

Page 1, line 4, replace "and" with a comma and after "57-38-30.3" insert ", and section 57-51.1-07.2"

Page 1, line 6, remove "and" and after "taxes" insert ", and to provide property tax relief funding from the permanent oil tax trust fund; to provide for a legislative council study"

Page 1, line 7, replace the first "an" with "a continuing"

Page 6, line 25, after "district" insert ", having unused or excess levy authority under any other provision of law,"

Page 6, line 27, after the underscored period insert "Notwithstanding the limitation under this section or any other provision of law, a taxing district may levy up to three and one-half percent more than the highest amount levied in dollars by that taxing district against taxable property in that taxing district in the three preceding taxable years, upon approval of a majority of electors of the taxing district voting on the question at a regular or special election of the taxing district. A ballot measure for levy increase authority under this subsection must state the percentage rate of the proposed increase in levy authority in dollars and state for which years the increase in levy authority would apply."

**SECTION 3.** Section 57-15-10.3 of the North Dakota Century Code is created and enacted as follows:

**57-15-10.3. Emergency levy authority.** If the emergency fund or other funds available to a county or city are insufficient to meet demands imposed on the county or city by a disaster or emergency, the governing body of the county or city may levy a tax on the taxable valuation of property in the county or city in an amount sufficient to meet those demands and pay any costs incurred by the county or city to borrow or otherwise obtain necessary funding. A tax may not be levied under this section unless it is approved by at least two-thirds of the members elected to the governing body of the city or county. For purposes of this section, "disaster or emergency" means a disaster or emergency declared by executive order or proclamation of the governor under chapter 37-17.1."

Page 14, replace lines 3 through 7 with:

**"SECTION 10. AMENDMENT.** Section 57-51.1-07.2 of the North Dakota Century Code is amended and reenacted as follows:

**57-51.1-07.2. Permanent oil tax trust fund - Deposits - Interest - Adjustment of distribution formula - Continuing appropriation for property tax relief.** All revenue deposited in the general fund during a biennium derived from taxes imposed on oil and gas under chapters 57-51 and 57-51.1 which exceeds seventy-one million dollars must be transferred by the state treasurer to a special fund in the state

treasury known as the permanent oil tax trust fund. The state treasurer shall transfer interest earnings of the permanent oil tax trust fund to the general fund at the end of each fiscal year. The principal of the permanent oil tax trust fund may not be expended except upon a two-thirds vote of the members elected to each house of the legislative assembly.

If the distribution formulas under chapter 57-51 or 57-51.1 are amended effective after June 30, 1997, the director of the budget shall adjust the seventy-one million dollar amount in this section by the same percentage increase or decrease in the amount of revenue allocable to the general fund after the change in the allocation formula, and transfers to the permanent oil tax trust fund shall thereafter be made using that adjusted figure so that the dollar amount of the transfers to the permanent oil tax trust fund is not increased or decreased merely because of changes in the distribution formulas.

To the extent moneys are available in the permanent oil tax trust fund, up to one hundred sixteen million seven hundred thousand dollars per biennium, or so much of the sum as may be necessary, is appropriated as a standing and continuing appropriation to the state treasurer, for the purpose of providing property tax relief payments to counties in accordance with a plan for the distribution of the payments as enacted by the legislative assembly.

**SECTION 11. LEGISLATIVE COUNCIL STUDY.** During the 2007-08 interim, the legislative council shall study property tax assessment, limitations, imposition, and administration and the effectiveness of property tax relief provided by enactment of this Act. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly."

Page 14, line 10, replace "8" with "9"

Renumber accordingly

Date: 2/12/07  
 Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1057

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number 70332.0210

Action Taken Adopt Amend ~~70332~~ 0210

Motion Made By Carlson Seconded By Wald

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Representative Wald			Representative Aarsvold		
Representative Monson			Representative Gulleson		
Representative Hawken					
Representative Klein					
Representative Martinson					
Representative Carlson			Representative Glassheim		
Representative Carlisle			Representative Kroeber		
Representative Skarphol			Representative Williams		
Representative Thoreson					
Representative Pollert			Representative Ekstrom		
Representative Bellew			Representative Kerzman		
Representative Kreidt			Representative Metcalf		
Representative Nelson					
Representative Wleland					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

*Roll Vote - Carries*

*Attach 2 2/12/07*

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1051

Page 1, line 4, replace "and" with a comma and after "57-38-30.3" insert ", and section 57-51.1-07.2"

Page 1, line 6, remove "and" and after "taxes" insert ", and to provide for property tax relief funding from the permanent oil tax trust fund"

Page 1, line 7, replace the first "an" with "a continuing" and after "relief" insert "; to provide an appropriation for state school aid"

Page 7, line 21, replace "Ten" with "Seven"

Page 7, line 24, replace "Five" with "Four"

Page 8, line 1, replace "Ten" with "Seven"

Page 8, line 4, replace "Five" with "Four"

Page 8, line 17, replace "five" with "four"

Page 8, line 21, replace "five" with "four"

Page 14, after line 2, insert:

**"SECTION 9. AMENDMENT.** Section 57-51.1-07.2 of the North Dakota Century Code is amended and reenacted as follows:

**57-51.1-07.2. Permanent oil tax trust fund - Deposits - Interest - Adjustment of distribution formula - Continuing appropriation for property tax relief.** All revenue deposited in the general fund during a biennium derived from taxes imposed on oil and gas under chapters 57-51 and 57-51.1 which exceeds seventy-one million dollars must be transferred by the state treasurer to a special fund in the state treasury known as the permanent oil tax trust fund. The state treasurer shall transfer interest earnings of the permanent oil tax trust fund to the general fund at the end of each fiscal year. The principal of the permanent oil tax trust fund may not be expended except upon a two-thirds vote of the members elected to each house of the legislative assembly.

If the distribution formulas under chapter 57-51 or 57-51.1 are amended effective after June 30, 1997, the director of the budget shall adjust the seventy-one million dollar amount in this section by the same percentage increase or decrease in the amount of revenue allocable to the general fund after the change in the allocation formula, and transfers to the permanent oil tax trust fund shall thereafter be made using that adjusted figure so that the dollar amount of the transfers to the permanent oil tax trust fund is not increased or decreased merely because of changes in the distribution formulas.

To the extent moneys are available in the permanent oil tax trust fund, up to eighty-six million seven hundred thousand dollars per biennium, or so much of the sum as may be necessary, is appropriated as a standing and continuing appropriation to the state treasurer, for the purpose of providing property tax relief payments to counties in accordance with a plan for the distribution of the payments as enacted by the legislative assembly."

Page 14, line 4, replace "general" with "permanent oil tax trust" and replace "\$116,720,911" with "\$30,000,000"

Page 14, line 5, replace "state treasurer" with "superintendent of public instruction"

Page 14, line 6, replace "state-paid property tax relief credits as provided in section 4 of this Act" with "state school aid grants as provided by law"

Renumber accordingly

Date: 2/12/07  
 Roll Call Vote #: 3

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1051

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number 70332.0209

Action Taken Adopt Amend 0209

Motion Made By Glassheim Seconded By Gulleson

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan		✓			
Vice Chairman Kempenich		✓			
Representative Wald		✓	Representative Aarsvold	✓	
Representative Monson		✓	Representative Gulleson	✓	
Representative Hawken	✓				
Representative Klein		✓			
Representative Martinson		✓			
Representative Carlson		✓	Representative Glassheim	✓	
Representative Carlisle		✓	Representative Kroeber	✓	
Representative Skarphol		✓	Representative Williams	✓	
Representative Thoreson		✓			
Representative Pollert		✓	Representative Ekstrom	✓	
Representative Bellew		✓	Representative Kerzman	✓	
Representative Kreidt		✓	Representative Metcalf	✓	
Representative Nelson		✓			
Representative Wieland		✓			

Total (Yes) 9 No 15

Absent 0

Floor Assignment \_\_\_\_\_

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

*Voic Vote - not sure. took Roll Call Vote*

Date: 2/12/07  
 Roll Call Vote #: 4

**2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 1057**

House Appropriations Full Committee

Check here for Conference Committee

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

Action Taken Do Not Pass as amended

Motion Made By Kempnich Seconded By Monson

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan		✓			
Vice Chairman Kempnich	✓				
Representative Wald		✓	Representative Aarsvold	✓	
Representative Monson	✓		Representative Gulleson	✓	
Representative Hawken	✓				
Representative Klein	✓				
Representative Martinson	✓				
Representative Carlson		✓	Representative Glassheim		✓
Representative Carlisle		✓	Representative Kroeber	✓	
Representative Skarphol	✓		Representative Williams	✓	
Representative Thoreson	✓				
Representative Pollert		✓	Representative Ekstrom	✓	
Representative Bellew		✓	Representative Kerzman		✓
Representative Krelt		✓	Representative Metcalf	✓	
Representative Nelson	✓				
Representative Wieland		✓			

Total (Yes) 14 No 10

Absent 0

Floor Assignment Kempnich

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

Date: 2/13/07  
 Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1057

House Appropriations Full Committee

Check here for Conference Committee

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

Action Taken Reconsideration of 1057

Motion Made By Kempnich Seconded By Wald

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempnich					
Representative Wald			Representative Aarsvold		
Representative Monson			Representative Gulleson		
Representative Hawken					
Representative Klein					
Representative Martinson					
Representative Carlson			Representative Glassheim		
Representative Carlisle			Representative Kroeber		
Representative Skarphol			Representative Williams		
Representative Thoreson					
Representative Pollert			Representative Ekstrom		
Representative Bellew			Representative Kerzman		
Representative Kreidt			Representative Metcalf		
Representative Nelson					
Representative Wieland					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

*Voice Vote - carries*

Date: 2/13/07  
 Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1051

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number 70332.0210

Action Taken No Pass as amended by 0210

Motion Made By Kempnich Seconded By Kleen

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan 1	✓				
Vice Chairman Kempnich 2	✓				
Representative Wald 3	✓		Representative Aarsvold		✓
Representative Monson		✓	Representative Guleson		✓
Representative Hawken 4	✓				
Representative Klein 5	✓				
Representative Martinson 6	✓				
Representative Carlson 7	✓		Representative Glasshelm 14	✓	
Representative Carlisle 8	✓		Representative Kroeber		✓
Representative Skarphol		✓	Representative Williams		✓
Representative Thoreson		✓			
Representative Pollert 9	✓		Representative Ekstrom		✓
Representative Bellew 10	✓		Representative Kerzman 15	✓	
Representative Kreidt 11	✓		Representative Metcalf		✓
Representative Nelson 12	✓				
Representative Wieland 13	✓				

Total (Yes) 15 No 9

Absent 0

Floor Assignment Kempnich

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

**REPORT OF STANDING COMMITTEE (MAJORITY)**

HB 1051, as engrossed: Appropriations (Rep. K. Svedjan, Chairman) A MAJORITY of your committee (Reps. Svedjan, Kempenich, Wald, Monson, Klein, Martinson, Carlson, Carlisle, Skarphol, Thoreson, Pollert, Bellew, Kreidt, Nelson, Wieland) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS**.

Page 1, line 1, after "57-15-01.2" insert ", 57-15-10.3,"

Page 1, line 2, after "districts" insert ", emergency levy authority of taxing districts,"

Page 1, line 4, replace "and" with a comma and after "57-38-30.3" insert ", and section 57-51.1-07.2"

Page 1, line 6, remove "and" and after "taxes" insert ", and to provide property tax relief funding from the permanent oil tax trust fund; to provide for a legislative council study"

Page 1, line 7, replace the first "an" with "a continuing"

Page 6, line 25, after "district" insert ", having unused or excess levy authority under any other provision of law."

Page 6, line 27, after the underscored period insert "Notwithstanding the limitation under this section or any other provision of law, a taxing district may levy up to three and one-half percent more than the highest amount levied in dollars by that taxing district against taxable property in that taxing district in the three preceding taxable years, upon approval of a majority of electors of the taxing district voting on the question at a regular or special election of the taxing district. A ballot measure for levy increase authority under this subsection must state the percentage rate of the proposed increase in levy authority in dollars and state for which years the increase in levy authority would apply."

**SECTION 3.** Section 57-15-10.3 of the North Dakota Century Code is created and enacted as follows:

**57-15-10.3. Emergency levy authority.** If the emergency fund or other funds available to a county or city are insufficient to meet demands imposed on the county or city by a disaster or emergency, the governing body of the county or city may levy a tax on the taxable valuation of property in the county or city in an amount sufficient to meet those demands and pay any costs incurred by the county or city to borrow or otherwise obtain necessary funding. A tax may not be levied under this section unless it is approved by at least two-thirds of the members elected to the governing body of the city or county. For purposes of this section, "disaster or emergency" means a disaster or emergency declared by executive order or proclamation of the governor under chapter 37-17.1."

Page 14, replace lines 3 through 7 with:

**"SECTION 10. AMENDMENT.** Section 57-51.1-07.2 of the North Dakota Century Code is amended and reenacted as follows:

**57-51.1-07.2. Permanent oil tax trust fund - Deposits - Interest - Adjustment of distribution formula - Continuing appropriation for property tax relief.** All revenue deposited in the general fund during a biennium derived from taxes imposed on oil and gas under chapters 57-51 and 57-51.1 which exceeds seventy-one million dollars must be transferred by the state treasurer to a special fund in the state treasury known as the permanent oil tax trust fund. The state treasurer shall transfer interest earnings of the permanent oil tax trust fund to the general fund at the end of

each fiscal year. The principal of the permanent oil tax trust fund may not be expended except upon a two-thirds vote of the members elected to each house of the legislative assembly.

If the distribution formulas under chapter 57-51 or 57-51.1 are amended effective after June 30, 1997, the director of the budget shall adjust the seventy-one million dollar amount in this section by the same percentage increase or decrease in the amount of revenue allocable to the general fund after the change in the allocation formula, and transfers to the permanent oil tax trust fund shall thereafter be made using that adjusted figure so that the dollar amount of the transfers to the permanent oil tax trust fund is not increased or decreased merely because of changes in the distribution formulas.

To the extent moneys are available in the permanent oil tax trust fund, up to one hundred sixteen million seven hundred thousand dollars per biennium, or so much of the sum as may be necessary, is appropriated as a standing and continuing appropriation to the state treasurer, for the purpose of providing property tax relief payments to counties in accordance with a plan for the distribution of the payments as enacted by the legislative assembly.

**SECTION 11. LEGISLATIVE COUNCIL STUDY.** During the 2007-08 interim, the legislative council shall study property tax assessment, limitations, imposition, and administration and the effectiveness of property tax relief provided by enactment of this Act. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-first legislative assembly."

Page 14, line 10, replace "8" with "9"

Renumber accordingly

**REPORT OF STANDING COMMITTEE (MINORITY)**

**HB 1051, as engrossed: Appropriations (Rep. K. Svedjan, Chairman) A MINORITY of your committee (Reps. Glassheim, Gulleeson, Aarsvold, Kroeber, Williams, Ekstrom, Kerzman, Metcalf) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS.**

Page 1, line 4, replace "and" with a comma and after "57-38-30.3" insert ", and section 57-51.1-07.2"

Page 1, line 6, remove "and" and after "taxes" insert ", and to provide for property tax relief funding from the permanent oil tax trust fund"

Page 1, line 7, replace the first "an" with "a continuing" and after "relief" insert "; to provide an appropriation for state school aid"

Page 7, line 21, replace "Ten" with "Seven"

Page 7, line 24, replace "Five" with "Four"

Page 8, line 1, replace "Ten" with "Seven"

Page 8, line 4, replace "Five" with "Four"

Page 8, line 17, replace "five" with "four"

Page 8, line 21, replace "five" with "four"

Page 14, after line 2, insert:

**"SECTION 9. AMENDMENT.** Section 57-51.1-07.2 of the North Dakota Century Code is amended and reenacted as follows:

**57-51.1-07.2. Permanent oil tax trust fund - Deposits - Interest - Adjustment of distribution formula - Continuing appropriation for property tax relief.** All revenue deposited in the general fund during a biennium derived from taxes imposed on oil and gas under chapters 57-51 and 57-51.1 which exceeds seventy-one million dollars must be transferred by the state treasurer to a special fund in the state treasury known as the permanent oil tax trust fund. The state treasurer shall transfer interest earnings of the permanent oil tax trust fund to the general fund at the end of each fiscal year. The principal of the permanent oil tax trust fund may not be expended except upon a two-thirds vote of the members elected to each house of the legislative assembly.

If the distribution formulas under chapter 57-51 or 57-51.1 are amended effective after June 30, 1997, the director of the budget shall adjust the seventy-one million dollar amount in this section by the same percentage increase or decrease in the amount of revenue allocable to the general fund after the change in the allocation formula, and transfers to the permanent oil tax trust fund shall thereafter be made using that adjusted figure so that the dollar amount of the transfers to the permanent oil tax trust fund is not increased or decreased merely because of changes in the distribution formulas.

To the extent moneys are available in the permanent oil tax trust fund, up to eighty-six million seven hundred thousand dollars per biennium, or so much of the sum as may be necessary, is appropriated as a standing and continuing appropriation to the state treasurer, for the purpose of providing property tax relief payments to counties in

accordance with a plan for the distribution of the payments as enacted by the legislative assembly."

Page 14, line 4, replace "general" with "permanent oil tax trust" and replace "\$116,720,911" with "\$30,000,000"

Page 14, line 5, replace "state treasurer" with "superintendent of public instruction"

Page 14, line 6, replace "state-paid property tax relief credits as provided in section 4 of this Act" with "state school aid grants as provided by law"

Renumber accordingly

The reports of the majority and the minority were placed on the Seventh order of business on the calendar for the succeeding legislative day.

2007 SENATE FINANCE AND TAXATION

HB 1051

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1051

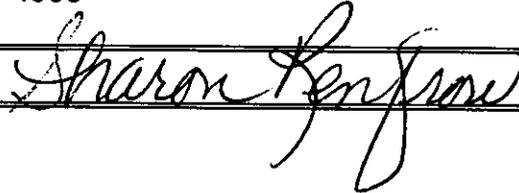
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: March 7, 2007

Recorder Job Number: #4604 & # 4605

Committee Clerk Signature



Minutes:

**Sen. Urlacher** called the committee to order and opened the hearing on HB 1051 which relates to limitations on levies by taxing districts, emergency levy authority of taxing districts and a state-paid property tax relief credit

**Rep. Belter**: appeared as prime sponsor who gave an overview of HB 1051.

**Sen. Cook**: the homestead tax credit is this the only vehicle you sent across that has the homestead tax credit in it? Yes

Did you compare the numbers that you have in your tax credit verses the numbers that we passed over to you, they have to pretty close to the same, are they not? Sen. Nething's bill, I believe that was 1.9 million as it came over to the House, so this one is 3.6.

**Sen. Triplett**: page 8, section 5 when you discussed this section on the House side was there any concern about the constitutionality of treating residents and nonresidents differently?

**Answer**: yes, that certainly is an area of question but I think that we have generally as a Legislature taken the stance that when we pass something we assume it to be constitutional. But something that could be challenged, I think probably the weakest area would be the commercial property. As far as residential property tax I don't see that as a problem because there are many states that do differentiate between residents and non-residents.

**Sen. Triplett**: did you get any input from the AG's office on that point in your testimony on the House side?

**Answer**: No, I know that there is considerable concern which is certainly justifiable by the political subdivisions because this does have an impact on them. I think if we look across the country we've seen a lot of the initiated measures that have been voted on by the people and although we do have restrictions in this bill, I am very concerned that if ND should follow what has happened in some other states, that the restrictions that would come through an initiated measure could be a certainly a lot tougher to the political subdivisions than we are dealing with here. I think it's something that you as committee members need to consider in your deliberations and I think its something that those who are concerned about these caps should consider as far as their opposition to the bill

**Sen. Cook**: cosponsor appeared in support and presented some amendments (See amendments 0304). I do believe we do have an issue of constitutionality here and I would hope that as we start to deliberate on this bill the first thing we do is pass these amendments to make sure that we are not doing anything that's unconstitutional. There's 5 issues that seem to be driving the entire issue and of course the 1<sup>st</sup> issue is how much money is going to be involved in it, 2<sup>nd</sup> issue is who gets it, 3<sup>rd</sup> issue is how property tax is going to be delivered, 4<sup>th</sup> issue is to what degree its sustainable and the last issue is to what degree do we have caps.

**Jack Darymple**: Lt. Governor of ND appeared in support and to make a few comments. The governor's budget did recommend property tax relief; we asked that 116 million dollars be provided through the permanent oil tax trust fund to support property tax relief for all our citizens. The bill is reasonably simple, you can read it and actually understand how the money

gets back to the taxpayer which I think is important, second of all it provides relief directly to the tax payer on their own tax payer statement.

**Sen. Urlacher:** does it appear to you that the caps and amount of dollars that the State is transferring over relates to the sustainability to the tax payer?

**Answer:** my own perception of the average tax payer out there is that they will very much appreciate the property tax relief but I think they'll like it even better if they feel that you have taken a look at the spending side as well.

**Mark Johnson:** Assoc. of Counties appeared in support with written testimony. (See attached)

**Gene Veeder:** Executive Director from McKenzie County Job and Development Authority in Watford City, ND appeared neutral with written testimony. (See attached)

**Sen. Tollefson:** addressing the sustainability which has been brought up this morning by several, deserves some more comment, would you address that issue please?

**Answer:** I think that people out in the rural areas especially are understanding that we need to have long range planning in our communities and planning is where it begins and where it ends. We need to know what the tax base is going to be in the future when we're bringing in a new business or we're encouraging expansion in our communities and it's vital we know where it's going to go.

**Russ Staiger:** Pres. of the Bismarck Mandan Development Assoc. appeared in support with written testimony. (See attached).

**Sen. Tollefson:** addressing the caps which everyone seems to be concerned with, if the caps were not in place really the control any control on local taxation would be almost eliminated would it not?

**Answer:** that certainly is a concern and I'm not sure how you find the right level and that's really the point of discussions between the legislative body and the local units of government to find appropriate level, as proposed I think they're too tight.

**Ron Anderson:** McKenzie County Commissioner appeared in support with written testimony. (See attached)

**Ronald Krebsbach:** McLean County Commissioner appeared in support with written testimony (See attached).

**Sen. Cook:** in 1982 your general fund levied \$400,000, 2006 its \$358,000, what went down, your mill rate or assessed value of your property?

**Answer:** Mill rate

**Sen. Cook:** you have lowered your mill rate from 1982 to 2006 to reduce the general fund levy by that much money?

**Answer:** yes we have

**John Schmisek:** Finance Director from the City of Grand Forks appeared in support with written testimony but opposition to Section 2 on bond rates. (See attached)

**Sen. Tollefson:** Could the City of Grand Forks provide property tax relief without State help?

**Answer:** I believe the City of Grand Forks has done a pretty good of relieving it.

**Sen. Cook:** is there a relationship between your bond rating and the amount of bonded debt that the City of Grand Forks carries vs. the taxable valuation that sits behind the city?

**Answer:** certainly

**Scott Wagner:** Chairman of Cass County Board of Commissioners appeared in support with written testimony. (See attached).

**Fred Bolt:** Devils Lake City Commission appeared in support of the bill but opposes the amendments with written testimony. (See attached)

**Sen. Oehlke:** what if we got rid of section 2 completely and relative to property tax and instead had the State set up a trust with an advisory board of 5 people who would be appointed to receive the proposals from individual entities, cities, counties, park districts or what have you and they would make a proposal as here's what we'd like to do for property tax relief for our constituents and then that board would decide how and if they got the money. Is that more fair than what we're trying to do here?

**Answer:** what's the time line, how quickly could this group respond to this?

**Sen. Oehlke:** I'm envisioning something like that possibly being set up so that it would be ongoing and would have its own time lines like this bill.

**Sen. Cook:** you can't raise you mill levy right now without a vote if we pass this bill you can raise it 3 ½% in dollars but after that you still need a vote of the people, why is this presenting such a heartburn on you?

**Answer:** one of the issues we would have in dealing with this and particular something coming down from the State of ND is I believe there are some emergency clauses in the bill and how we would respond to an emergency and if we see that that doesn't provide for the funding that we do have, then we're going to have to make a decision on how to deal with those local services particularly the public safety and the roads and maintenance.

**Sen. Cook:** the answer I think is the same with or without it, you deal with them by going to get a vote from the people and I'm trying to find out what's changing in this bill for you other than if your property was to appreciate by 10% you would not be able to raise your taxes in dollars by 10%. I understand there's a fear for caps but I want to just point out, your living with caps today and we're not capping how far you can raise your budget its at what point do the people who pay the taxes have a say in it?

**Answer:** that's where the balancing issue comes in is the revenue that is there and how the decision is going to be made, which services that they are providing and those are the 2 biggest services in the budget so those would be the ones that we would automatically look at first would be the public safety the roads and the maintenance.

**Sen. Anderson:** I'm sure you've seen the same charts as I have and how the public safety sector is the biggest part of the budget and its not getting any less with the climate with drug control and so forth and is it not true that some of the home rule cities for instance aren't up to their limit of taxes which they could levy if the need arose for these basic services, now that's one question, the other one is as your roll as president regarding basic services have you heard of any cities in ND where their citizens are saying we've got too many basic services we want the cities to cut back?

**Answer:** first question, yes I know there are communities who are not at the cap and in answer to your second question, no I don't believe anyone has had that request.

**Bill Shalhoob:** ND Chamber of Commerce appeared in support with written testimony. (See attached)

**Shari Doe:** Service Director of Burleigh County Social Services appeared in support but against section 2 with written testimony (See attached)

**Jim Lee:** Ward County Commissioner appeared in opposition stating I do believe we already have a system in place to control county spending and I don't think caps are necessary.

**Connie Spryncynatyk:** ND League of Cities I have written testimony from several people and would be happy to hand out those written testimonies.

**Darlene Watne:** Ward County Board of Commissioners appeared in opposition with written testimony. (See attached)

**Dan Huffman**: Asst. Superintendent of Fargo Public Schools appeared in opposition with written testimony (See attached)

**Doug Graupe**: Divide County Commissioner appeared in opposition with written testimony. (See attached)

**Ron Sorvaag**: A Commissioner of the Fargo Park District appeared in opposition with written testimony. (See attached)

**Eldon Moors**: Rolette County Commissioner appeared in opposition with written testimony (See attached)

Adjourned for lunch.

# 4605

**Eric Aasmundstad**: Pres. of NDFB appeared in support stating property tax relief is probably the highest priority issue for North Dakota Farm Bureau in this session. Farm Bureau realizes that property tax is a local tax, there's no question about it but we feel this is a direct response to the tax payers in ND saying we can't get any satisfaction at home so there's something you folks in Bismarck can do for us and we join that course. Further more this is a campaign issue regardless of party during this last election and it seemed to us as well that this was promise to the people during the election and I think the people of ND have come to expect it. What this bill does in our minds with the dollars capped and as valuations continue to rise its going to force the mill rates lower and we heard something about sustainability to this bill this morning, I don't think the sustainability of this measure has to be our utmost concern right now because we look at those mill rates being driven down as evaluations go up if these caps come off at the end of this biennium we're still going to have increases to our local political subdivisions based on the rise and the valuations. The net affect of what this bill is going to do is going to

return the focus of the people where the focus of the people belongs and that's on our local political subdivisions. This bill freezes the dollars for this biennium. People should have a say.

**Sen. Anderson:** Do you have any specific instances that local subdivisions have certified levies in an amount that was more than necessary?

**Answer:** right off the cuff I can't answer that.

**Sen. Horne:** I thought I heard you say that local government organizations have been responsible for raising property taxes all these years, but isn't it true that a good portion of that has been forced out by the lack of State funding for public education and a lot of that tax increase is school based and school driven?

**Answer:** certainly the dollars attributable to education funding are a lot higher than the counties or the townships or the cities, that's a fact. When you chart it though the increases although the numbers are lower the lines are pretty parallel to each other. Could things be improved by more State funding through education I suppose they probably could but these are local taxes.

**Sen. Urlacher:** I will say you made reference to a campaign issue and a promise, I think its probably the other way around we listen to what the people request and feel as a priority, that priority moves onto the Legislature through that process and in my opinion a great priority demand, just clarifying that point.

**Eric:** we heard a lot of people this morning supporting but opposing section 2, when you take time to really study this bill, section 2 IS the property tax relief. That's what guarantees it.

**Annette Lalka Edinger:** of northern McLean County appeared as a property owner and taxpayer with written testimony. (See attached)

**Sonja Gross:** resident from Napoleon appeared in support with written testimony (See attached)

**Dan Uglen**: a farmer from Northwood, ND representing my self and just here to say I support the bill and to thank the committee for taking on this difficult project. I think it's extremely important that property tax relief is given and thank you again.

**Dr. Doug Johnson**: ND Council of Education Leaders appeared in opposition with written testimony. (See attached)

**John Fjeldahl**: Ward County Commissioner appeared in opposition to the bill stating the point I'm trying make here is both sides of this equation equally accountable to fix property tax relief and I don't have a problem with the number of the 3 ½% tax increase as long as both bodies are willing to do it.

**Sen. Tollefson**: you saying the caps are in the ballot box, correct?

**Answer**: that's the way I think it should be yes.

**Sen. Cook**: political subdivisions county/city school districts, who gave them the right to levy property taxes in the first place?

**Answer**: the people

**Sen. Cook**: the people yes through the Legislative body. The second question is what body of government should determine the appropriate level of tax that a political subdivision can levy on the people without going and getting permission from the people?

**Answer**: in the case of Ward County we have home root charters where people decided what that level was. A lot of schools are below the cap and a lot of schools are now being punished for that unfortunately but this body decides the 185 mill cap.

**Sen. Cook**: I know the difficulty of implementing this, the amendments that I offered right away this morning, completely remove that issue it makes it back to where it was when we introduce when we work with the local people and we had a bill that was simple that all the county auditors could administer.

**Dave Anderson:** Pres. of the Downtown Community Partnership in Fargo appeared to try and be helpful and presented a handout on the RZ tax impact chart. (See attached) I think there is one very specific paragraph within this bill that I think would stop the renaissance zone type programs and that is in section 2 the much debated section and specifically part 1 paragraph c.

**Curly Haugland:** Bismarck business man appeared in opposition on behalf of himself.

**Cory Fong:** State Tax Commissioner appeared in support with concerns and written testimony. (See attached)

**Sen. Cook:** made a Motion to Move the Amendments 0304 stating these amendments simply remove the amendment that was put on in the House that tried to deal with only allowing in-state residents to receive the property tax exemption to go to out of staters, this is what creates the difficulty in administering the program by our local county auditors and this is also what creates a lot of the constitutional validity job questions, seconded by Sen. Tollefson. Voice vote: 7-0-0 Amendment carries

**Sen. Anderson:** made a Motion to Move an Amendment of deleting section 2, second by Sen. Triplett.

**Sen. Cook:** maybe the deletion of section 2 is what we ultimately have to do but I'm certainly not ready to go there yet, I can see where we have to do some work on section 2 but to delete is way too premature for now. Also I think if section 2 were not in the bill we could jeopardize the whole property tax relief desire by itself. I think we need to address caps; we need to fix but not throw out.

**Sen. Triplett:** I don't have a problem with tabling the motion it looks like Sen. Anderson doesn't either in terms of just leaving that motion on the table until we maybe receive some other amendments. One additional think I would like to request before we take action on this bill is to have someone request the Attorney General to attend one of our future meeting to

discuss section 5 in particular on page 8. I know we have passed this amendment that Sen. Cook believes takes care of the constitutional issues but I think it really only responds to the one constitutional issue of the different treatment between in-state and out-of-state residents.

**Rep. Drovdal**: one of the parts I worked on is the homestead tax credit. It's something that has been worked on for the last 3 sessions now. In the testimony we had in there was when we tweaked the income levels last session it helped the rural areas but in the bigger towns the biggest problem was the taxable valuation of the homes and when I drew up the amendment that was to be put in that is in the bill as you see it. I came up with the income levels but somewhere along the line we had it computed the taxable value at \$75,000, somehow that didn't get into the amendment and the bill is still at \$67,500. So that needs to be looked at and changed.

**Sen. Cook**: it leaves the fiscal note at the same 3.6 million.

**Answer**: I have the figure on my desk, I believe it's the 3.6 added to what it was before it would be 8.1 and I think it takes it to 9.1 I believe.

**Sen. Horne**: if the amendment is tabled, I was curious about the time line?

**Sen. Urlacher**: we gained another day somewhere and need to have out by Monday to give system time to work. We are trying to get a hold of Rep. Kasper to hear his amendments, but I guess he doesn't want to submit them now.

**Sen. Cook**: I will be offering an amendments that deal with the marriage penalty, it's not to remove it from the bill but to make some adjustments with the calculations of the marriage penalty. I will probably have them by Friday.

Adjourned.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1051

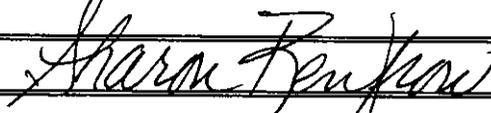
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: March 12, 2007

Recorder Job Number: # 4848 & # 4921

Committee Clerk Signature



Minutes: Jody took minutes because Sharon was out sick.

**Sen. Urlacher** called the committee order for further discussion on HB 1051.

**Sen. Cook**: introduced the first amendment 0308 stating it deals with the homestead tax credit it does two things, the first thing it does is it puts in an appropriation. The second thing it does is it changes the homestead tax credit that's in 1051 to be identical to the homestead tax credit that we passed out of here earlier with the Senate bill that was first introduced by Sen. Nothing and we amended it down to have a homestead tax credit. So it increases the dollars that are appropriated for the homestead tax credit I think we are at 4 ½ million dollars a biennium right now it will take that to about 6 ½ million. It opens it up its silent to the value of the home it just expands who can qualify for it, and that's basically the decision that we made earlier this session, there could be some merit for revisiting that to look at keeping the income limitations the same but expanding the value of the home. All I'm doing here is we wouldn't have to come together sooner or later on what is our homestead tax credit going to look like so the amendments I offer right now will put it the same as we passed out earlier, if you don't want to approve these amendments then that's basically we're saying we're gonna stay with which way the houses have it.

**Sen. Triplett:** I think I heard you say Mr. Chairman that this expands and I think it does expand from current law but it needs to be clear this is a reduction from what the House has proposed, the House is proposing increasing, the House is proposing expanding the homestead credit act by about 3 ½ million dollars and your proposing expanding it by about 2 million dollars.

**Sen. Cook:** I do believe both the House changes to the homestead tax credit and our earlier changes to the homestead tax credits both only deal with the income qualifications, neither one of them deal with the home \_\_\_\_\_. For the sake of discussion I would Move the Amendments 0308.

**Sen. Urlacher:** do we want to react to the amendments at this time? Or do you want to analyze it?

**Sen. Anderson:** I do like this better than the one we passed out, I knew this was coming and I mean I did deal quite a bit with homestead credits and I think that an increase like this is needed, therefore I'm not in favor of this amendment.

**Sen. Urlacher:** we have a motion and seconded, do we have further discussion?

**Sen. Triplett:** in terms of comparison between the two, I still think that the amendments that are being proposed by the House are fairly modest the only way to get the full value of the credit is to have income not in excess of 10,000 and that's a pretty minimal income in today's world for anyone.

**Sen. Cook:** I think the important thing is if we decide which way we're going to go here, just so we clarify we got 4.5 million dollars right now we passed out a bill that increased that by 1.9 million, the House passed a bill that we have here in 1051 that increases the 4.5 by 3.6 so we got a total of 8.4 million if we for a homestead tax credit if we pass the House version, that's it, I'm happy with either one.

**Sen. Urlacher:** if no further discussion, clerk will call the roll.

Roll call vote: 4-3-0 Motion fails

**Sen. Cook:** I'll hand these out but I think before we vote on these we should have Dee Wald from the Tax Dept. come down and explain exactly what effect it will have on the FN and I left one sheet of paper up at my desk that would make it a little bit easier to explain it to you, but these deal with the marriage penalty tax that the House put on the bill and I think it has a FN of around 18 million dollars if I'm not mistaken, 16.8. we basically have 5 brackets for our State income tax and the way they passed the bill it affects all brackets the same what this would do is take this marriage penalty tax and treats it like the federal government did on theirs where it emphasizes the benefit on those lower two brackets I think. All brackets I think get some relief but its going to focus the most of it on the lower two brackets, passing this would reduce the FN a little bit it would put , quite frankly its going to stop some rather large tax deductions from the penalty tax. I think you need Dee to come down this afternoon or now and explain

**Sen. Anderson:** if you noticed I'm moving further and further away from Sen. Cook as were moping along, I'm all for this elimination of the penalty tax but I do recall that a bill came through for reducing the brackets in the rest of them earlier, so I guess I'm not really of changing any of the brackets except the singles and the marrieds, get those together.

**Sen. Cook:** it doesn't change brackets and again we just, you just want to wait for Dee Wald, I'm actually introducing this on behalf of the Tax Dept. I can introduce you one other thought that I have here if you want it. I have here some amendments that I'd like to explain that I anticipate are going to go on SB 2032. We passed that bill here that had to deal with education mill cap. If you recall you started out with your highest general fund mill levy plus school busing and high school tuition what this bill does what these amendments do is to take the difference a school district has between 130 and 200 so if you have a school district that's

at 200 mills you subtract 130 that gives you the number 70 then your going to take number times a factor to come up with the property tax relief that individuals who reside in that school district would get. If your school district is at 180 mills you subtract 130 from that and then you would have 50 mills, you take that number times this factor to determine what the property tax reduction a school would get, a person in that school district would get. So what both of these amendments do is take this concept and they put them into 1051, the factor would be 25% of .25 so again if your at 200 mills you'd get .25 times 70 mills, this is going to cost us 23 ½ million bucks. 23,515,000 is what that would cost us, all property owners would get that relief that's going to amount to about 4% roughly and of course there's going to be a little bit of differences this is going to greatly compress the amount of relief that goes to every school district if you remember 2032 there was quite some disparages in amount of relief but this will compress it and 25% goes to everybody all property tax owners and then.

**Sen. Tollefson:** that's commercial and residential? Yes

**Sen. Cook:** these amendments and I'll hand them out now do what I just told you they deal with 25% then they take the remaining 24 ½ million dollars and they create you'll see this in section 3 down at the bottom of page 1, homestead credit for all home owners and this follows Minnesota's concept and the intent to going this way is two-fold. #1 its the best way to enable that property tax stays with reduction credits stay within the state of ND and the 2# it does it gets to us, remember 1051 is a \_\_\_ its got 5% roughly for commercial, agricultural and \_\_\_ and 10% to residential, this would get us basically to a little bit more for residential. Residential would get this credit it would be on their primary residence only and it would only get it on one home and it's capped at \$150,000, that's what these amendments 0309 do and those are the ones I'd like to offer for your consideration.

**Sen. Horne:** so that I understand that your idea is to eliminate the 10, 5, 5 and go to a flat 4% did you say? For all property owners within the state of ND?

**Sen. Cook:** your exactly right, it comes to us at 10, 5, 5, and 5. I want to stay as close to that as I can, the 2 to 1 type of ratio for residential versus the other classifications I'm tempted to do that with these two with these amendments. The changing on going to the funding formula for education and we do the difference between 130 and 200, that's how we get tax relief to all property class owners and its all the same based on the mill levy that your going to get and the homestead tax credit, the second homestead tax credit gives it the extra bump to the residential property owners and it does it in a manner where it stays in the state of ND. I know there's a lot of concern about property tax relief going out of state, a property tax owner is still going to get the benefit of the mill levy deduction and still get that benefit but they will not get the benefit of the homestead tax credit. If we want to look for an attempt to keep as much of this property tax relief in the State of ND this is the way we have to go.

**Sen. Horne:** concerns we heard last week about 1051 on we've kept from the House was the difficulty that county auditors stuff that we were going to have them administering that, would this clear up that concern?

**Sen. Cook:** I think its going to make it a lot easier their going to have to play a roll in this and that's something as I look at these amendments as they came down to me this morning for the first time I seen them. If you want to get this 2<sup>nd</sup> homestead tax credit, you are going to have to apply for it, so that means there's going to be an application process for every tax payer in your county to do so, it also says that form has to be given by the Tax Dept. now I can that the Tax Dept. when you get your tax bill you get the form with you and fill it out and somehow you had to do it. That's a very good question and that's something that we need to discuss. This is what MN does, MN has two homestead tax credits, they have one like we have that's

available for the elderly, disabled, low income people and then they have the second one that's available for all people, all Minnesotans and this is how they get at the North Dakotans that own lake property in MN. I have another one here but only if this one fails.

**Sen. Urlacher:** I really felt it fair to have them on the table and maybe act on them this afternoon or tomorrow morning.

**Sen. Cook:** the second one I have if I can its pretty much the same its just instead of using the homestead tax credit it just takes 5%, in other words 1051 comes in at 10%, this one just takes 5% the only difference between the two is this one keeps the money in State.

**Sen. Triplett:** maybe we could ask Terry Traynor to speak to the amendments that we just presented, would you be prepared to do that?

**Terry Traynor:** probably not I only heard half the discussion.

**Sen. Horne:** I'm curious about this second homestead tax credit, now the first one said taxpayers if I understood Mr. Chairman was based on, does this have anything to do with income or does this apply, I don't fit any of those categories so would I qualify for the second homestead tax credit?

**Sen. Cook:** everybody does

**Sen. Horne:** capped at 150,000 in value

**Sen. Tollefson:** Dwight, you're a, this taking any constitutionality problem if we thought we had, is that right?

**Sen. Cook:** I believe it does if you find out that it is unconstitutional than I guarantee you that there is a lot of ND people that own lake property in MN that are going to jump for joy. I would suggest regarding the second homestead tax credit and Sen. Triplett asked Mr. Traynor the question I think Marcy Dickerson ought to be asked the question, maybe have Marcy come down here and speak to that issue and of course if Terry here knows any county auditor that

wants to speak to, I think it's a legitimate question and again as I read these amendments this morning, these over here are very simple they ya know, we already know that but these over here go out of state.

**Sen. Urlacher**: well this is a rewrite of the directive in the bill. Any further comments, if not we'll close the discussion for now.

**Sen. Tollefson**: a quick question and perhaps somebody has picked up on this, the big problem that we heard the other day were the caps. The caps are non-existent now for the year members.

**Sen. Cook**: I'm not touching the caps.

**Sen. Tollefson**: and that's on dollars not mills?

**Sen. Cook**: I think it would be very beneficial for this committee to have maybe early tomorrow morning to bring Mr. Walstad down here to carefully explain the caps as they apply. I still believe there is a lot of confusion as to what these caps do and I think its imperative that we in this committee know exactly what they do and I would suggest that he can take the city of Devils Lake or the city of Mandan and explain what Devils Lake or Mandan can do today without these caps and what they would be allowed to do after the caps.

**Sen. Horne**: since the copy of caps came up, help me to understand that a bit current bill 1051 is capped at 3 ½%, are those caps extended indefinitely or only as long as the State provides property tax relief I assume in 1051 is only a one biennium period, will the caps go on for years after that or only as long as the State provides tax relief.

**Sen. Cook**: caps are going to stay on until the Legislature removes them or changes them.

**Sen. Tollefson**: could be 2 years or a hundred years.

**Sen. Cook:** if these caps go on, they are going to stay on as long as the people want them on and if it creates any serious problems, there gonna probably come or the problem will get addressed.

**Sen. Urlacher:** depend on increase in evaluations and in those areas where they can pick up the extra dollars. I think we can have Walstad down and we can have whoever provide us with information with request, I don't want to open up another round of hearings or meet in the Brynhild Haugland Room again.

**Sen. Cook:** again the 5 issues that we've dealt with as we debate a property tax and hopefully when we go home no matter where we're at on these amendments or the bills this one or the other one that somehow we're all committed that we're going to go home to some sort of property tax relief. First question, how much money this one stays at 116 million dollars that it came with, its property tax relief goes down to 100 million now because we gotta have the appropriations for the homestead tax credit and the marriage penalty so but this is at 100 million 2032 is at 100 million who gets it, again in 1051 right now the way I offer the amendments part is going to go to everybody, all classifications of property owners, residential is going to get about twice as much and that's the way 1041 comes and again how's it delivered is delivered a little different now, its through education and the homestead credit we still have caps and to what degree its sustainable I believe its sustainable as much \_\_\_\_ all along. But those are the 5 questions and I think the 2 bills 2032 and 1051 are starting to move a little bit together and getting awful close.

**Sen. Tollefson:** you mentioned sustainability that has been a question brought up a lot in our area and other places I'm sure it isn't just a sustainable \_\_ we have the surplus or whatever incoming to the State that could change their \_\_\_\_

**Sen. Urlacher**: again sustainability and all legislative action is in question every session. I mean the things we do we intend to sustain but its all hinged on revenue forecast so I guess that's something we do all the time in every bill that's passed or rejected we can't commit future legislation. I think with that we will recess.

# 4921

**Sen. Cook**: this morning I handed out amendments 0307 dealing with the marriage penalty relief amendment, I just handed out a break down of the various income categories in the State Income Tax and I see Dee Wald is here I'd like her to just briefly explain the impact of these amendments on these categories to the bill and any changes to the fiscal note.

**Donita Wald**: Tax Dept. the bill as before you without Sen. Cook's amendments provide marriage relief to all of the income tax brackets. Now what the Feds did when they provided marriage relief was they just made it up with the bottom two brackets. If you look at the chart Sen. Cook passed out, what that does is basically its providing a majority of the relief to over 2000 tax payers and they received an average reduction in their income taxes of \$801.00. What Sen. Cook's amendments do is basically fix the marriage penalty to the bottom bracket which corresponds to what the feds did and what was contained in HB 1150 as introduced and that reduces the FN for that particular asset from the bill from 20 million down to about 16 million per biennium.

**Sen. Cook**: 16 million now with these amendments? Yes

**Sen. Triplett**: my note to myself from when we heard this bill initially was that the bill as written had a FN of 16.8 million for the marriage penalty section. \_\_\_ when we first heard this bill.

**Sen. Cook**: these amendments will are going to change the amount of a reduction somebody in the upper bracket gets but their still going to get a reduction.

**Donita**: that's correct

**Sen. Urlacher**: just takes it off the top end but does not add anymore to the bottom.

**Sen. Cook**: I would move the amendments of 0307, second by Sen. Oehlke.

**Sen. Horne**: help me understand this now, what is the main thing that you've done in your amendments that \_\_\_\_\_(6.34 – 6.38)\_\_\_\_ came from the House.

**Sen. Cook**: look at the chart, basically what we heard was that these amendments will reduce that number by about \$179, that will lower the FN and it will also have a little bit of impact on the number just above that to 765 and lower that number a little bit also. The other thing we heard is the majority of these people over 500,000 dollars are nonresidents, so the bottom line is the lowest FN by about 4 million dollars.

**Sen. Anderson**: does this not also adjust the income tax \_\_\_ brackets for the other than marriage \_\_\_ ?

**Sen. Cook**: I don't think so

**Sen. Urlacher**: that's all the amendment does is take off the top end and stabilizes the bottom. Does that cover all the explanation needed, we have the motion on the floor and seconded, any further discussion?

Voice vote: 7-0-0 Motion carries

**Sen. Cook**: we have two of them on the bill right now that we've added and one is failed.

We've passed amendments 0304, 0308 failed and 0307 around there.

**Sen. Urlacher**: so can you explain all the changes now that took place?

**Sen. Cook**: on amendments 0304 that we put on they remove from the bill all of the language that the House put on to try to stop property tax relief from going out of state and there were some constitutional questions about that so that's all those amendments did is strip the bill of all that language so that it was silent to that. 0308 those are the amendments that failed they

would have changed the homestead tax credit appropriation to reflect to what we passed earlier in the Senate so that failed so it stays the way it is here and that's 3.6 million dollars on and above the 4.5 and 0307 that took care of the marriage tax. I think before we do anything more we need to talk about and that's to what degree a second homestead tax credit would present an administrative challenge to local government to counties, I think we need to have Marcy come down here and speak to that question if we can and I also think we need to have Mr. Waistad down here to explain to an entire committee once again the cap language that's in here, so that everybody understands it. I think that's very important before we move on.

**Sen. Urlacher:** we will stand at ease until we can get these people here.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1051**

Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: March 12, 2007

Recorder Job Number: # 4923

Committee Clerk Signature

*Sharon Benbow*

Minutes:

**Sen. Urlacher** called the committee back to order we have Marcy here.

**Sen. Cook:** before you call Marcy up to the podium, I haven't moved these amendments and I did visit with Marcy outside and maybe I won't move these amendments and then you won't have to have Marcy up here. Again the intent of these was to come up with a way where we could keep as much of this tax relief in state as possible. That seems to be something that's important in the House and I know it's important to some Senators who aren't on this committee that it doesn't go out of state. The question was asked about to what degree this created administrative challenge so I have another bag of amends here to yet but I have another approach to it but its simpler but let me just digest what's, we might just leave the bill where it is too. I think maybe the most important thing we do right now is hold this bill now and maybe get Mr. Walstad down here in the morning to make sure we all understand the caps and then I'll decide whether I want to offer these second amendments or discuss some more maybe we'll be ready to kick the bill out.

**Sen. Horne:** I do want to hear from my county auditor on what she thinks about proposed amendment as she's being asked to look at and she has not had a chance to look at and go

backwards, she would have that by tomorrow morning. So before we vote either today or tomorrow I would like to have some time to hear from her.

**Sen. Cook:** I don't think I'll be offering these amendments but Mr. Chairman if I may, we should tack a little study resolution onto 1051 that we do study the possibility of creating a 2<sup>nd</sup> homestead tax credit for ND residents on their homestead only to find a way that it can be done without creating an administrative nightmare and if they means looking to see how MN does it, so be it but if MN does it then I think you'll also find in MN that they tie this homestead tax credit the residence you get your credit on to where your going to vote at and there's some there for that also. This is not an idea that should be just; I can get something drafted to study these two.

**Sen. Triplett:** I was just wondering if Sen. Cook would be willing to share his potential amendment with us so we can think about that overnight too.

**Sen. Cook:** what the last ones do is they do the same thing as what you have here before you except instead of a homestead tax credit it just offers 5% reduction in residential property taxes again it just means that 5 for all classifications, 10 for residential, we could just leave the bill as it is I think because its already at 10 and 5 rather than offer these amendments they are doing it the same.

**Sen. Urlacher:** so we'll address it in the morning. If we have to meet in the afternoon and clean up we will.

**Sen. Horne:** we read the bill as \_\_\_ came from the House with the \_\_\_ only tax benefit would be for who are residents of ND, did we ever get an opinion as to whether that is being challenged to be unconstitutional whether that's a problem were building in to the bill?

**Sen. Urlacher:** it seems as though MN is doing it.

**Sen. Triplett:** I think we amended that \_\_\_ (4.21)

**Sen. Urlacher**: its back to recognizing MN. If no further discussion we'll recess for the rest of the day.

# 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1051

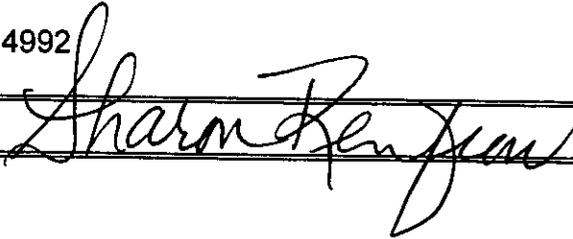
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: March 13, 2007

Recorder Job Number: # 4989 & # 4992

Committee Clerk Signature



Minutes:

**Sen. Urlacher** called the committee to order for discussion on HB 1051.

**John Walstad**: Legislative Council to give explanation of what 1051 would do without the amendment regarding caps on property tax levies. Under current law there are two kinds of levy limits for political subdivisions. If a school district is under 185 mills, current law allows that school district to increase its levy in dollars 18% over the previous year until the school district hits that 185 mill cap. For other taxing districts the same kind of situation exists except there is not limit of how much they can increase in 1 year until they hit their statutory mill levy cap. Many political subdivisions are already at or above their statutory mill levy cap and those subdivisions are limited by another provision of law that says their maximum levy will be calculated in dollars of taxes levy and the starting point is the highest of the previous 3 tax years levies in dollars. There are some add-ons, probably the most significant which is for growth in the property tax based. Growth means new property coming onto the tax rolls that wasn't there in the base year, it does not account for assessment growth. If assessments rise that does not give those capped out subdivisions any additional levy authority. Section 2 of 1051 lays down another kind of limitation that lays like a blanket over those 2 methods for those subdivisions that are capped out that don't have any expanded levy authority, 1051

would give them no increase and that's what they have under current law, no increase in dollars just whatever that high-water mark in dollars, that's their limit for levies. Growth is allowed, assessment increases not allowed to increase that levy. If a subdivision is under that other situation, school districts under 185 mills or any other subdivision under their general fund levy limitation and they have room under that cap for a tax increase, right now school districts can go up 18% other subdivisions no limit, they can raise it whatever they need till they hit their cap. This bill puts a cap a place for those, 3 1/2% increase maximum. The other option on bottom of page 6 not with standing any other provision of law, a taxing district can go to the voters for approval for an increase of up to 3 1/2 % above the highest amount levied in dollars in the 3 preceding tax years. What that allows is those capped out subdivisions that currently have zero percent increase under current law and under this provision, those voters in those districts can allow 3 1/2% increase that is not otherwise allowed by law.

**Sen. Triplett:** am I correct in understanding that this section 2 was added in the House and was not present in the original bill?

**John:** that's correct; the bill as introduced had no caps on property tax levies at all.

**Sen. Triplett:** so if I was to make a motion to delete Section 2, it wouldn't hurt the bill?

**John:** it can be taken out without hurting the rest of the bill.

**Sen. Cook:** there were 2 or 3 bill introduced that dealt with caps but I think they all got killed but merged into 1051, there was a homestead tax credit bill that was killed and merged into 1051 so that's how everything got in there, my question is to political subdivisions that are at their cap today, this actually gives them an extra tool to go above the cap that they don't have today?

**John:** that's correct

**Sen. Cook:** and for political subdivisions that are below the cap, this limits their ability a county or city, this bill would limit their ability to go up to their cap in dollars, this says you can only go up to 3 ½% unless you get approval from the voters to go up to the total cap.

**John:** that's correct also.

**Sen. Oehlke:** how do individual political subs establish their individual caps again?

**John:** there are 2 kinds of caps under current law; one is set by statute, a certain number of mills against taxable value in the property of property in the taxing district. The other method I guess they set their own cap and it is because the base year for figuring out how much they can levy is set by looking at the highest amount levied in dollars in the previous 3 tax years. Whatever that highest amount is that's the base line for how much they can levy, the limit. And then there are some adjustments to it that reflect property coming onto the tax rolls, property going off of the tax rolls, new levies approved by the voters, new levies authorized by the legislature and so on. None of that limitation, that dollar limitation none of that applies to bonded debt. Bonded debt levies are unaffected by that cap and unaffected by this provision in 1051.

**Sen. Oehlke:** so the folks would really have problems with the cap are the ones that their taxable valuation has gone down and they were already at their cap, do they have to reduce that already then? They can leave that where it is at this point and time?

**John:** that's one of the good things for political subdivisions in that alternative cap if they were capped out at 40 mills and values sunk that 40 mills isn't going to generate as many dollars anymore, so they would lose tax revenue. But under the dollars levied option, you get the same number of dollars levied that you had in the 3 previous years regardless of what happens to valuations. If valuations fall you still get the same number of dollars the map just results in a higher mill rate.

**Sen. Triplett:** you just said that bonded debt is unaffected by this cap, testimony of John Schmieseck (sp) one of his argument in his testimony that it may not affect bonded debt indebtedness directly he believes that it will affect or possibly affect the interest rate on the sale of bonds that local governments can get in terms of bond rating being affected by the lack of flexibility in their financing arrangements, would you agree with that, that well it may not be affected it really directly that is could be potentially affected indirectly?

**John:** I don't really have the background to comment.

**Sen. Anderson:** this is one of my problems with this section; there are so many unknowns and unintended consequences that could happen.

**Sen. Cook:** what is left that is not being addressed? Unlimited mills?

**John:** there are a number of statutory provisions where a political subdivision is allowed to levy whatever it takes to pay the tab on whatever the program is. School district transportation and tuition, unlimited, social services, unlimited. This is phrased in terms that would imply that this limit applies to everything they levy in property tax and there's no exception that says this doesn't apply if there's unlimited authority. Somebody would have to resolve if that is ambiguous and I'm not sure that it is what happens with unlimited levies where one statute says you can levy whatever you want and this says now you can't increase you levy without voter approval. Its not as specific it's a general law vs. a specific so there are some issues about how that would be interpreted.

**Sen. Cook:** are there other such areas that you have recognized in the way this would apply to political subdivisions?

**John:** nothing else comes to mind. To me the question of unlimited levies is one that, there's a specific exception for bonded debt and that's an unlimited levy and because that one unlimited levy is mentioned here and the others are not, the ultimate interpretation is probably

that this wipes out unlimited authority in those other areas besides bonded debt. We'd have to look at a lot of court cases and then still wouldn't know.

**Sen. Triplett:** section 50-03-06 of the NDCC, that is an unlimited levy for Human Services needs which are mandated services to county government and the information I have from the Association of Counties is that in many years about half of the counties use that unlimited levy for their human services needs, so that's a serious issue. That's more of a comment than a question but that is one of the ones you were speaking about, correct?

**John:** that is correct, as Sen. Cook suggested I think a fairly simple amendment could deal with that if that is the Legislature choice that those unlimited levies would continue to be unlimited levies.

**Sen. Cook:** I would like to see Mr. Walstad draft an amendment to reflect it.

Sen. Cook: what percent of our cities are at the flat cap, do you know roughly is it 50%?

**Marcy Dickerson:** Tax Dept., I believe it's more than 50% or at or above the cap on their general fund. Counties I believe is at 50%, I don't have the numbers with me.

**Sen. Horne:** received an e-mail from the City assessor of Minot regarding the tax related that might not go to mobile homes, duplexes and triplexes, he did express some concern. He talked about section 5 owners of single families and rental properties that don't live in these properties that including mobile homes, duplexes and triplexes would get no discount if you don't live there but owners of single family rentals who don't live in the properties would get no discount but owners of fourplexes would, is this accurate?

**Sen. Cook:** I believe that was accurate as the bill came over, if's not accurate now because of the first amendment we put on here.

End of morning Discussion

# 4994

**Sen. Cook:** we are waiting for amendments. Yesterday I had a bill with an amendment that was going to change the homestead tax credit, that bill had an appropriation in it, that amendment was defeated and so now we still have a bill here that does not have an appropriation for the homestead tax credit that's in it and it does not have an appropriation for the mobile home tax relief that's in this bill. They are writing up the new amendments for the appropriation of 1051 as we speak.

**Sen. Triplett:** section 10 in the continuing appropriation for this bill, the 116 million dollars, if we didn't do what your proposing to do would all the specifics sections get paid out of that first and then what's left for the general, how are you reading that?

**Sen. Cook:** that's what has to be changed, its got to reflect the 116 million dollars for the property tax relief its got to reflect 2.6 million dollars for the homestead tax credit, its got to reflect the 16 million dollars for the marriage penalty and then there's going to be some language on there that will assure that if 116 million dollars is not quite enough the counties aren't left holding the bag, its 116 million dollars are what is needed. That's the language that's being drafted now.

**Sen. Triplett:** I make a Motion to delete Section 2 in its entirety.

**Sen. Horne:** you already made that motion it's on the table now.

Sen. Triplett: one piece of testimony that I thought was most compelling is the one coming from my home town, John Schmeisek, the finance director for the City of Grand Forks testified that he believed that this set of caps would have an unfavorable and significant impact on bond waiting for home \_\_\_ communities like Grand Forks and that is a problem that I don't think we can amend our way around because we don't have control over how these bonding rating agencies think about these things. I think that the tax payers of this state we're going to have to explain it to them clearly and they are going to have to understand that this is a

process that's going to take at least a couple of more years, its not going to happen over night but the real benefit it seems to me, the property tax reduction will come in the next session when we address the adequacy with the same intensity that we are addressing the equity issue this time around. What we're doing here is a significant amount of property tax relief. This time I think there is nothing we heard in all this testimony that suggests that local government have done anything wrong, cities and counties have been credibly responsible and the schools have only done what they had to do to keep up with the fact that their cost of service were rising while the States share of the cost were declining. To blame the cities and the counties and the schools for what has happened is simply not there. So I think we need to reject the caps.

**Sen. Urlacher:** maybe we could allow not have the caps and an option not to accept \_\_\_\_\_. An option of not accepting no caps?

**Sen. Triplett:** I don't think so.

Sen. Anderson: I know that local subdivisions answer to their peers and they get hung from the tree that weren't warranted, I think putting caps on could really tie their hands, if you limited the size of your police dept. or reduced it, that wouldn't mean crime would go down. There are needs that are there. Earlier we had a bill about items on tax statements on how much dollars were going to more places and we defeated it.. One of the reasons was because it was going to cost the counties more money. This bill says that you have to put a line item on the tax statement, the county is going to have to pay more money and I don't know what each political subdivision would do but the way I read this thing when your limited to the 3 ½% increase in dollars over the highest of the last 3 years, I'm just afraid that the a lot of the political

subdivisions will start raising 3 1/2% each year so that they can be insured that they will have

a means to get additional monies when some unknown situations arise or even if some planned situations arise.

**Sen. Urlacher**: if they do that aren't they open for criticism from their people just like the other way around?

**Sen. Anderson**: that's exactly what I said, I don't know what each subdivision would do but if they had a good argument that's what they'd have to do.

**Sen. Urlacher**: I don't know the people were screaming for reductions, control really. So evidently they are unhappy with the amount of taxes of increase or they wouldn't have been screaming.

**Sen. Anderson**: and I think a lot of the increase in property taxes aren't blaming is because of the school districts they have certain needs that they have to fulfill.

**Sen. Oehlke**: you and Sen. Triplett mentioned school districts would we be better off in pouring our efforts into a different bill rather than this one and approach the property tax relief like on 2032?

**Sen. Anderson**: I really do, the reduction of state monies that are going to schools didn't happen over night and it can't be corrected over night. I don't think this bill is going to correct that problem.

**Sen. Cook**: I think we have to be careful with the words we choose here. There has been no reduction in state money to local schools. Every session we come here we greatly increase the dollars that we give to local schools and I can't remember the exact numbers but in 1997 my first session, we had something like 118 thousand students k-12 and I forget the amount of money that we used in the State of ND to educate these 118 thousand students, we're below 100,000 students today but that amount of money that comes from the state from the local and the feds has just grown tremendously and when we look at education and if we are going to

move forward with a state even funding a greater share of the cost of education with the interest of lowering what the local share is, in that discussion will also come a very painful discussion on local control. We have a tremendous appetite for local government, the discipline that people have to face when they demand their local government is the money they have to pay in the form of property tax to enjoy it and you can't have one without the other and so I'm all for contributing more money to education but we're going to have to take over in the State and make some decisions as far as school districts and the size of school districts.

**Sen. Tollefson:** reference was made to local control and local control from the stand point of education will be diminished almost entirely with the passage of some of this 70% state funding of k-12 education. The local school board will be very ineffective. The power will be here in Bismarck, your DPI is going to run the show for all the school districts except for building or hiring the janitor but I think that's a real dangerous situation we want local control and the caps will also contribute to the local control from the stand point of over looking again the budget that creates the situation where taxes have to be increased. I believe it does cause a better look at how we are handling our money, where it's coming from and the eventual benefit will be in the hands of the people.

**Sen. Triplett:** I agree people have been screaming for property tax reform but I think that property tax reform and the caps are two completely different issues. Property tax reform is getting the money to the local folks and that's what this bill does even without section 2. The caps are a matter of whether or not the State Legislature trusts or does not trust local government to deliver. What I meant before is that we take 2 years and give local government a change to deliver. I think that if we took the caps off, gave the property tax relief we would have met the scream that we hear for property tax relief and giving the opportunity for time to see how it works out and see how many counties, cities and school districts do offer significant

tax relief. I don't think you can put a particular number on it in a 1 size fits all because that's not going to get it.

**Sen. Urlacher**: the only reason I have made that statement is because of the vast variables and trying to get to a point of addressing those variables at a working level and closer to the historical movement within those subdivisions.

Roll call vote: 3-4-0 Motion fails

**Sen. Cook**: Mr. Walstad is drafting a small amendment to make sure that regarding the unlimited levies, mill levies that they have right now that it does include an exception, so we have 2 amendments to offer on that, they are both in the process of being drafted.

**Sen. Triplett**: made a Motion that on page 5, section 2, line 20 (to increase to 7 ½% instead of 3 ½%) seconded by Sen. Anderson.

**Sen. Oehlke**: which gives in a given year then 22 ½% over 3 years potential increase.

**Sen. Anderson**: there again is the danger of caps, I don't know whose going to do it, and I can't say anybody is going to do it.

**Sen. Cook**: I like 3 ½% and I intend to stay there.

**Sen. Horne**: there's another issue in my mind that if we are going to have some kind of a cap with the recommendation coming out of this committee to the floor that at some point and time I would like to attach that to the cap it would only last as long as a state monies coming to the local governmental agencies for property tax reduction. In other words if in 2 yrs there's no money for property tax relief the caps would go away. That's my goal because the way the bill is written now the caps would extend indefinitely regardless of whether there is any money for property tax relief.

**Sen. Tollefson**: we do have a built in sunset clause 2 yrs from now this could go away or change with the next Legislature. Although a sunset clause specific as opposed does have a certain advantage but we do have it.

**Sen. Urlacher**: its automatic we can't commit future legislation.

**Sen. Cook**: call the question

Roll call vote: 4-3-0 Motion fails

**Sen. Horne**: made a **Motion that if the caps are retained in HB 1051 that they would sunset when and if the State does not provide property tax relief to the local governing bodies**, second by Sen. Triplett.

**Sen. Triplett**: I think we need to see that in writing before voting on.

**Sen. Cook**: presented amendments 0312 and Moved those amendments, second by Sen. Triplett.

Voice vote: 7-0-0 amendments pass

**Sen. Triplett**: made a **Motion on Page 6, subsection 4, line 26 delete lines 26, 27, 28, 29 and part of line 30, does take away provision, leave home rule in tact**, second by Sen. Anderson.

**Sen. Urlacher**: this retains home rule.

**Sen. Cook**: wasn't Grand Forks declared a disaster?

**Sen. Triplett**: yes

**Sen. Horne**: asked how many home rule communities there were and who are they.

Vote: 3-4-0 Motion fails

**Sen. Cook**: **presented and proposed Amendments 03tx**, second by Sen. Tollefson.

Voice vote: 7-0-0 Motion carries

**Sen. Horne**: made a **Motion to remove 3 ½% to 5 ½%**, second by Sen. Triplett.

**Sen. Triplett**: I support it because if we don't put another number in there it won't change in conference committee.

**Sen. Tollefson**: any number will it to the conference table for debate.

Vote: 5-2-0 Motion passes

**Sen. Horne**: presented and **proposed Amendment 0313**, second by Sen. Anderson.

Vote: 3-4-0 Motion failed

**Sen. Cook**: noted we already have the sunset in place.

**Sen. Triplett**: presuming caps.

**Sen. Urlacher**: interim study, can't resume

**Sen. Triplett** made a **Motion for DO NOT PASS**, second by Sen. Anderson.

Vote: 3-4-0 Motion fails

**Sen. Cook** made a **Motion for DO PASS**, second by Sen. Tollefson

Vote: 4-3-0 Sen. Cook will carry the bill.

March 5, 2007

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1051

Page 8, line 13, remove "owned and occupied by an individual as that individual's"

Page 8, line 14, remove "homestead"

Page 8, line 16, remove ", if the individual primarily responsible for"

Page 8, remove lines 17 through 19

Page 8, line 20, remove "person's homestead"

Page 8, line 22, remove "if the mobile home is owned and"

Page 8, line 23, remove "occupied by an individual as that individual's homestead"

Page 8, line 25, remove "if the individual primarily"

Page 8, remove lines 26 through 28

Page 8, line 29, remove "individual's homestead"

Re-number accordingly

March 9, 2007

*Passed  
7-0-1*

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1051

Page 11, replace lines 23 through 31 with:

**"SECTION 9. AMENDMENT.** Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$27,050</del> <u>\$31,850</u>	2.10%
Over <del>\$27,050</del> <u>\$31,850</u> but not over <del>\$66,550</del> <u>\$77,100</u>	<del>\$568.05</del> <u>\$668.85</u> plus 3.92% of amount over <del>\$27,050</del> <u>\$31,850</u>
Over <del>\$66,550</del> <u>\$77,100</u> but not over <del>\$136,750</del> <u>\$160,850</u>	<del>\$2,077.25</del> <u>\$2,442.65</u> plus 4.34% of amount over <del>\$66,550</del> <u>\$77,100</u>
Over <del>\$136,750</del> <u>\$160,850</u> but not over <del>\$207,350</del> <u>\$349,700</u>	<del>\$5,167.33</del> <u>\$6,077.40</u> plus 5.04% of amount over <del>\$136,750</del> <u>\$160,850</u>
Over <del>\$207,350</del> <u>\$349,700</u>	<del>\$13,261.57</del> <u>\$15,595.44</u> plus 5.54% of amount over <del>\$207,350</del> <u>\$349,700</u>

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$46,200</del> <u>\$63,700</u>	2.10%
Over <del>\$46,200</del> <u>\$63,700</u> but not over <del>\$100,250</del> <u>\$128,500</u>	<del>\$940.20</del> <u>\$1,337.70</u> plus 3.92% of amount over <del>\$46,200</del> <u>\$63,700</u>
Over <del>\$100,250</del> <u>\$128,500</u> but not over <del>\$166,500</del> <u>\$195,850</u>	<del>\$3,459.06</del> <u>\$3,877.86</u> plus 4.34% of amount over <del>\$100,250</del> <u>\$128,500</u>
Over <del>\$166,500</del> <u>\$195,850</u> but not over <del>\$207,350</del> <u>\$349,700</u>	<del>\$5,944.61</del> <u>\$6,800.85</u> plus 5.04% of amount over <del>\$166,500</del> <u>\$195,850</u>
Over <del>\$207,350</del> <u>\$349,700</u>	<del>\$12,539.46</del> <u>\$14,554.89</u> plus 5.54% of amount over <del>\$207,350</del> <u>\$349,700</u>

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$22,600</del> <u>\$31,850</u>	2.10%
Over <del>\$22,600</del> <u>\$31,850</u> but not over <del>\$54,625</del> <u>\$64,250</u>	<del>\$474.60</del> <u>\$668.85</u> plus 3.92% of amount over <del>\$22,600</del> <u>\$31,850</u>

Over ~~\$54,625~~ \$64,250 but not over  
~~\$83,250~~ \$97,925  
Over ~~\$83,250~~ \$97,925 but not over  
~~\$148,675~~ \$174,850  
Over ~~\$148,675~~ \$174,850

~~\$1,720.08~~ \$1,938.93 plus 4.34% of amount  
over ~~\$54,625~~ \$64,250  
~~\$2,072.31~~ \$3,400.43 plus 5.04% of amount  
over ~~\$83,250~~ \$97,925  
~~\$6,260.73~~ \$7,277.45 plus 5.54% of amount  
over ~~\$148,675~~ \$174,850

d. Head of household.

If North Dakota taxable income is:  
Not over ~~\$36,250~~ \$42,650  
Over ~~\$36,250~~ \$42,650 but not over  
~~\$93,650~~ \$110,100  
Over ~~\$93,650~~ \$110,100 but not over  
~~\$151,650~~ \$178,350  
Over ~~\$151,650~~ \$178,350 but not  
over ~~\$297,350~~ \$349,700  
Over ~~\$297,350~~ \$349,700

The tax is equal to:  
2.10%  
~~\$761.25~~ \$895.65 plus 3.92% of amount  
over ~~\$36,250~~ \$42,650  
~~\$3,011.33~~ \$3,539.69 plus 4.34% of amount  
over ~~\$93,650~~ \$110,100  
~~\$5,528.53~~ \$6,501.74 plus 5.04% of amount  
over ~~\$151,650~~ \$178,350  
~~\$12,871.81~~ \$15,137.78 plus 5.54% of amount  
over ~~\$297,350~~ \$349,700

e. Estates and trusts.

If North Dakota taxable income is:  
Not over ~~\$1,800~~ \$2,150  
Over ~~\$1,800~~ \$2,150 but not over  
~~\$4,250~~ \$5,000  
Over ~~\$4,250~~ \$5,000 but not over  
~~\$6,500~~ \$7,650  
Over ~~\$6,500~~ \$7,650 but not over  
~~\$8,000~~ \$10,450  
Over ~~\$8,000~~ \$10,450

The tax is equal to:  
2.10%  
~~\$37.80~~ \$45.15 plus 3.92% of amount  
over ~~\$1,800~~ \$2,150  
~~\$133.84~~ \$156.87 plus 4.34% of amount  
over ~~\$4,250~~ \$5,000  
~~\$231.49~~ \$271.88 plus 5.04% of amount  
over ~~\$6,500~~ \$7,650  
~~\$352.45~~ \$413.00 plus 5.54% of amount  
over ~~\$8,000~~ \$10,450

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

- (1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and
- (2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. For taxable years beginning after December 31, ~~2004~~ 2007, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the

cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes."

Page 12, remove lines 1 through 31

Page 13, remove lines 1 through 30

Page 14, remove lines 1 through 23

Renumber accordingly

March 12, 2007

*Failed*

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1051

Page 1, line 9, after "relief" insert "; to provide an appropriation for additional homestead credit funding"

Page 2, line 4, replace "ten" with "nine"

Page 2, line 8, replace "ten" with "nine"

Page 2, line 9, remove the overstrike over "~~ten~~", remove "twelve", and after "thousand" insert "five hundred"

Page 2, line 13, remove the overstrike over "~~ten~~", remove "twelve", and after "thousand" insert "five hundred"

Page 2, line 14, replace "fourteen" with "twelve"

Page 2, line 18, replace "fourteen" with "twelve"

Page 2, line 19, remove the overstrike over "~~thirteen~~", remove "sixteen", and after "thousand" insert "five hundred"

Page 2, line 23, remove the overstrike over "~~thirteen~~", remove "sixteen", and after "thousand" insert "five hundred"

Page 2, line 24, replace "seventeen" with "fifteen" and overstrike "five hundred"

Page 15, after line 20, insert:

**"SECTION 12. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$1,993,000, or so much of the sum as may be necessary, to the state tax commissioner for the purpose of allocation of homestead credit funding to political subdivisions in addition to the amount otherwise appropriated to the tax commissioner for this purpose by the sixtieth legislative assembly, for the biennium beginning July 1, 2007, and ending June 30, 2009."

Re-number accordingly

Date: 3-12-07

Roll Call Vote #: \_\_\_\_\_

**2007 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 1051**

Senate Finance & Tax Committee

Check here for Conference Committee

Legislative Council Amendment Number Amendment 70332,0308

Action Taken Do Pass

Motion Made By Senator Cook Seconded By \_\_\_\_\_

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher	✓		Sen. Anderson		✓
Sen. Tollefson	✓		Sen. Horne		✓
Sen. Cook	✓		Sen. Triplett		✓
Sen. Oehlke		✓			

Total (Yes) 4 No 3

Absent 0

Floor Assignment \_\_\_\_\_

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

March 12, 2007

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1051

Page 1, line 1, after "sections" insert "57-02-08.8,"

Page 1, line 2, after "to" insert "a homestead property tax credit for all homeowners,"

Page 1, line 4, after "57-02-08.1" insert ", 57-02-08.2"

Page 5, after line 12, insert:

**"SECTION 2. AMENDMENT.** Section 57-02-08.2 of the North Dakota Century Code is amended and reenacted as follows:

**57-02-08.2. Homestead credit - Certification.** Prior to March 1, 1975, and first of each year thereafter, the county auditor of each county shall certify to the state tax commissioner on forms prescribed by the state tax commissioner the name and address of each person for whom the homestead credit provided for in section 57-02-08.1 and the name and address of each person for whom the homestead credit provided for in section 57-02-08.8 was allowed for the preceding year, the amount of exemption allowed, the total of the tax mill rates of all taxing districts, exclusive of any state mill rates, that was applied to other real estate in such taxing districts for the preceding year, and such other information as may be prescribed by the tax commissioner.

The tax commissioner shall audit such certifications, make such corrections as may be required, and certify to the state treasurer for payment to each county on or before June 1, 1975, and first of each year thereafter, the sum of the amounts computed by multiplying the exemption allowed under section 57-02-08.1 for each such homestead in the county for the preceding year by the total of the tax mill rates, exclusive of any state mill rates, that was applied to other real estate in such taxing districts for that year. The tax commissioner shall certify to the state treasurer for payment to each county on or before June first of each year the sum of the amounts of exemptions allowed for each homestead in the county under section 57-02-08.8.

The county treasurer upon receipt of the payment from the state treasurer shall forthwith apportion and distribute it to the county and to the local taxing districts of the county on the basis on which the general real estate tax for the preceding year is apportioned and distributed.

Supplemental certifications by the county auditor and by the state tax commissioner and supplemental payments by the state treasurer may be made after the dates prescribed herein to make such corrections as may be necessary because of errors therein or because of approval of any application for abatement filed by a person because the exemption provided for in section 57-02-08.1 or 57-02-08.8 was not allowed in whole or in part.

**SECTION 3.** Section 57-02-08.8 of the North Dakota Century Code is created and enacted as follows:

**57-02-08.8. Homestead credit for all homeowners.** The owner of any homestead is entitled to a credit equal to three and six-tenths percent of property taxes levied against that homestead by political subdivisions.

1. The exemption under this section continues to apply if the person does not reside in the homestead and the person's absence is due to confinement in a nursing home, hospital, or other care facility, or as long as the portion of the homestead previously occupied by the person is not rented to another person.
2. Individuals residing together, as spouses or when one or more is a dependent of another, are entitled to only one exemption between or among them under this section. Persons residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full exemption under this section equal to their ownership interests in the property.
3. This section does not reduce the liability of any individual for special assessments levied against any property.
4. To obtain the credit under this section, the individual entitled to the credit must file a claim for the credit with the county auditor of the county in which the homestead is located.
5. The tax commissioner shall prescribe, design, and make available all forms necessary to effectuate this section. Each county director of tax equalization and county auditor shall make these forms available to taxpayers upon request.
6. A person whose homestead is a farm structure exempt from taxation under subsection 15 of section 57-02-08 is not entitled to any property tax credit under this section.
7. For purposes of this section, "homestead" has the same meaning as provided in section 47-18-01 except that the value of a homestead for purposes of this section is limited to not more than one hundred fifty thousand dollars."

Page 8, line 6, after the second underscored boldfaced period insert "The state tax commissioner shall allocate funds appropriated under section 57-51.1-07.2 for property tax relief as provided in this section."

1. The superintendent of public instruction shall determine an adjusted combined education mill rate for each school district by September first of each year. For purposes of this section, "combined education mill rate" means the combined number of mills levied by a school district for the general fund and for high school tuition and high school transportation. The combined education mill rate for a school district may not exceed two hundred mills. Any excess levy authority approved by the qualified electors of a school district after December 31, 2006, must be excluded from the combined education mill rate.
2. To determine the number of mills eligible for state-paid property tax relief, the superintendent of public instruction shall subtract one hundred thirty mills from each school district's combined education mill rate. The eligible mills may not be reduced to less than zero mills.
3. The superintendent of public instruction shall forward to the state tax commissioner by September fifteenth of each year the number of school district mills eligible for state-paid property tax relief in each school district as determined under subsections 1 and 2.

4. The state tax commissioner shall divide the eligible mills determined for each school district under subsection 2 by four.
5. The state tax commissioner shall certify to each county auditor by October first of each year the number of mills of state-paid property tax relief determined for each school district in the county.
6. On each property tax statement mailed to a taxpayer, the county treasurer or tax commissioner shall show the number of mills of property tax relief to be paid by the state. The number of mills of property tax relief, multiplied times the final equalized taxable valuation of the property, constitutes the state-paid property tax relief. This amount must be labeled and be on the tax statement in accordance with sections 57-20-07.1 and 57-32-03.
7. The state tax commissioner shall accept claims from county auditors for the state's share of school district property taxes that are deducted from taxpayer statements each year and shall certify to the state treasurer for payment to county treasurers of amounts claimed to provide for payment of ninety percent of the amount claimed on March first and the balance of the amount claimed on June fifteenth following the taxable year for which the claims are made.
8. After payments to counties under subsection 7 have been made, the tax commissioner shall settle any amounts payable to or received from counties due to errors, abatements, compromises, or court-ordered tax adjustments and direct the state treasurer to make payments or deposits accordingly.
9. The county treasurer shall allocate the amounts received under this section among the school districts entitled to the funds in the same manner as school district property taxes are distributed."

Page 8, remove lines 7 through 31

Page 9, remove lines 1 through 31

Page 10, remove lines 1 through 10

Page 15, line 12, remove "sixteen" and remove "seven hundred thousand"

Page 15, line 14, after "providing" insert "homestead credit and"

Page 15, line 15, replace "a plan for the distribution of the payments as enacted by the legislative assembly" with "sections 57-02-08.8 and 57-20-07.2" and after the underscored period insert "Not more than fifty million dollars of the amount appropriated under this section may be expended in the first year of the biennium. During the first year of the biennium, not more than twenty-six million four hundred fifty thousand dollars of the amount appropriated may be expended for the homestead credit under section 57-02-08.8 and not more than twenty-three million five hundred fifty thousand dollars may be expended for property tax relief payments under section 57-20-07.2. Any amounts appropriated and unexpended in the first year of the biennium must be applied by the tax commissioner for pro rata increases in the second year of the biennium and credits under sections 57-02-08.8 and 57-20-07.2 must be increased accordingly."

Page 15, line 23, replace "9" with "11"

Renumber accordingly

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1051

Page 6, after line 22, insert:

"d. Unlimited mill levy authority provided by statute and not requiring approval of electors."

Renumber accordingly

March 13, 2007

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1051

Page 1, line 9, after the semicolon insert "to provide an appropriation for the homestead property tax credit"

Page 15, line 11, remove "up to one"

Page 15, remove line 12

Page 15, line 13, replace "as may be necessary," with "the amount necessary to provide property tax relief payments to the county treasurers under section 57-20-07.2" and after "appropriated" insert "each biennium"

Page 15, line 14, replace ", for the purpose of providing property tax relief payments to counties in accordance" with " . "

Page 15, remove line 15 and insert immediately thereafter:

**"SECTION 11. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$3,800,000, or so much of the sum as may be necessary, to the state tax commissioner for the purpose of paying the state reimbursement for the homestead tax credit as provided in section 1 of this Act, for the biennium beginning July 1, 2007, and ending June 30, 2009."

Renumber accordingly



Date: 3-13-07

Roll Call Vote #: 2

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1051

Senate Finance & Tax Committee

Check here for Conference Committee

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

Action Taken Raise caps to 7 1/2 %

Motion Made By Triplet Seconded By Anderson

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher		✓	Sen. Anderson	✓	
Sen. Tollefson		✓	Sen. Home	✓	
Sen. Cook		✓	Sen. Triplet	✓	
Sen. Oehlke		✓			

Total (Yes) 3 No 4

Absent 0

Floor Assignment \_\_\_\_\_

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

Date: 3-13-07

Roll Call Vote #: 3

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1051

Senate Finance & Tax Committee

Check here for Conference Committee

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

Action Taken at sunset session on COPS

Motion Made By Horne Seconded By Triplett

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher			Sen. Anderson		
Sen. Tollefson			Sen. Horne		
Sen. Cook			Sen. Triplett		
Sen. Oehlke					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

*Void*

Date: 3-13-07

Roll Call Vote #: 4

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1051

Senate Finance & Tax Committee

Check here for Conference Committee

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

Action Taken delete line 26, 27, 28, 29 & Part of 30 p. 6, Sec. 4

Motion Made By Triplett Seconded By Anderson

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher		✓	Sen. Anderson	✓	
Sen. Tollefson		✓	Sen. Home	✓	
Sen. Cook		✓	Sen. Triplett	✓	
Sen. Oehlke		✓			

Total (Yes) 3 No 4

Absent 0

Floor Assignment \_\_\_\_\_

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



March 13, 2007

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1051

Page 1, line 9, remove "and"

Page 1, line 10, after "date" insert "; and to provide an expiration date"

Page 15, line 21, after "**DATE**" insert " - **EXPIRATION DATE**"

Page 15, line 24, after the period insert "Section 2 of this Act is effective for the first two taxable years beginning after December 31, 2006, and is thereafter ineffective."

Renumber accordingly





Date: 3.13.07

Roll Call Vote #: 8

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB1051

Senate Finance & Tax Committee

Check here for Conference Committee

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

Action Taken Do Pass As Amended

Motion Made By Cook Seconded By Tollefson

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher	✓		Sen. Anderson		✓
Sen. Tollefson	✓		Sen. Horne		✓
Sen. Cook	✓		Sen. Triplett		✓
Sen. Oehlke	✓				

Total (Yes) 4 No 3

Absent 0

Floor Assignment Cook

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

**REPORT OF STANDING COMMITTEE**

**HB 1051, as reengrossed: 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 (4 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING)**. Reengrossed HB 1051 was placed on the Sixth order on the calendar.

Page 1, line 9, after the semicolon insert "to provide an appropriation;"

Page 5, line 21, replace "three and one-half" with "five"

Page 6, line 7, replace "three and one-half" with "five"

Page 6, after line 22, insert:

"d. Unlimited mill levy authority provided by statute and not requiring approval of electors."

Page 6, line 31, replace "three and one-half" with "five"

Page 8, line 13, remove "owned and occupied by an individual as that individual's"

Page 8, line 14, remove "homestead"

Page 8, line 16, remove ", if the individual primarily responsible for"

Page 8, remove lines 17 through 19

Page 8, line 20, remove "person's homestead"

Page 8, line 22, remove "if the mobile home is owned and"

Page 8, line 23, remove "occupied by an individual as that individual's homestead"

Page 8, line 25, remove "if the individual primarily"

Page 8, remove lines 26 through 28

Page 8, line 29, remove "individual's homestead"

Page 11, replace lines 23 through 31 with:

**"SECTION 9. AMENDMENT.** Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing

status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$27,050</del> <u>\$31,850</u>	2.10%
Over <del>\$27,050</del> <u>\$31,850</u> but not over <del>\$65,550</del> <u>\$77,100</u>	<del>\$568.05</del> <u>\$668.85</u> plus 3.92% of amount over <del>\$27,050</del> <u>\$31,850</u>
Over <del>\$65,550</del> <u>\$77,100</u> but not over <del>\$136,750</del> <u>\$160,850</u>	<del>\$2,077.25</del> <u>\$2,442.65</u> plus 4.34% of amount over <del>\$65,550</del> <u>\$77,100</u>
Over <del>\$136,750</del> <u>\$160,850</u> but not over <del>\$297,350</del> <u>\$349,700</u>	<del>\$5,167.33</del> <u>\$6,077.40</u> plus 5.04% of amount over <del>\$136,750</del> <u>\$160,850</u>
Over <del>\$297,350</del> <u>\$349,700</u>	<del>\$13,261.67</del> <u>\$15,595.44</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u>

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$45,200</del> <u>\$63,700</u>	2.10%
Over <del>\$45,200</del> <u>\$63,700</u> but not over <del>\$100,250</del> <u>\$128,500</u>	<del>\$949.20</del> <u>\$1,337.70</u> plus 3.92% of amount over <del>\$45,200</del> <u>\$63,700</u>
Over <del>\$100,250</del> <u>\$128,500</u> but not over <del>\$166,500</del> <u>\$195,850</u>	<del>\$3,459.96</del> <u>\$3,877.86</u> plus 4.34% of amount over <del>\$100,250</del> <u>\$128,500</u>
Over <del>\$166,500</del> <u>\$195,850</u> but not over <del>\$297,350</del> <u>\$349,700</u>	<del>\$5,944.61</del> <u>\$6,800.85</u> plus 5.04% of amount over <del>\$166,500</del> <u>\$195,850</u>
Over <del>\$297,350</del> <u>\$349,700</u>	<del>\$12,539.45</del> <u>\$14,554.89</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u>

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$22,600</del> <u>\$31,850</u>	2.10%
Over <del>\$22,600</del> <u>\$31,850</u> but not over <del>\$54,625</del> <u>\$64,250</u>	<del>\$474.60</del> <u>\$668.85</u> plus 3.92% of amount over <del>\$22,600</del> <u>\$31,850</u>
Over <del>\$54,625</del> <u>\$64,250</u> but not over <del>\$83,250</del> <u>\$97,925</u>	<del>\$1,729.98</del> <u>\$1,938.93</u> plus 4.34% of amount over <del>\$54,625</del> <u>\$64,250</u>
Over <del>\$83,250</del> <u>\$97,925</u> but not over <del>\$148,675</del> <u>\$174,850</u>	<del>\$2,972.31</del> <u>\$3,400.43</u> plus 5.04% of amount over <del>\$83,250</del> <u>\$97,925</u>
Over <del>\$148,675</del> <u>\$174,850</u>	<del>\$6,269.73</del> <u>\$7,277.45</u> plus 5.54% of amount over <del>\$148,675</del> <u>\$174,850</u>

d. Head of household.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$36,250</del> <u>\$42,650</u>	2.10%
Over <del>\$36,250</del> <u>\$42,650</u> but not over <del>\$93,650</del> <u>\$110,100</u>	<del>\$761.25</del> <u>\$895.65</u> plus 3.92% of amount over <del>\$36,250</del> <u>\$42,650</u>
Over <del>\$93,650</del> <u>\$110,100</u> but not over <del>\$151,650</del> <u>\$178,350</u>	<del>\$3,011.33</del> <u>\$3,539.69</u> plus 4.34% of amount over <del>\$93,650</del> <u>\$110,100</u>
Over <del>\$151,650</del> <u>\$178,350</u> but not over <del>\$297,350</del> <u>\$349,700</u>	<del>\$5,528.53</del> <u>\$6,501.74</u> plus 5.04% of amount over <del>\$151,650</del> <u>\$178,350</u>
Over <del>\$297,350</del> <u>\$349,700</u>	<del>\$12,871.81</del> <u>\$15,137.78</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u>

e. Estates and trusts.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$1,800</del> <u>\$2,150</u>	2.10%
Over <del>\$1,800</del> <u>\$2,150</u> but not over <del>\$4,250</del> <u>\$5,000</u>	<del>\$37.80</del> <u>\$45.15</u> plus 3.92% of amount over <del>\$1,800</del> <u>\$2,150</u>
Over <del>\$4,250</del> <u>\$5,000</u> but not over <del>\$6,500</del> <u>\$7,650</u>	<del>\$133.84</del> <u>\$156.87</u> plus 4.34% of amount over <del>\$4,250</del> <u>\$5,000</u>
Over <del>\$6,500</del> <u>\$7,650</u> but not over <del>\$8,900</del> <u>\$10,450</u>	<del>\$231.49</del> <u>\$271.88</u> plus 5.04% of amount over <del>\$6,500</del> <u>\$7,650</u>
Over <del>\$8,900</del> <u>\$10,450</u>	<del>\$352.45</del> <u>\$413.00</u> plus 5.54% of amount over <del>\$8,900</del> <u>\$10,450</u>

- f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:
- (1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and
  - (2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

- g. For taxable years beginning after December 31, ~~2004~~ 2007, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes."

Page 12, remove lines 1 through 31

Page 13, remove lines 1 through 30

Page 14, remove lines 1 through 23

Page 15, line 11, replace "up to one" with "the amount necessary to provide property tax relief payments to county treasurers under section 57-20-07.2"

Page 15, remove line 12

Page 15, line 13, remove "as may be necessary," and after "appropriated" insert "during each biennium"

Page 15, line 14, replace "for the purpose of providing property tax relief payments to counties in accordance" with "."

**SECTION 11. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$3,800,000, or so much of the sum as may be necessary, to the state tax commissioner for the purpose of paying the state reimbursement for the homestead tax credit as provided in section 1 of this Act, for the biennium beginning July 1, 2007, and ending June 30, 2009."

Page 15, remove line 15

Renumber accordingly

2007 SENATE APPROPRIATIONS

HB 1051

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1051

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 03-21-07

Recorder Job Number: unknown

Committee Clerk Signature



Minutes:

Senator Wardner opened the subcommittee hearing on HB 1051, announcing today is the deadline for getting bills out of committee.

Senator Wardner indicated as he looks at the bill is there anything that people have issues with.

Ryan Bernstein, Legal Counsel for the Governor, indicated two things need to be dealt with. He distributed amendments on subsection c to remove exemptions from prior years and indicated part c would subtract what was from the past year. This removes renaissance zone from that.

Senator Christmann asked if this completely solves the problem. The response was yes as to the renaissance zone.

Ryan Bernstein then distributed another amendment dealing with section 4 on the reingrossed HB 1051 about mailing statements and the total dollars taxed from the previous year. As I understand it is the one you have to amend in section 4.

Lt Governor Dalrymple indicated the disclosure item is presented with the notion that this is what would be a good substitute for the hard cap. It goes to accountability; we don't run cities, counties and school boards, but to ask them to be accountable to the public. We are on way to passing SB 2200.

During the next two years, we will see dramatic changes in individual school districts, some much more then ever before but others who are property rich will get a minimal amount of 2 % the first year and 1% the second year. We ask that you postpone the question of caps, ask people to be accountable and see

the affects. In two years we'll be in a better position to decide what to do about caps. Section 2 sub 1 is the part everyone has an objection to.

Senator Connie Triplet, District 18, Grand Forks, testified, indicating she echoed what the Lt Governor said indicating we have tried to separate equity from adequacy and in the long term caps are premature.

Senator Christmann asked if we want to bring people up for questions or run after them during the day.

Seymour will present amendments at committee hearing.

John Walstad, legislative Council, why railroad property and railroad transportation companies are listed so distinctly and separately. The response was they had their way with congress and federal legislation

tells the state that whatever we do for real property we must provide the same for commercial property.

They are not listed with commercial property because of assessments it is only commercial that receives property relief.

Senator Christmann questioned the fact that some parts of other bills not in this hearing favor ND residents over non residents, can you explain? The response was the bill as it came from the House had limitation on each class of property. Residents had to be in state for homestead credit. Commercial property is 20% controlled interest had to be residents for management decisions and be resident of ND with regard to that commercial property. In particular there may be a huge liability issue and they may sue. That is not in the bill at this point but the Senate took out resident requirements for those properties.

Senator Christmann asked if he knew about the amount of tax relief that is in various tax relief bills.

The response was Marci has that information.

Cory Fong, State Tax Commissioner indicated as the bill stands now with \$116 million in tax relief, it breaks down to approximately 77% residents and 21% commercial and 17% ag.

Senator Christmann indicated that leaves about 2 percent; is that railroad and airline. The response was yes and the mobile home taxes rolled in, and other mobile unties are not in this. That is a rough estimate.

Senator Wardner indicated anyone and everybody can present amendments to the full committee.

However we do have a deadline it is 5 pm tonight

The hearing adjourned

# 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1051

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 03-21-07

Recorder Job Number: 5383

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on HB 1051.

Representative Wes Beltier District 22, Leonard, introduced HB 1051 with a brief overview. Section 1 deals with existing homestead credit tax relief to 65 and older, the House add a \$3.6 million increase and the current expenditure is \$4.5 million, on pg 2 give various income categories for the program, on pg 6 is a renters credit for people eligible for programs, pg 5 deals with limitations, the House version was a 3.5 percent increase in dollars and the Senate increased that to 5 percent increase, there are provisions to allow for improvements in property, and there are also exceptions on page 6. Sect 3 allow for an emergency levy authority in the case of a disaster. Sect 4 covers the area that the tax statement must show prop tax. Sect 5 deals with the amount of credit of 10 percent residential property and 5 percent for commercial and agriculture property. Sect 9 is the marriage penalty portion of the tax. Married couples who file a joint return pay more tax then individuals and this changes that. Sect 10 takes money from the permanent oil trust fund for. Sect 11 is a required study of current prop tax during the interim.

Senator Seymour indicated early on the bill included income categories; how did you arrive at those.

The response was it was taken off the current tax forms and this is the existing homestead credit and the additional numbers were arbitrary.

Senator Krauter questioned how do you explained to residents of ND why one credit is 10 percent and one 5 percent. The response was that was a compromise between the two sponsors. I can have the argument that it is not fair as far as treating ag different the residential. But as a farmer, there are some things that Legislature has been very good to farmers about; the farmstead exemption, areas of sales tax breaks and it was an arbitrary decision.

Senator Krauter asked if there was any discussion at doing everything at 7.5 percent. The response was yes there had been discussion about that.

Senator Cook, District 34, Mandan, distributed a small technical amendment from the policy committee for appropriations to put in the bill. He then discussed the caps -- if we are going to solve prop tax, we need to place a cap so it doesn't go higher. The amendment 0317 deals with a 5 percent cap.

Chairman Holmberg indicated the committee has three grads of the finance and tax committee on appropriations Senators Wardner, Christmann, and Seymour.

Senator Krauter asked a technical question as he was trying to match up to version 0500. The response was John Walstad indicated he had to match to all other amend. The only amendment he offered is pg 5, line 21 and all other amendments have already been adopted.

Senator Krauter the amendments here are all based on mil levy caps. This has switched to a percentage. The response was the 5 percent does not apply to the cap but where they are below the cap and how far the can raise it.

Senator Wardner asked to have the 5 percent clarified. The response was it is in dollars.

Lt Governor Jack Dalrymple, testified providing comments on the bill. He indicated the fiscal situation as we see it is now back to the form the Governor proposed which was originally assessed at \$116

million. The marriage penalty and homestead tax credit would be added on top of the \$116 mil. The Governor's office feels the need to provide property tax relief to ND taxpayers. It is definitely something people are concerned about. The Governor's office did not originally propose caps on revenue generation. That is something added in committees. There are a significant number of legislators and taxpayers who feel that for the state to provide property tax relief and then say nothing about what local political subdivisions do, is not appropriate. Somehow when we provide this money back to taxpayers they want to be assured there is an overall restraint to be authorized. The balance between taxpayers and officials can be worked out. The bill sits now at 5 percent allowable growth in revenue protection per year plus what ever new property, improved property or what is returning to tax roles because of special provisions, is not in the cap. We ask where is it reasonable to say where the bench mark belongs. Ultimately it is about credibility with the taxpayers. If we are not able to come to resolution on a fair program for property tax relief and limitations then we can expect the public to take it into their own hands. The pattern in other states has been very obvious; when property taxpayers get upset enough, they will pass an initiated measure. That measure in other states quite often has been very difficult to deal with after the fact. From the point of view of the Legislature and local officials is how to solve this ourselves and not let other groups decide how to do it. Other things need to be discussed on this bill is the renaissance zone issue, some cities allow exemptions on existing property and if they do that there is a potential to reduce their base tax and make it more difficult to live within the five percent tax cap. We have prepared an amendment that we would like to share with the subcommittee which we think will solve that problem. In addition the bill calls for an emergency levy authority to be granted by the Governor. The Governor's office does not have the capacity to evaluate the severity of these various situations, we have no tools to declare emergencies and we feel that should be declared by the local authority directly. The Senate has put good amendments on. The provision that provides certain types of mills are unlimited is in essence set aside from the computation and we suggest

you keep that. The last point is the sustainability of this measure. It is important for the public to see we can do this and can continue to do so indefinitely. We need to look at the permanent oil tax fund to carry this out. We suggest that is good way to ensure we will have money for this over time.

Senator Grindberg asked the same question about sustainability. He asked that Lt. Governor discuss using general funds if we are so confident the economy will sustain. The response was we have looked at the general fund as the pay as you go portion of the state budget to take care of on going needs, but in this case in taking back property tax relief would be a bad thing to do. We need to identify beyond two years where do we see these revenues coming from. Our analysis shows the permanent oil tax fund will always be. Our projections from the experts we hire, show we have arrived at new area in petroleum supply and demand world wide and there is no reason for us to expect sudden drop off in revenues.

Senator Mathern questioned the homestead property tax relief and if there are other bills still alive to offer homestead property tax credits. The response was this is what is left of the initiatives.

Senator Mathern questioned if this is enough. The response was this came as property tax relief credit and homestead property tax credit is a separate credit.

Senator Tallackson indicated this is rather complicated method of getting tax relief. Why don't we fund education as much as possible for tax relief? The Governor's office agrees we need to do a good job of funding education and that is why there is over \$80 million of new spending for Senator Krauter-12 education in SB 2200. We do feel taxpayers deserve to see how we allocate those two different kinds of spending.

Senator Krauter asked how do explain how one relief is 10 percent and one 5 percent. The response was, those are always the tough choices, but Representative Delzer responded quite well. You have to look at agriculture in the context of all policy decisions already made. Ag land is not valued under state law at fair market value as houses are. It is valued under a special formula lower then residential property. First we need to look at residences because that is where you reach the heart of taxpayers.

Scott Wagner, Chairman, Cass County Board of Commissioners, testified on behalf of counties in opposition to HB 1051, distributing written testimony and urging a vote no on caps.

Chairman Holmberg indicated Mr. Wagner's statement indicates support for the rest of the bill and it is one portion you object to. The response was I am neutral on the rest of the bill my primary concern is the budget authority of counties.

Chairman Holmberg asked if he was more comfort with the bill if it was amended to say political subdivisions did not have to participate in this property tax relief, but if you did, you would have to accept the caps in the bill. The response was from his understanding is on the relationship of the monies back is on the administrative side, the counties and cities are getting no money, so there would be no aid in that area.

Chairman Holmberg questioned you would be comfortable or you would be fine if Cass County was going to get \$3 million of property tax relief but there was this 5 percent cap, that Cass County Commission could decide we don't want to participate in it. The response was from an administrative side, we would have to ask if we can administrate that and I don't see that

Senator Grindberg questioned if we resign ourselves to commit \$116 million for property tax relief, is it better public policy to expand and solely count on homestead tax credit or this issue. The response was that is an issue for you to decide but whatever you decide the homestead tax credit is critical

Senator Krauter, asked that he discuss what it would cost to administer this from the standpoint of county commissioners. The response was he did not have specifics.

Senator Robinson asked of John Walstad of this version what would go to out of state property owners The response was about 2 percent on residential, on ag, about 8 percent on commercial property I don't know,

Rick Osmanstead, Pres of ND Farm Bureau, Farmer Devils Lake area, testified in support of the bill, we support amendments from Rep Cook and he distributed a chart (prop tax payable in mil of dol) (Prop tax levy) and will support caps. He agrees with line of thought about giving political subdivisions authority on property tax relief.

Senator Lindaas indicated the graph from 1981-06 would be of interest to look at with the consumer price index.

Senator Wardner indicated the 5 percent is a limiter, not a cap and it does escalate for a period of time, but there are caps. In the 1980's and 90's that was a cap and some are still above the cap. They are gong to take 5 per cent every year. I don't believe this 5 percent is a cap it limits for one year.

Connie Sprynzynatic, League of Cities, distributed testimony (green sheet) testified indicating there is a lot of talk about what this means. The homestead tax credit provides real relief for people who really need it. Cities are where commerce happens in every instance. The city spends more in public safety

then the city takes in from property tax. Under conditions of bill, if the levy authority is left there are three conditions for taking growth through property, exemptions falling off, and for improvements to property.

Dennis Walaker Mayor of Fargo testified indicating the only solutions that gain are the ones that effect cities and counties. He indicated that with growth come demands for services, need new fire station requiring twelve new employees; Fargo ratio of police to reach the national average there is a need to add 36 new officers. If caps are nothing to worry about why impose them. If burdened with incentives and limits for development then the ability is limited. Fargo is dealing with the renaissance zone -- this is extremely important way to go, the downtown area is coming back. Fargo has used \$12 million of property tax and will have \$75 million worth of new investment in downtown Fargo

Bev Nielson,, ND School Boards Association, testified in opposition, expressing several concerns. She stated Sen. Cook made a goal statement that taxes can't go higher, but budgets, overhead, texts, salary schedules, etc have a certain amount of growth. Caution this committee to think about school districts as to the mandates school districts have, requirements they have and what they need to do for coming year.

Doug Johnson ND Council of Education Leaders, as this bill moves forward the possibilities of setting limits on school districts as they reach 5 percent may not meet the needs.

Dave Anderson, CEO, Downtown Community Partnership, Fargo, distributed written information re: renaissance zones. He supports Connie Sprynzynatic's testimony.

Senator Robinson asked the legislative council together with the tax department to supply information as to the impact this has with out of state property owners.

Senator Grindberg distributed amendments for the committee to review. He indicated he had serious reservations on the current bill. He is not convinced there is good public policy in the long term. This is a policy revision. This is the best approach if we are looking to the long term.

Senator Wardner asked what the amount is. The response was \$116 million

Chairman Holmberg closed the hearing on HB 1051.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1051**

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: **March 23, 2007**

Recorder Job Number: **5516**

Committee Clerk Signature

*Statement:* Residential, commercial; agriculture and others.

*Response:* I probably did at one time. So many things have gone through my head on these things, I don't remember which ones go where.

*Thank you John.*

**Cory Fong, Tax Commissioner**

I believe that as the bill stands now, with \$116 million in direct relief, that breaks down to approximately \$77 million per residential, approximately \$21 for commercial and approximately \$17 for agriculture.

**Question:** Does anyone else have a question for Senator Christmann? So that leaves about 2% for railroad and airlines? The mobile homes tax, is that part of that rolled into that?

**Cory F:** I did not roll that in, that would be another \$700,000. We can give you exact figures. We are basing it on the talking points from the plan from early on. That's a rough estimate.

**Statement:** We need to decide amendments, take a look at things and have a short meeting some time today when we can talk about this and go from there. Anybody and everyone can present amendments to the full committee on this issue, it's going to be wide open. Ours will be a recommendation forum, maybe we'll have two recommendations. We do have a deadline, it's 5:00 tonight.

**ADJOURNED**

# 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1051**

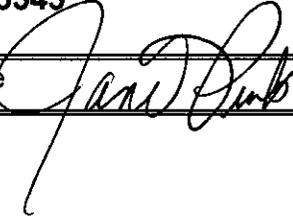
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: **March 23, 2007**

Recorder Job Number: **5545**

Committee Clerk Signature



*Homestead Tax Credit*

**S Holmberg**; Opened the session. This is one of the last bill we've got.

**S Christmann**: *Recap on the bill.* There are three tax reductions in here. 1. Homestead Tax Credit, 3.8 million dollars, we didn't touch that, 2. Income Tax Reduction, we didn't touch that, 3. Property Tax Relief Element, \$117 million, generally, the property tax relief gives 10% to residential property, 5% for ag, 5% commercial and includes some railroad and airline deals because of some Federal law. We put caps on here, 5% increases would be allowed to go up. I'll be offering four amendments. 1. First passed around, you won't recognize it, I had to go talk to John Walstad to tell which is which because all the other amendments already on have to always be included and they're long. The first amendment was .0321 which I move.

*Second on the amendment, then discussion.*

What this does is reinstates the provision that the House has one time has passed, whereby agriculture and residential property you would only get this reduction if your primary residence is in the state of ND, that's all this amendment does. If I may ask John Walstad is watching along if I get off on the wrong amendment or saying something incorrectly, he may just jump up and correct me.

**S Krauter:** I think the amendments, wasn't there some provision for constitutionality relating to the congress interstate commerce regulation that you provide these types of benefits cannot distinguish between state lines? Isn't there some kind of concern about that?

**S Christmann:** That was primarily an issue with the commercial property, railroad and airline business.

**S Holmberg:** This only involves ag and residential?

**S Christmann:** Yes. Commercial property, yes, it would be a problem.

**S Krauter:** In the state of Minnesota, everybody gets a rebate back on the property.

**S Christmann:** I'm not familiar with Minnesota's.

**S Mathern:** I understand there are 4 amendments? Is your intent to explain all four and have a vote on each one?

**S Christmann:** They're pretty divisible, and I'm afraid, if we talk about all 4, we're talking about everything, one had to do with another.

*Someone States:* I have my homestead bill for the end.

*Statement:* I have a difficult time with the direction we're going with these 4 amendments.

**S Holmberg:** The problem with passing them out is it is very confusing. Do you want in 2 or 3 sentences give us a run down of what the other ones might be or are going to be?

**S Christmann:** I can if you desire.

**S Holmberg:** Don't pass them out until we dispose of .0231.

**S Christmann:** This amendment is the requirement for the primary residence be here for residential and ag property. There is one that solves some type of problem with renaissance zones, this amendment fixes it. There is one that would require that your tax statements include the dollar amount and the percentage increase of your taxes for at least the school, city, and the county. They can include fire district, park district, and what-no-all if they want, but

it has to include those 3. Percentage and Dollar amount each year. The last one eliminates the 5% caps on increases, so they're wide open.

**S Holmberg:** The last one eliminates the 5% cap?

**S Christmann:** Yes

**S Holmberg:** Only on 3021.

*Question:* The first amendment essentially sends this benefit to out-of-state corporations that land here, or does it preclude them from getting this benefit?

**S Christmann:** Are you talking about commercial property? This doesn't have anything to do with commercial property. Commercial property is what it is on the bill, with a 5% reduction.

**S Holmberg:** All in favor of this amendment say "aye."

*Group responds with favorable vote. Carried*

**S Holmberg:** Next amendment

**S Christmann:** In the essence of timing, I do not have a Legislative Council person for this one, but it has been reviewed by legislative council and word-for-word, just fine. No alterations need to be made. This fixes that renaissance bill.

**S Holmberg:** You have reviewed with the legislative staff at the council? This came from the tax department and has been reviewed?

**S Christmann:** This is an outside creation, to address the problem on the law, or somebody did, Mr. Walstad has looked at it and said, "well, if it passes, we'll draft it up." This fixes the renaissance zone problem. For some reason if we did property tax relief, the world was coming to an end. This patches it up.

*Hopefully, S Christmann and I will remain as two viable entities.*

**S Christmann:** This will take care of you.

**S Holmberg:** All in favor of the renaissance zone amendment, say "aye."

*Group responds with favorable vote. Carried.*

Review third amendment.

**S Christmann:** This is amendment .0323, I move the adoption of this amendment.

**S Holmberg:** We have a motion to adopt .0323, is there a second?

*Second from audience.*

**S Christmann:** This requires that the percentage and the dollar increase for at least the town school districts be included on this statement. In visiting with some people, there's a LOT of concern over the caps and what they feel about this emergency or that emergency and that sort of thing, this is sort of a different option. We're making sure that the people at home that are paying the taxes have a good disclosure of it and are held accountable to the people.

**S Krauter:** What's the financial impact?

**S Christmann:** I haven't had time to dig into that. I'm sure there is in the technological age there is a lot of information on there, they know what the county taxes are the year before, and a computer can certainly figure that out. It's not going to be a multi-million dollar idea to gather that information and don't see it as a burden. I think they would much prefer to do this in the caps.

**S Mathern:** I've heard that these computer systems are pretty complicated, and this would require a redefinition of how they do the printing of the bills. There is a lot involved in working with that software, so I think there is a BIG cost in this, and I think this is the kind of thing that should have a study, in terms of what is the cost of each township to each county, each school district, to get this data and to print it, I don't see that here. I don't support this amendment.

**S Holmberg:** You might find that the process over the next month, I'm sure would fully vent this issue. If this is a huge issue of angst for the counties, they will certainly let us know, but as

S Christmann said earlier, if the other amendments pass, they might be sitting there saying, "whew, we don't have caps."

**S Bowman:** I think if you were to control the increases in taxes, when you get your statement and it tells you what's been increased, the public will be the ones who will make the decision if that would be ok, or you're going to have to do something about it. I can't see a problem with that at all, because as a county commissioner, myself, we have to be accountable, and when we hand them out – what's interesting is that most people that really into this tax stuff, they know EXACTLY what they paid the year before. You don't have to remind them, they already know, they'll tell you.

**S Holmberg:** Discussion?

**Comment:** This is tongue and cheek a little bit, but perhaps they could be a fiscal note included with the other disclosures on this.

**S Holmberg:** We will hear from the counties what the cost will be. All in favor of amendment .323 – *Voice vote carried.* Amendment # 4

**S Christmann:** I hope there aren't a whole new set of buttons coming out on the cap thing, the disclosure thing, but...

**S Holmberg:** It's harder to put on the button.

**Motion:** *I move the amendment*

*Second*

**S Christmann:** It removes the caps AND, there is an emergency levy section in here some place, section 3 of the bill, they lose that too, because the emergency levy section was put in as a compromise to the cap, so in an emergency they could exceed the caps. If we don't have the caps "no more," we don't need the emergency levy section.

**S Holmberg:** I have designed their new button, you take the word "disclosure" and make the letters LOSE, big. I've done your work for you, and that's at 17% fee.

*Voice vote carried.*

**Statement:** Everybody should have amendment .0314, dated March 19. When we had the hearing on 1051, this was basically the Hog House amendment that's in place. I'd move the amendment and if you get a second....

**"Second" from one of the Senators**

**S Holmberg:** Discussion.

**Statement:** As I shared at the end of the hearing, this is a Hog House amendment that puts in place an extensive homestead tax credit, that will provide various levels of evaluation reduction, see 1 through 5, it would remove the \$50,000 asset provision so that \$50,000 or more in assets would be eligible in credit and anyone with certain income levels, eligible up to \$45,000 a year income. This takes everything else from the bill and just expands the homestead tax credit.

**S Mathern:** One of the problems I see with this bill is I see this amendment doing a forgiveness of tax to all persons in the same way. I think the homestead tax credit is really a public policy to provide additional help to the elderly for those persons with disabilities and as I see it eliminates that, so it's putting those people on par with everyone else, when they, in fact need more help. For someone living on social security vs. someone making their living in wages, wages have, in fact, moved up to a higher rate than social security, and it seems to eliminate that, and those people with fixed incomes really should have to \_\_\_\_\_. So they aren't privy from their.

**Statement** I don't know that I can address S. Mathern's question, from my prospective, in my mind, I've come a long way to support what is being proposed, which is in my opinion putting

any of us in a box, with this whole debate, and I'm not against tax relief to the tax payers of ND, I support the amendments to this bill because I think it will remove the caps and address the concerns of my community. I'm not going to support 1051 the way it sits today and one way looking at the homestead tax credit, if this was something that people can buy into, then conference committee work would certainly be at the opportunity to work on this to refine some of S Mathern's points. I offer this because I think it is the fairest way to begin the discussion without having a bill that is a "Christmas Tree", but has certainly has gone through a number of procedures to address a number of concerns. Example: I've been on the business congress and not one business has ever showed up with out focus group saying our property taxes are a problem. We are talking about other ways to reduce stress on businesses, not through this vehicle and that's one concern, and I don't support it as it is.

**S Christmann:** I'm looking at page 2, subsection 5. Do I assume correctly from this that a couple of love-struck young schoolteachers making \$25-\$30,000 a year each would be glad that the co-habitation law was repealed because if they got married and had a house they would lose their property tax reduction on this?

**Response:** This is more technical thinking on that, but...

**S Holmberg:** What happens on this particular bill with the folks who are middle income-type people, make \$50,000, they're not rich, and they will not receive any of the benefits of this bill as I read it.

**Response:** It has a cap.

**S Krauter:** Something I like about this bill is that, there is not going to be any NEW administrative costs at the city and county level, because these homestead tax credits and the program that is apparently there, for them to administer 1051 the way it is introduced, that's a huge cost if you compounding that times 53 counties across the state.

**S Christmann:** I would beg to differ, what might stand to be corrected. Saying that this was not added administrative work at the county level. My understanding is that the current homestead tax credit requires people under about \$12,000 - \$14,000 and apply for it, this would require people up to \$40,000 to come in, that will make those lines a lot longer.

**S Krauter:** I said NEW administrative costs. If you start looking at ag and residential of 10%, that's a whole new process at the counties, that's what I'm referring to. It's a program that's there, the lines may be longer, but it is not a huge increase compared to the other proposal.

**Question:** I'd like to have a show of hands.

**S Holmberg:** All in favor of this amendment, .0314, raise your hand. *7 hands raised.*

All opposed raise your hand. Motion carried. Now we have....

**Statement:** I would like to move an amendment.

**S Holmberg:** Is it a Hog House so that...

**Statement:** It is a Hog House amendment so it is an alternative to what we have before us.

**S Holmberg:** Ok, throw it out there.

***Hog House Amendment passed out.***

**Statement:** I would move amendment 70332.0316

**Second**

**Statement:** This amendment is essentially taking the governor's recommendation as to property tax and distributing it in 3 ways. One third goes into our present homestead tax credit program, not changing the issue regarding the elderly or the disabled. The program stays exactly the same, it is just changing the number in terms of eligibility and increasing that so more persons who have low income, disabled, or are elderly become eligible for the full rate.

That's ONE THIRD of this amendment. That is section one – Pages 1, 2 and bottom of page 3. SECTION TWO on the bottom of page 3 directs is the appropriation for the first section.

SECTION THREE on page 4 is the SECOND ONE THIRD of the \$116 million dollars. That one third is directed to the state aid distribution fund. Centrally, again, it is a system in place, it is a system of funding counties and cities, it is putting that money into that formula and distributing it according to the rules and procedures that have worked out through the years. SECTION FOUR is taking the remainder one third and placing that into education in the same process where other funding is allocated, it's taking \$116 million, putting one third into education, education is what drives up property taxes to the degree that local school districts don't need to increase that property tax. The other third goes into the counties and cities and they are the ones who need money and they are increasing property taxes to the extent that we are not funding them properly and then the other third is, in fact, addressing the needs of those people who have the most difficulty paying their property taxes. I see this bill as a simple way of addressing the issues of property tax.

**S Holmberg:** Two questions. Was this analogous to any bill that was introduced this session and defeated, or a totally new bill?

**Answer:** It is NOT. There are various features, there is a discussion about education, I have seen the discussion regarding distribution for counties and cities and I have seen the discussion about homesteading tax, BUT it is not the same as any bill before us.

**S Holmberg:** I looked at section 4 and was reminded of our meeting with school officials prior to the session and one of their points was that they would like to have another 20-30 million dollars of special education because then they COULD lower property taxes, and they were asked, "could or would," and they said, "no, we could." And that's what scares me about this. You understand the amendment. All in favor signify by saying "aye."

Motion did not carry on a voice vote.

**Request:** I would like to have a roll vote on amendment .0316.

Krauter: Aye, Lindaas, A, Mathern, A, Robinson A, Seymour A, Tallackson (NP), Wardner Nay, Krebsbach N, Kilzer N, Fischer N, Christmann N, Grindberg N, Bowman N, Holmberg N

Motion did NOT carry.

**S Holmberg:** We have 1051 as amended, and the proper bill IS .0314.

**Motion on a DO NOT PASS on 1051 as Amended**

**Second – S Kilzer**

**S Christmann:** I'd like to direct this to the Republicans who voted for S. Gindberg's amendments, or the Democrats who voted unanimously for it. Does this now put 100% of the property tax relief into the urban areas in rural ND, being the best on their unpaid roads?

**S Mathern:** I think that is why we introduced the alternative, is to make sure there would be an equitable distribution across the state, but I think the bill that is before us also has some merit and if we passed the 6<sup>th</sup> version, that would have solved that.

**Roll vote on a DO NOT PASS on 1051.**

S Wardner Aye, Krebsbach A, Kilzer A, Fischer Nay, Christmann A, Grindberg N, Bowman A, Holmberg A, Krauter N, Lindaas N, Mathern N, Robinson, N, Seymour A, Tallackson (NP)

**Motion Carried for a DO NOT PASS**

**Carrier:** I've carried a lot of skunks lately. \_\_\_\_\_

**S Stenehjem:** Thanks the committee for all the work done as required by the rules, knows how much the committee puts in. 7:30 on a Friday afternoon and Legislative council down here working, the Senate appropriations are down here working and want to let you know we appreciate it. As you came down and went to work early and you did finish the "do not concurs" in the 12<sup>th</sup> order on the Senate. The announcement that I did make for everyone here knows that the Senate, being on Monday, at 10 AM. Thank you for your hard work, I really appreciate it. Thank you council.

①

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL 1051

In the addition to the amendments adopted by the Senate as printed on page 833-836 of the Senate Journal, Reengrossed House Bill No. 1051 is amended as follows:

Page 6, line 4, after the comma insert "except property exempted under section 40-63-05."

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL 1051

In the addition to the amendments adopted by the Senate as printed on page 833-836 of the Senate Journal, Reengrossed House Bill No. 1051 is amended as follows:

Page 7, line 31, after applicable insert "for the taxable year to which the tax statement applies

Page 8, after line 3 insert "The real estate tax statement must include, or be accompanied by, information showing for the taxable year to which the tax statement applies for each major taxing district, including but not limited to cities, counties, and school districts, the percent change in dollars for each district levying taxes and the total change in a percent of dollars levied against the property from the previous taxable year.

**PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1051**

In lieu of the amendments adopted by the Senate as printed on pages 833-836 of the Senate Journal, Reengrossed House Bill No. 1051 is amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-02-08.1 of the North Dakota Century Code, relating to the homestead property tax credit; to provide appropriations; and to provide an effective date.

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

**SECTION 1. AMENDMENT.** Section 57-02-08.1 of the North Dakota Century Code is amended and reenacted as follows:

**57-02-08.1. Homestead credit.**

1. a. Any person sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied, with an income that does not exceed the limitations of subdivision c is entitled to receive a reduction in the assessment on the taxable valuation on the person's homestead. An exemption under this subsection applies regardless of whether the person is the head of a family.
- b. The exemption under this subsection continues to apply if the person does not reside in the homestead and the person's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the person is not rented to another person.
- c. The exemption must be determined according to the following schedule:
  - (1) If the person's income is not in excess of ~~eight~~ twenty-three thousand five hundred dollars, a reduction of one hundred percent of the taxable valuation of the person's homestead up to a maximum reduction of three thousand thirty-eight dollars of taxable valuation.
  - (2) If the person's income is in excess of ~~eight~~ twenty-three thousand five hundred dollars and not in excess of ~~ten~~ twenty-seven thousand five hundred dollars, a reduction of eighty percent of the taxable valuation of the person's homestead up to a maximum reduction of two thousand four hundred thirty dollars of taxable valuation.
  - (3) If the person's income is in excess of ~~ten~~ twenty-seven thousand five hundred dollars and not in excess of ~~eleven~~ thirty-one thousand five hundred dollars, a reduction of sixty percent of the taxable valuation of the person's homestead up to a maximum reduction of one thousand eight hundred twenty-three dollars of taxable valuation.

- (4) If the person's income is in excess of ~~eleven~~ **thirty-one** thousand five hundred dollars and not in excess of ~~thirteen~~ **thirty-six** thousand dollars, a reduction of forty percent of the taxable valuation of the person's homestead up to a maximum reduction of one thousand two hundred fifteen dollars of taxable valuation.
- (5) If the person's income is in excess of ~~thirteen~~ **thirty-six** thousand dollars and not in excess of ~~fourteen~~ **forty** thousand five hundred dollars, a reduction of twenty percent of the taxable valuation of the person's homestead up to a maximum reduction of six hundred eight dollars of taxable valuation.
- d. Persons residing together, as spouses or when one or more is a dependent of another, are entitled to only one exemption between or among them under this subsection. Persons residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full exemption under this subsection equal to their ownership interests in the property.
- e. This subsection does not reduce the liability of any person for special assessments levied upon any property.
- f. Any person claiming the exemption under this subsection shall sign a verified statement of facts establishing the person's eligibility.
- g. A person is ineligible for the exemption under this subsection if the value of the assets of the person and any dependent residing with the person, excluding the unencumbered value of the person's residence that the person claims as a homestead, exceeds fifty thousand dollars, including the value of any assets divested within the last three years. For purposes of this subdivision, the unencumbered valuation of the homestead is limited to one hundred thousand dollars.
- h. The assessor shall attach the statement filed under subdivision f to the assessment sheet and shall show the reduction on the assessment sheet.
- i. An exemption under this subsection terminates at the end of the taxable year of the death of the applicant.
2. a. Any person who would qualify for an exemption under subdivisions a and c of subsection 1 except for the fact that the person rents living quarters is eligible for refund of a portion of the person's annual rent deemed by this subsection to constitute the payment of property tax.
- b. For the purpose of this subsection, twenty percent of the annual rent, exclusive of any federal rent subsidy and of charges for any utilities, services, furniture, furnishings, or personal property appliances furnished by the landlord as part of the rental agreement, whether expressly set out in the rental agreement, must be considered as payment made for property tax. When any part of the twenty percent of the annual rent exceeds four percent of the annual income of a qualified applicant, the applicant is entitled to receive a refund from the state general fund for that amount in excess of four percent of the person's annual income, but the refund may not be in excess of two hundred forty dollars. If the calculation for the refund is less than five dollars, a minimum of five dollars must be sent to the qualifying applicant.

- c. Persons who reside together, as spouses or when one or more is a dependent of another, are entitled to only one refund between or among them under this subsection. Persons who reside together in a rental unit, who are not spouses or dependents, are each entitled to apply for a refund based on the rent paid by that person.
  - d. Each application for refund under this subsection must be made to the tax commissioner before the first day of June of each year by the person claiming the refund. The tax commissioner may grant an extension of time to file an application for good cause. The tax commissioner shall issue refunds to applicants.
  - e. This subsection does not apply to rents or fees paid by a person for any living quarters, including a nursing home licensed pursuant to section 23-16-01, if those living quarters are exempt from property taxation and the owner is not making a payment in lieu of property taxes.
  - f. A person may not receive a refund under this section for a taxable year in which that person received an exemption under subsection 1.
3. All forms necessary to effectuate this section must be prescribed, designed, and made available by the tax commissioner. The county directors of tax equalization shall make these forms available upon request.
  4. A person whose homestead is a farm structure exempt from taxation under subsection 15 of section 57-02-08 may not receive any property tax credit under this section.
  5. For the purposes of this section:
    - a. "Dependent" has the same meaning it has for federal income tax purposes.
    - b. "Homestead" has the same meaning as provided in section 47-18-01.
    - c. "Income" means income for the most recent complete taxable year from all sources, including the income of any dependent of the applicant, and including any county, state, or federal public assistance benefits, social security, or other retirement benefits, but excluding any federal rent subsidy, any amount excluded from income by federal or state law, and medical expenses paid during the year by the applicant or the applicant's dependent which is not compensated by insurance or other means.
    - d. "Medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the person may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.
    - e. "Permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician.

**SECTION 2. APPROPRIATION.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of \$38,666,000, or so much of the sum as may be necessary, to the state treasurer

for allocation in equal amounts for each year of the biennium as directed by the tax commissioner for additional homestead credit payments to counties as provided by law, for the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 3. APPROPRIATION.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of \$38,666,000, or so much of the sum as may be necessary, to the state treasurer for the purpose of allocation in equal amounts for each year of the biennium among political subdivisions in the manner and proportion provided for allocations of state aid distribution fund revenues under section 57-39.2-26.1, for the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 4. APPROPRIATION.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of \$38,666,000, or so much of the sum as may be necessary, to the superintendent of public instruction for the purpose of allocation in equal amounts for each of the biennium for additional per student payments to school districts in the manner and proportion that per student payments are allocated under chapter 15.1-27, for the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 5. EFFECTIVE DATE.** Section 1 of this Act is effective for taxable years beginning after December 31, 2006, for ad valorem property taxes and for taxable years beginning after December 31, 2007, for mobile home taxes."

Renumber accordingly

Date: 3/23  
Roll Call Vote #:

**2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.**

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number J-101 Pass 316

Action Taken \_\_\_\_\_

Motion Made By \_\_\_\_\_ Seconded By \_\_\_\_\_

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm		✓	Senator Aaron Krauter	✓	
Senator Bill Bowman, V Chrm	<del>✓</del>	✓	Senator Elroy N. Lindaas	✓	
Senator Tony Grindberg, V Chrm	<del>✓</del>	✓	Senator Tim Mathern	✓	
Senator Randel Christmann	<del>✓</del>	✓	Senator Larry J. Robinson	✓	
Senator Tom Fischer	<del>✓</del>	✓	Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	<del>✓</del>	✓	Senator Harvey Tallackson		
Senator Karen K. Krebsbach	<del>✓</del>	✓			
Senator Rich Wardner	<del>✓</del>	✓			

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

March 21, 2007

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1051

In lieu of the amendments adopted by the Senate as a printed on pages 833-836 of the Senate Journal, Reengrossed House Bill No. 1051 is amended as follows:

Page 1, line 9, after the semicolon insert "to provide an appropriation;"

Page 5, line 21, after "district" insert "for a fund" and replace "three and one-half" with "five"

Page 5, line 22, after "dollars" insert "for that fund" and after "property" insert "to which that levy applies"

Page 6, line 7, replace "three and one-half" with "five"

Page 6, after line 22, insert:

"d. Unlimited mill levy authority provided by statute and not requiring approval of electors."

Page 6, line 31, replace "three and one-half" with "five"

Page 8, line 13, remove "owned and occupied by an individual as that individual's"

Page 8, line 14, remove "homestead"

Page 8, line 16, remove ", if the individual primarily responsible for"

Page 8, remove lines 17 through 19

Page 8, line 20, remove "person's homestead"

Page 8, line 22, remove "if the mobile home is owned and"

Page 8, line 23, remove "occupied by an individual as that individual's homestead"

Page 8, line 25, remove "if the individual primarily"

Page 8, remove lines 26 through 28

Page 8, line 29, remove "individual's homestead"

Page 11, replace lines 23 through 31 with:

**"SECTION 9. AMENDMENT.** Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

<p>If North Dakota taxable income is:</p> <p>Not over <del>\$27,050</del> <u>\$31,850</u></p> <p>Over <del>\$27,050</del> <u>\$31,850</u> but not over <del>\$65,550</del> <u>\$77,100</u></p> <p>Over <del>\$65,550</del> <u>\$77,100</u> but not over <del>\$136,750</del> <u>\$160,850</u></p> <p>Over <del>\$136,750</del> <u>\$160,850</u> but not over <del>\$297,350</del> <u>\$349,700</u></p> <p>Over <del>\$297,350</del> <u>\$349,700</u></p>	<p>The tax is equal to:</p> <p>2.10%</p> <p><del>\$568.05</del> <u>\$668.85</u> plus 3.92% of amount over <del>\$27,050</del> <u>\$31,850</u></p> <p><del>\$2,077.25</del> <u>\$2,442.65</u> plus 4.34% of amount over <del>\$65,550</del> <u>\$77,100</u></p> <p><del>\$5,167.33</del> <u>\$6,077.40</u> plus 5.04% of amount over <del>\$136,750</del> <u>\$160,850</u></p> <p><del>\$13,261.57</del> <u>\$15,595.44</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u></p>
--	--

b. Married filing jointly and surviving spouse.

<p>If North Dakota taxable income is:</p> <p>Not over <del>\$45,200</del> <u>\$63,700</u></p> <p>Over <del>\$45,200</del> <u>\$63,700</u> but not over <del>\$109,250</del> <u>\$128,500</u></p> <p>Over <del>\$109,250</del> <u>\$128,500</u> but not over <del>\$166,500</del> <u>\$195,850</u></p> <p>Over <del>\$166,500</del> <u>\$195,850</u> but not over <del>\$297,350</del> <u>\$349,700</u></p> <p>Over <del>\$297,350</del> <u>\$349,700</u></p>	<p>The tax is equal to:</p> <p>2.10%</p> <p><del>\$949.20</del> <u>\$1,337.70</u> plus 3.92% of amount over <del>\$45,200</del> <u>\$63,700</u></p> <p><del>\$3,459.96</del> <u>\$3,877.86</u> plus 4.34% of amount over <del>\$109,250</del> <u>\$128,500</u></p> <p><del>\$5,944.61</del> <u>\$6,800.85</u> plus 5.04% of amount over <del>\$166,500</del> <u>\$195,850</u></p> <p><del>\$12,539.45</del> <u>\$14,554.89</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u></p>
--	--

c. Married filing separately.

<p>If North Dakota taxable income is:</p> <p>Not over <del>\$22,600</del> <u>\$31,850</u></p> <p>Over <del>\$22,600</del> <u>\$31,850</u> but not over <del>\$54,625</del> <u>\$64,250</u></p> <p>Over <del>\$54,625</del> <u>\$64,250</u> but not over <del>\$83,250</del> <u>\$97,925</u></p> <p>Over <del>\$83,250</del> <u>\$97,925</u> but not over <del>\$148,675</del> <u>\$174,850</u></p> <p>Over <del>\$148,675</del> <u>\$174,850</u></p>	<p>The tax is equal to:</p> <p>2.10%</p> <p><del>\$474.60</del> <u>\$668.85</u> plus 3.92% of amount over <del>\$22,600</del> <u>\$31,850</u></p> <p><del>\$1,729.98</del> <u>\$1,938.93</u> plus 4.34% of amount over <del>\$54,625</del> <u>\$64,250</u></p> <p><del>\$2,972.31</del> <u>\$3,400.43</u> plus 5.04% of amount over <del>\$83,250</del> <u>\$97,925</u></p> <p><del>\$6,269.73</del> <u>\$7,277.45</u> plus 5.54% of amount over <del>\$148,675</del> <u>\$174,850</u></p>
--	--

d. Head of household.

<p>If North Dakota taxable income is:</p> <p>Not over <del>\$36,250</del> <u>\$42,650</u></p> <p>Over <del>\$36,250</del> <u>\$42,650</u> but not over <del>\$93,650</del> <u>\$110,100</u></p>	<p>The tax is equal to:</p> <p>2.10%</p> <p><del>\$761.25</del> <u>\$895.65</u> plus 3.92% of amount over <del>\$36,250</del> <u>\$42,650</u></p>
---	---

Over <del>\$93,650</del> <u>\$110,100</u> but not over <del>\$151,650</del> <u>\$178,350</u>	<del>\$3,011.33</del> <u>\$3,539.69</u> plus 4.34% of amount over <del>\$93,650</del> <u>\$110,100</u>
Over <del>\$151,650</del> <u>\$178,350</u> but not over <del>\$297,350</del> <u>\$349,700</u>	<del>\$6,528.53</del> <u>\$6,501.74</u> plus 5.04% of amount over <del>\$151,650</del> <u>\$178,350</u>
Over <del>\$297,350</del> <u>\$349,700</u>	<del>\$12,871.81</del> <u>\$15,137.78</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u>

e. Estates and trusts.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$1,800</del> <u>\$2,150</u>	2.10%
Over <del>\$1,800</del> <u>\$2,150</u> but not over <del>\$4,250</del> <u>\$5,000</u>	<del>\$37.80</del> <u>\$45.15</u> plus 3.92% of amount over <del>\$1,800</del> <u>\$2,150</u>
Over <del>\$4,250</del> <u>\$5,000</u> but not over <del>\$6,500</del> <u>\$7,650</u>	<del>\$133.84</del> <u>\$156.87</u> plus 4.34% of amount over <del>\$4,250</del> <u>\$5,000</u>
Over <del>\$6,500</del> <u>\$7,650</u> but not over <del>\$8,900</del> <u>\$10,450</u>	<del>\$231.49</del> <u>\$271.88</u> plus 5.04% of amount over <del>\$6,500</del> <u>\$7,650</u>
Over <del>\$8,900</del> <u>\$10,450</u>	<del>\$352.45</del> <u>\$413.00</u> plus 5.54% of amount over <del>\$8,900</del> <u>\$10,450</u>

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

- (1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and
- (2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. For taxable years beginning after December 31, ~~2004~~ 2007, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes."

Page 12, remove lines 1 through 31

Page 13, remove lines 1 through 30

Page 14, remove lines 1 through 23

Page 15, line 11, replace "up to one" with "the amount necessary to provide property tax relief payments to county treasurers under section 57-20-07.2"

Page 15, remove line 12

Page 15, line 13, remove "as may be necessary," and after "appropriated" insert "during each biennium"

Page 15, line 14, replace "for the purpose of providing property tax relief payments to counties in accordance" with ".

**SECTION 11. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$3,800,000, or so much of the sum as may be necessary, to the state tax commissioner for the purpose of paying the state reimbursement for the homestead tax credit as provided in section 1 of this Act, for the biennium beginning July 1, 2007, and ending June 30, 2009."

Page 15, remove line 15

Renumber accordingly

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1051

In lieu of the amendments adopted by the Senate as printed on pages 833-836 of the Senate Journal, Reengrossed House Bill No. 1051 is amended as follows:

Page 1, line 1, replace "sections 57-15-01.2, 57-15-10.3, and" with "section"

Page 1, line 2, remove "limitations on levies by taxing districts, emergency levy"

Page 1, line 3, remove "authority of taxing districts, and"

Page 1, line 9, after the semicolon insert "to provide an appropriation;"

Page 5, remove lines 13 through 30

Page 6, remove lines 1 through 31

Page 7, remove lines 1 through 18

Page 8, line 13, remove "owned and occupied by an individual as that individual's"

Page 8, line 14, remove "homestead"

Page 8, line 16, remove ", if the individual primarily responsible for"

Page 8, remove lines 17 through 19

Page 8, line 20, remove "person's homestead"

Page 8, line 22, remove "if the mobile home is owned and"

Page 8, line 23, remove "occupied by an individual as that individual's homestead"

Page 8, line 25, remove "if the individual primarily"

Page 8, remove lines 26 through 28

Page 8, line 29, remove "individual's homestead"

Page 11, replace lines 23 through 31 with:

**"SECTION 7. AMENDMENT.** Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

<p>If North Dakota taxable income is:</p> <p>Not over <del>\$27,050</del> <u>\$31,850</u></p> <p>Over <del>\$27,050</del> <u>\$31,850</u> but not over <del>\$65,550</del> <u>\$77,100</u></p> <p>Over <del>\$65,550</del> <u>\$77,100</u> but not over <del>\$136,750</del> <u>\$160,850</u></p> <p>Over <del>\$136,750</del> <u>\$160,850</u> but not over <del>\$297,350</del> <u>\$349,700</u></p> <p>Over <del>\$297,350</del> <u>\$349,700</u></p>	<p>The tax is equal to:</p> <p>2.10%</p> <p><del>\$568.05</del> <u>\$668.85</u> plus 3.92% of amount over <del>\$27,050</del> <u>\$31,850</u></p> <p><del>\$2,077.25</del> <u>\$2,442.65</u> plus 4.34% of amount over <del>\$65,550</del> <u>\$77,100</u></p> <p><del>\$5,167.33</del> <u>\$6,077.40</u> plus 5.04% of amount over <del>\$136,750</del> <u>\$160,850</u></p> <p><del>\$13,261.57</del> <u>\$15,595.44</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u></p>
--	--

b. Married filing jointly and surviving spouse.

<p>If North Dakota taxable income is:</p> <p>Not over <del>\$45,200</del> <u>\$63,700</u></p> <p>Over <del>\$45,200</del> <u>\$63,700</u> but not over <del>\$109,250</del> <u>\$128,500</u></p> <p>Over <del>\$109,250</del> <u>\$128,500</u> but not over <del>\$166,500</del> <u>\$195,850</u></p> <p>Over <del>\$166,500</del> <u>\$195,850</u> but not over <del>\$297,350</del> <u>\$349,700</u></p> <p>Over <del>\$297,350</del> <u>\$349,700</u></p>	<p>The tax is equal to:</p> <p>2.10%</p> <p><del>\$949.20</del> <u>\$1,337.70</u> plus 3.92% of amount over <del>\$45,200</del> <u>\$63,700</u></p> <p><del>\$3,459.96</del> <u>\$3,877.86</u> plus 4.34% of amount over <del>\$109,250</del> <u>\$128,500</u></p> <p><del>\$5,944.61</del> <u>\$6,800.85</u> plus 5.04% of amount over <del>\$166,500</del> <u>\$195,850</u></p> <p><del>\$12,530.45</del> <u>\$14,554.89</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u></p>
--	--

c. Married filing separately.

<p>If North Dakota taxable income is:</p> <p>Not over <del>\$22,600</del> <u>\$31,850</u></p> <p>Over <del>\$22,600</del> <u>\$31,850</u> but not over <del>\$54,625</del> <u>\$64,250</u></p> <p>Over <del>\$54,625</del> <u>\$64,250</u> but not over <del>\$83,250</del> <u>\$97,925</u></p> <p>Over <del>\$83,250</del> <u>\$97,925</u> but not over <del>\$148,675</del> <u>\$174,850</u></p> <p>Over <del>\$148,675</del> <u>\$174,850</u></p>	<p>The tax is equal to:</p> <p>2.10%</p> <p><del>\$474.60</del> <u>\$668.85</u> plus 3.92% of amount over <del>\$22,600</del> <u>\$31,850</u></p> <p><del>\$1,729.98</del> <u>\$1,938.93</u> plus 4.34% of amount over <del>\$54,625</del> <u>\$64,250</u></p> <p><del>\$2,972.31</del> <u>\$3,400.43</u> plus 5.04% of amount over <del>\$83,250</del> <u>\$97,925</u></p> <p><del>\$6,269.73</del> <u>\$7,277.45</u> plus 5.54% of amount over <del>\$148,675</del> <u>\$174,850</u></p>
--	--

d. Head of household.

<p>If North Dakota taxable income is:</p> <p>Not over <del>\$36,250</del> <u>\$42,650</u></p> <p>Over <del>\$36,250</del> <u>\$42,650</u> but not over <del>\$93,650</del> <u>\$110,100</u></p>	<p>The tax is equal to:</p> <p>2.10%</p> <p><del>\$761.25</del> <u>\$895.65</u> plus 3.92% of amount over <del>\$36,250</del> <u>\$42,650</u></p>
---	---

Over <del>\$93,650</del> <u>\$110,100</u> but not over <u>\$151,650</u> <u>\$178,350</u>	<del>\$3,011.33</del> <u>\$3,539.69</u> plus 4.34% of amount over <del>\$93,650</del> <u>\$110,100</u>
Over <del>\$151,650</del> <u>\$178,350</u> but not over <del>\$297,350</del> <u>\$349,700</u>	<del>\$5,528.53</del> <u>\$6,501.74</u> plus 5.04% of amount over <del>\$151,650</del> <u>\$178,350</u>
Over <del>\$297,350</del> <u>\$349,700</u>	<del>\$12,871.84</del> <u>\$15,137.78</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u>

e. Estates and trusts.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$1,800</del> <u>\$2,150</u>	2.10%
Over <del>\$1,800</del> <u>\$2,150</u> but not over <u>\$4,250</u> <u>\$5,000</u>	<del>\$37.80</del> <u>\$45.15</u> plus 3.92% of amount over <del>\$1,800</del> <u>\$2,150</u>
Over <del>\$4,250</del> <u>\$5,000</u> but not over <u>\$6,500</u> <u>\$7,650</u>	<del>\$133.84</del> <u>\$156.87</u> plus 4.34% of amount over <del>\$4,250</del> <u>\$5,000</u>
Over <del>\$6,500</del> <u>\$7,650</u> but not over <u>\$8,900</u> <u>\$10,450</u>	<del>\$231.49</del> <u>\$271.88</u> plus 5.04% of amount over <del>\$6,500</del> <u>\$7,650</u>
Over <del>\$8,900</del> <u>\$10,450</u>	<del>\$352.45</del> <u>\$413.00</u> plus 5.54% of amount over <del>\$8,900</del> <u>\$10,450</u>

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

- (1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and
- (2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. For taxable years beginning after December 31, ~~2004~~ 2007, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes."

Page 12, remove lines 1 through 31

Page 13, remove lines 1 through 30

Page 14, remove lines 1 through 23

Page 15, line 11, replace "up to one" with "the amount necessary to provide property tax relief payments to county treasurers under section 57-20-07.2"

Page 15, remove line 12

Page 15, line 13, remove "as may be necessary," and after "appropriated" insert "during each biennium"

Page 15, line 14, replace ", for the purpose of providing property tax relief payments to counties in accordance" with ","

**SECTION 9. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$3,800,000, or so much of the sum as may be necessary, to the state tax commissioner for the purpose of paying the state reimbursement for the homestead tax credit as provided in section 1 of this Act, for the biennium beginning July 1, 2007, and ending June 30, 2009."

Page 15, remove line 15

Page 15, line 23, replace "9" with "7"

Renumber accordingly

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1051

In lieu of the amendments adopted by the Senate as printed on pages 833-836 of the Senate Journal, Reengrossed House Bill No. 1051 is amended as follows:

Page 1, line 9, after the semicolon insert "to provide an appropriation;"

Page 5, line 21, replace "three and one-half" with "five"

Page 6, line 7, replace "three and one-half" with "five"

Page 6, after line 22, insert:

"d. Unlimited mill levy authority provided by statute and not requiring approval of electors."

Page 6, line 31, replace "three and one-half" with "five"

Page 8, line 16, replace the underscored comma with ". The credit under this section applies to agricultural property only"

Page 8, line 20, remove "person's homestead"

Page 8, line 22, remove "if the mobile home is owned and"

Page 8, line 23, remove "occupied by an individual as that individual's homestead"

Page 8, line 25, remove "if the individual primarily"

Page 8, remove lines 26 through 28

Page 8, line 29, remove "individual's homestead"

Page 11, replace lines 23 through 31 with:

**"SECTION 9. AMENDMENT.** Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a

federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$27,050</del> <u>\$31,850</u>	2.10%
Over <del>\$27,050</del> <u>\$31,850</u> but not over <del>\$65,550</del> <u>\$77,100</u>	<del>\$568.05</del> <u>\$668.85</u> plus 3.92% of amount over <del>\$27,050</del> <u>\$31,850</u>
Over <del>\$65,550</del> <u>\$77,100</u> but not over <del>\$136,750</del> <u>\$160,850</u>	<del>\$2,077.25</del> <u>\$2,442.65</u> plus 4.34% of amount over <del>\$65,550</del> <u>\$77,100</u>
Over <del>\$136,750</del> <u>\$160,850</u> but not over <del>\$297,350</del> <u>\$349,700</u>	<del>\$5,167.33</del> <u>\$6,077.40</u> plus 5.04% of amount over <del>\$136,750</del> <u>\$160,850</u>
Over <del>\$297,350</del> <u>\$349,700</u>	<del>\$13,261.57</del> <u>\$15,595.44</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u>

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$45,200</del> <u>\$63,700</u>	2.10%
Over <del>\$45,200</del> <u>\$63,700</u> but not over <del>\$109,250</del> <u>\$128,500</u>	<del>\$949.20</del> <u>\$1,337.70</u> plus 3.92% of amount over <del>\$45,200</del> <u>\$63,700</u>
Over <del>\$109,250</del> <u>\$128,500</u> but not over <del>\$166,500</del> <u>\$195,850</u>	<del>\$3,450.06</del> <u>\$3,877.86</u> plus 4.34% of amount over <del>\$109,250</del> <u>\$128,500</u>
Over <del>\$166,500</del> <u>\$195,850</u> but not over <del>\$297,350</del> <u>\$349,700</u>	<del>\$5,944.64</del> <u>\$6,800.85</u> plus 5.04% of amount over <del>\$166,500</del> <u>\$195,850</u>
Over <del>\$297,350</del> <u>\$349,700</u>	<del>\$12,530.45</del> <u>\$14,554.89</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u>

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$22,600</del> <u>\$31,850</u>	2.10%
Over <del>\$22,600</del> <u>\$31,850</u> but not over <del>\$54,625</del> <u>\$64,250</u>	<del>\$474.60</del> <u>\$668.85</u> plus 3.92% of amount over <del>\$22,600</del> <u>\$31,850</u>
Over <del>\$54,625</del> <u>\$64,250</u> but not over <del>\$83,250</del> <u>\$97,925</u>	<del>\$1,729.98</del> <u>\$1,938.93</u> plus 4.34% of amount over <del>\$54,625</del> <u>\$64,250</u>
Over <del>\$83,250</del> <u>\$97,925</u> but not over <del>\$148,675</del> <u>\$174,850</u>	<del>\$2,072.34</del> <u>\$3,400.43</u> plus 5.04% of amount over <del>\$83,250</del> <u>\$97,925</u>
Over <del>\$148,675</del> <u>\$174,850</u>	<del>\$6,260.73</del> <u>\$7,277.45</u> plus 5.54% of amount over <del>\$148,675</del> <u>\$174,850</u>

d. Head of household.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$36,250</del> <u>\$42,650</u>	2.10%
Over <del>\$36,250</del> <u>\$42,650</u> but not over <del>\$93,650</del> <u>\$110,100</u>	<del>\$761.25</del> <u>\$895.65</u> plus 3.92% of amount over <del>\$36,250</del> <u>\$42,650</u>
Over <del>\$93,650</del> <u>\$110,100</u> but not over <del>\$151,650</del> <u>\$178,350</u>	<del>\$3,011.33</del> <u>\$3,539.69</u> plus 4.34% of amount over <del>\$93,650</del> <u>\$110,100</u>
Over <del>\$151,650</del> <u>\$178,350</u> but not over <del>\$297,350</del> <u>\$349,700</u>	<del>\$5,528.53</del> <u>\$6,501.74</u> plus 5.04% of amount over <del>\$151,650</del> <u>\$178,350</u>
Over <del>\$297,350</del> <u>\$349,700</u>	<del>\$12,871.84</del> <u>\$15,137.78</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u>

e. Estates and trusts.

If North Dakota taxable income is:  
Not over ~~\$1,800~~ \$2,150  
Over ~~\$1,800~~ \$2,150 but not over  
~~\$4,250~~ \$5,000  
Over ~~\$4,250~~ \$5,000 but not over  
~~\$6,500~~ \$7,650  
Over ~~\$6,500~~ \$7,650 but not over  
~~\$8,900~~ \$10,450  
Over ~~\$8,900~~ \$10,450

The tax is equal to:  
2.10%  
~~\$37.80~~ \$45.15 plus 3.92% of amount  
over ~~\$1,800~~ \$2,150  
~~\$133.84~~ \$156.87 plus 4.34% of amount  
over ~~\$4,250~~ \$5,000  
~~\$231.49~~ \$271.88 plus 5.04% of amount  
over ~~\$6,500~~ \$7,650  
~~\$352.45~~ \$413.00 plus 5.54% of amount  
over ~~\$8,900~~ \$10,450

- f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:
- (1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and
  - (2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

- g. For taxable years beginning after December 31, ~~2004~~ 2007, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes."

Page 12, remove lines 1 through 31

Page 13, remove lines 1 through 30

Page 14, remove lines 1 through 23

Page 15, line 11, replace "up to one" with "the amount necessary to provide property tax relief payments to county treasurers under section 57-20-07.2"

Page 15, remove line 12

Page 15, line 13, remove "as may be necessary," and after "appropriated" insert "during each biennium"

Page 15, line 14, replace ", for the purpose of providing property tax relief payments to counties in accordance" with "."

**SECTION 11. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$3,800,000, or so much of the sum as may be necessary, to the state tax commissioner for the purpose of paying the state reimbursement for the homestead tax credit as provided in section 1 of this Act, for the biennium beginning July 1, 2007, and ending June 30, 2009."

Page 15, remove line 15

Renumber accordingly

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1051

Page 1, line 9, after the semicolon insert "to provide an appropriation;"

Page 5, line 21, replace "three and one-half" with "five"

Page 6, line 7, replace "three and one-half" with "five"

Page 6, after line 22, insert:

"d. Unlimited mill levy authority provided by statute and not requiring approval of electors."

Page 6, line 31, replace "three and one-half" with "five"

Page 7, line 31, after "applicable" insert "for the taxable year to which the tax statement applies"

Page 8, line 3, after the period insert "The real estate tax statement must include, or be accompanied by, information showing for the taxable year to which the tax statement applies for each major taxing district, including cities, counties, and school districts, the dollar amount and percentage change in dollars levied from the previous year for each major taxing district and the total change in the dollar amount and percentage of dollars levied against the property by all taxing districts from the previous taxable year."

Page 8, line 13, remove "owned and occupied by an individual as that individual's"

Page 8, line 14, remove "homestead"

Page 8, line 16, remove ", if the individual primarily responsible for"

Page 8, remove lines 17 through 19

Page 8, line 20, remove "person's homestead"

Page 8, line 22, remove "if the mobile home is owned and"

Page 8, line 23, remove "occupied by an individual as that individual's homestead"

Page 8, line 25, remove "if the individual primarily"

Page 8, remove lines 26 through 28

Page 8, line 29, remove "individual's homestead"

**"SECTION 9. AMENDMENT.** Subsection 1 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

1. A tax is hereby imposed for each taxable year upon income earned or received in that taxable year by every resident and nonresident individual, estate, and trust. A taxpayer computing the tax under this section is only eligible for those adjustments or credits that are specifically provided for in this section. Provided, that for purposes of this section, any person required to file a state income tax return under this chapter, but who has not computed a federal taxable income figure, shall compute a federal taxable income figure using a pro forma return in order to determine a federal taxable income figure to be used as a starting point in computing state income tax under this section. The tax for individuals is equal to North Dakota taxable income multiplied by the rates in the applicable rate schedule in subdivisions a through d corresponding to an individual's filing status used for federal income tax purposes. For an estate or trust, the schedule in subdivision e must be used for purposes of this subsection.

a. Single, other than head of household or surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$27,050</del> <u>\$31,850</u>	2.10%
Over <del>\$27,050</del> <u>\$31,850</u> but not over <del>\$66,550</del> <u>\$77,100</u>	<del>\$568.05</del> <u>\$668.85</u> plus 3.92% of amount over <del>\$27,050</del> <u>\$31,850</u>
Over <del>\$66,550</del> <u>\$77,100</u> but not over <del>\$136,750</del> <u>\$160,850</u>	<del>\$2,077.25</del> <u>\$2,442.65</u> plus 4.34% of amount over <del>\$66,550</del> <u>\$77,100</u>
Over <del>\$136,750</del> <u>\$160,850</u> but not over <del>\$297,350</del> <u>\$349,700</u>	<del>\$5,167.33</del> <u>\$6,077.40</u> plus 5.04% of amount over <del>\$136,750</del> <u>\$160,850</u>
Over <del>\$297,350</del> <u>\$349,700</u>	<del>\$13,261.57</del> <u>\$15,595.44</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u>

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$45,200</del> <u>\$63,700</u>	2.10%
Over <del>\$45,200</del> <u>\$63,700</u> but not over <del>\$109,250</del> <u>\$128,500</u>	<del>\$949.20</del> <u>\$1,337.70</u> plus 3.92% of amount over <del>\$45,200</del> <u>\$63,700</u>
Over <del>\$109,250</del> <u>\$128,500</u> but not over <del>\$166,500</del> <u>\$195,850</u>	<del>\$3,459.96</del> <u>\$3,877.86</u> plus 4.34% of amount over <del>\$109,250</del> <u>\$128,500</u>
Over <del>\$166,500</del> <u>\$195,850</u> but not over <del>\$297,350</del> <u>\$349,700</u>	<del>\$5,944.64</del> <u>\$6,800.85</u> plus 5.04% of amount over <del>\$166,500</del> <u>\$195,850</u>
Over <del>\$297,350</del> <u>\$349,700</u>	<del>\$12,539.45</del> <u>\$14,554.89</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u>

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$22,600</del> <u>\$31,850</u>	2.10%
Over <del>\$22,600</del> <u>\$31,850</u> but not over <del>\$54,625</del> <u>\$64,250</u>	<del>\$474.60</del> <u>\$668.85</u> plus 3.92% of amount over <del>\$22,600</del> <u>\$31,850</u>
Over <del>\$54,625</del> <u>\$64,250</u> but not over <del>\$83,250</del> <u>\$97,925</u>	<del>\$1,729.98</del> <u>\$1,938.93</u> plus 4.34% of amount over <del>\$54,625</del> <u>\$64,250</u>
Over <del>\$83,250</del> <u>\$97,925</u> but not over <del>\$148,675</del> <u>\$174,850</u>	<del>\$2,072.34</del> <u>\$3,400.43</u> plus 5.04% of amount over <del>\$83,250</del> <u>\$97,925</u>
Over <del>\$148,675</del> <u>\$174,850</u>	<del>\$6,269.73</del> <u>\$7,277.45</u> plus 5.54% of amount over <del>\$148,675</del> <u>\$174,850</u>

d. Head of household.

<p>If North Dakota taxable income is:</p> <p>Not over <del>\$36,250</del> <u>\$42,650</u></p> <p>Over <del>\$36,250</del> <u>\$42,650</u> but not over <del>\$93,650</del> <u>\$110,100</u></p> <p>Over <del>\$93,650</del> <u>\$110,100</u> but not over <del>\$151,650</del> <u>\$178,350</u></p> <p>Over <del>\$151,650</del> <u>\$178,350</u> but not over <del>\$297,350</del> <u>\$349,700</u></p> <p>Over <del>\$297,350</del> <u>\$349,700</u></p>	<p>The tax is equal to:</p> <p>2.10%</p> <p><del>\$761.25</del> <u>\$895.65</u> plus 3.92% of amount over <del>\$36,250</del> <u>\$42,650</u></p> <p><del>\$3,011.33</del> <u>\$3,539.69</u> plus 4.34% of amount over <del>\$93,650</del> <u>\$110,100</u></p> <p><del>\$5,528.53</del> <u>\$6,501.74</u> plus 5.04% of amount over <del>\$151,650</del> <u>\$178,350</u></p> <p><del>\$12,871.81</del> <u>\$15,137.78</u> plus 5.54% of amount over <del>\$297,350</del> <u>\$349,700</u></p>
--	---

e. Estates and trusts.

<p>If North Dakota taxable income is:</p> <p>Not over <del>\$1,800</del> <u>\$2,150</u></p> <p>Over <del>\$1,800</del> <u>\$2,150</u> but not over <del>\$4,250</del> <u>\$5,000</u></p> <p>Over <del>\$4,250</del> <u>\$5,000</u> but not over <del>\$6,500</del> <u>\$7,650</u></p> <p>Over <del>\$6,500</del> <u>\$7,650</u> but not over <del>\$8,900</del> <u>\$10,450</u></p> <p>Over <del>\$8,900</del> <u>\$10,450</u></p>	<p>The tax is equal to:</p> <p>2.10%</p> <p><del>\$37.80</del> <u>\$45.15</u> plus 3.92% of amount over <del>\$1,800</del> <u>\$2,150</u></p> <p><del>\$133.84</del> <u>\$156.87</u> plus 4.34% of amount over <del>\$4,250</del> <u>\$5,000</u></p> <p><del>\$231.49</del> <u>\$271.88</u> plus 5.04% of amount over <del>\$6,500</del> <u>\$7,650</u></p> <p><del>\$352.45</del> <u>\$413.00</u> plus 5.54% of amount over <del>\$8,900</del> <u>\$10,450</u></p>
--	---

f. For an individual who is not a resident of this state for the entire year, or for a nonresident estate or trust, the tax is equal to the tax otherwise computed under this subsection multiplied by a fraction in which:

- (1) The numerator is the federal adjusted gross income allocable and apportionable to this state; and
- (2) The denominator is the federal adjusted gross income from all sources reduced by the net income from the amounts specified in subdivisions a and b of subsection 2.

In the case of married individuals filing a joint return, if one spouse is a resident of this state for the entire year and the other spouse is a nonresident for part or all of the tax year, the tax on the joint return must be computed under this subdivision.

g. For taxable years beginning after December 31, ~~2004~~ 2007, the tax commissioner shall prescribe new rate schedules that apply in lieu of the schedules set forth in subdivisions a through e. The new schedules must be determined by increasing the minimum and maximum dollar amounts for each income bracket for which a tax is imposed by the cost-of-living adjustment for the taxable year as determined by the secretary of the United States treasury for purposes of section 1(f) of the United States Internal Revenue Code of 1954, as amended. For this purpose, the rate applicable to each income bracket may not be changed, and the manner of applying the cost-of-living adjustment must be the same as that used for adjusting the income brackets for federal income tax purposes."

Page 13, remove lines 1 through 30

Page 14, remove lines 1 through 23

Page 15, line 11, replace "up to one" with "the amount necessary to provide property tax relief payments to county treasurers under section 57-20-07.2"

Page 15, remove line 12

Page 15, line 13, remove "as may be necessary," and after "appropriated" insert "during each biennium"

Page 15, line 14, replace ", for the purpose of providing property tax relief payments to counties in accordance" with "."

**SECTION 11. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$3,800,000, or so much of the sum as may be necessary, to the state tax commissioner for the purpose of paying the state reimbursement for the homestead tax credit as provided in section 1 of this Act, for the biennium beginning July 1, 2007, and ending June 30, 2009."

Page 15, remove line 15

Renumber accordingly

*JG*  
3-23-07  
1044

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1051

In lieu of the amendments adopted by the Senate as printed on pages 833-836 of the Senate Journal, Reengrossed House Bill No. 1051 is amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-02-08.1 of the North Dakota Century Code, relating to eligibility for the homestead property tax credit; and to provide an effective date.

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

**SECTION 1. AMENDMENT.** Section 57-02-08.1 of the North Dakota Century Code is amended and reenacted as follows:

**57-02-08.1. Homestead credit.**

1. a. Any person ~~sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied,~~ with an income that does not exceed the limitations of subdivision c is entitled to receive a reduction in the assessment on the taxable valuation on the person's homestead. An exemption under this subsection applies regardless of whether the person is the head of a family.
- b. The exemption under this subsection continues to apply if the person does not reside in the homestead and the person's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the person is not rented to another person.
- c. The exemption must be determined according to the following schedule:
  - (1) If the person's income is not in excess of ~~eight~~ twenty-one thousand ~~five hundred~~ dollars, a reduction of one hundred percent of the taxable valuation of the person's homestead up to a maximum reduction of three thousand thirty-eight dollars of taxable valuation.
  - (2) If the person's income is in excess of ~~eight~~ twenty-one thousand ~~five hundred~~ dollars and not in excess of ~~ten~~ twenty-seven thousand dollars, a reduction of eighty percent of the taxable valuation of the person's homestead up to a maximum reduction of two thousand four hundred thirty dollars of taxable valuation.
  - (3) If the person's income is in excess of ~~ten~~ twenty-seven thousand dollars and not in excess of ~~eleven~~ thirty-three thousand ~~five hundred~~ dollars, a reduction of sixty percent of the taxable valuation of the person's homestead up to a maximum reduction of one thousand eight hundred twenty-three dollars of taxable valuation.
  - (4) If the person's income is in excess of ~~eleven~~ thirty-three thousand ~~five hundred~~ dollars and not in excess of ~~thirteen~~

thirty-nine thousand dollars, a reduction of forty percent of the taxable valuation of the person's homestead up to a maximum reduction of one thousand two hundred fifteen dollars of taxable valuation.

- (5) If the person's income is in excess of ~~thirteen~~ thirty-nine thousand dollars and not in excess of ~~fourteen~~ forty-five thousand ~~five hundred~~ dollars, a reduction of twenty percent of the taxable valuation of the person's homestead up to a maximum reduction of six hundred eight dollars of taxable valuation.
- d. Persons residing together, as spouses or when one or more is a dependent of another, are entitled to only one exemption between or among them under this subsection. Persons residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full exemption under this subsection equal to their ownership interests in the property.
- e. This subsection does not reduce the liability of any person for special assessments levied upon any property.
- f. Any person claiming the exemption under this subsection shall sign a verified statement of facts establishing the person's eligibility.
- g. ~~A person is ineligible for the exemption under this subsection if the value of the assets of the person and any dependent residing with the person, excluding the unencumbered value of the person's residence that the person claims as a homestead, exceeds fifty thousand dollars, including the value of any assets divested within the last three years. For purposes of this subdivision, the unencumbered valuation of the homestead is limited to one hundred thousand dollars.~~
- ~~h.~~ The assessor shall attach the statement filed under subdivision f to the assessment sheet and shall show the reduction on the assessment sheet.
- ~~h.~~ h. An exemption under this subsection terminates at the end of the taxable year of the death of the applicant.
- 2. a. Any person who would qualify for an exemption under subdivisions a and c of subsection 1 except for the fact that the person rents living quarters is eligible for refund of a portion of the person's annual rent deemed by this subsection to constitute the payment of property tax.
- b. For the purpose of this subsection, twenty percent of the annual rent, exclusive of any federal rent subsidy and of charges for any utilities, services, furniture, furnishings, or personal property appliances furnished by the landlord as part of the rental agreement, whether expressly set out in the rental agreement, must be considered as payment made for property tax. When any part of the twenty percent of the annual rent exceeds four percent of the annual income of a qualified applicant, the applicant is entitled to receive a refund from the state general fund for that amount in excess of four percent of the person's annual income, but the refund may not be in excess of two hundred forty dollars. If the calculation for the refund is less than five dollars, a minimum of five dollars must be sent to the qualifying applicant.

- c. Persons who reside together, as spouses or when one or more is a dependent of another, are entitled to only one refund between or among them under this subsection. Persons who reside together in a rental unit, who are not spouses or dependents, are each entitled to apply for a refund based on the rent paid by that person.
  - d. Each application for refund under this subsection must be made to the tax commissioner before the first day of June of each year by the person claiming the refund. The tax commissioner may grant an extension of time to file an application for good cause. The tax commissioner shall issue refunds to applicants.
  - e. This subsection does not apply to rents or fees paid by a person for any living quarters, including a nursing home licensed pursuant to section 23-16-01, if those living quarters are exempt from property taxation and the owner is not making a payment in lieu of property taxes.
  - f. A person may not receive a refund under this section for a taxable year in which that person received an exemption under subsection 1.
3. All forms necessary to effectuate this section must be prescribed, designed, and made available by the tax commissioner. The county directors of tax equalization shall make these forms available upon request.
  4. A person whose homestead is a farm structure exempt from taxation under subsection 15 of section 57-02-08 may not receive any property tax credit under this section.
  5. For the purposes of this section:
    - a. "Dependent" has the same meaning it has for federal income tax purposes.
    - b. "Homestead" has the same meaning as provided in section 47-18-01.
    - c. "Income" means income for the most recent complete taxable year from all sources, including the income of any dependent of the applicant, and including any county, state, or federal public assistance benefits, social security, or other retirement benefits, but excluding any federal rent subsidy, any amount excluded from income by federal or state law, and medical expenses paid during the year by the applicant or the applicant's dependent which is not compensated by insurance or other means.
    - d. "Medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the person may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.
    - e. ~~"Permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician.~~

**SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after December 31, 2006, for ad valorem property taxes and for taxable years beginning after December 31, 2007, for mobile home taxes."

Renumber accordingly

4254

amend 0321 Pass  
 draft Pass  
 323 Pass  
 320 Pass

314 Pass  
 316 fail  
 Seymour

Date: 3/23/1  
 Roll Call Vote #:

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1051

Senate Appropriations Committee

Check here for Conference Committee

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

Action Taken DNP as amend

Motion Made By Ward Seconded By Kilzer

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm	✓		Senator Aaron Krauter		✓
Senator Bill Bowman, V Chrm	✓		Senator Elroy N. Lindaas		✓
Senator Tony Grindberg, V Chrm		✓	Senator Tim Mathern		✓
Senator Randel Christmann	✓		Senator Larry J. Robinson		✓
Senator Tom Fischer		✓	Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson		
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 7 No 6

Absent \_\_\_\_\_

Floor Assignment Wardner

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

**REPORT OF STANDING COMMITTEE**

**HB 1051, as reengrossed and amended: Appropriations Committee (Sen. Holmberg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (7 YEAS, 6 NAYS, 1 ABSENT AND NOT VOTING). Reengrossed HB 1051, as amended, was placed on the Sixth order on the calendar.**

In lieu of the amendments adopted by the Senate as printed on pages 833-836 of the Senate Journal, Reengrossed House Bill No. 1051 is amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-02-08.1 of the North Dakota Century Code, relating to eligibility for the homestead property tax credit; and to provide an effective date.

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

**SECTION 1. AMENDMENT.** Section 57-02-08.1 of the North Dakota Century Code is amended and reenacted as follows:

**57-02-08.1. Homestead credit.**

1. a. Any person ~~sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied,~~ with an income that does not exceed the limitations of subdivision c is entitled to receive a reduction in the assessment on the taxable valuation on the person's homestead. An exemption under this subsection applies regardless of whether the person is the head of a family.
- b. The exemption under this subsection continues to apply if the person does not reside in the homestead and the person's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the person is not rented to another person.
- c. The exemption must be determined according to the following schedule:
  - (1) If the person's income is not in excess of ~~eight~~ twenty-one thousand ~~five-hundred~~ dollars, a reduction of one hundred percent of the taxable valuation of the person's homestead up to a maximum reduction of three thousand thirty-eight dollars of taxable valuation.
  - (2) If the person's income is in excess of ~~eight~~ twenty-one thousand ~~five-hundred~~ dollars and not in excess of ~~ten~~ twenty-seven thousand dollars, a reduction of eighty percent of the taxable valuation of the person's homestead up to a maximum reduction of two thousand four hundred thirty dollars of taxable valuation.
  - (3) If the person's income is in excess of ~~ten~~ twenty-seven thousand dollars and not in excess of ~~eleven~~ thirty-three thousand ~~five-hundred~~ dollars, a reduction of sixty percent of the taxable valuation of the person's homestead up to a maximum reduction of one thousand eight hundred twenty-three dollars of taxable valuation.

- (4) If the person's income is in excess of ~~eleven~~ thirty-three thousand ~~five hundred~~ dollars and not in excess of ~~thirteen~~ thirty-nine thousand dollars, a reduction of forty percent of the taxable valuation of the person's homestead up to a maximum reduction of one thousand two hundred fifteen dollars of taxable valuation.
  - (5) If the person's income is in excess of ~~thirteen~~ thirty-nine thousand dollars and not in excess of ~~fourteen~~ forty-five thousand ~~five hundred~~ dollars, a reduction of twenty percent of the taxable valuation of the person's homestead up to a maximum reduction of six hundred eight dollars of taxable valuation.
- d. Persons residing together, as spouses or when one or more is a dependent of another, are entitled to only one exemption between or among them under this subsection. Persons residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full exemption under this subsection equal to their ownership interests in the property.
  - e. This subsection does not reduce the liability of any person for special assessments levied upon any property.
  - f. Any person claiming the exemption under this subsection shall sign a verified statement of facts establishing the person's eligibility.
  - g. ~~A person is ineligible for the exemption under this subsection if the value of the assets of the person and any dependent residing with the person, excluding the unencumbered value of the person's residence that the person claims as a homestead, exceeds fifty thousand dollars, including the value of any assets divested within the last three years. For purposes of this subdivision, the unencumbered valuation of the homestead is limited to one hundred thousand dollars.~~
  - ~~h.~~ The assessor shall attach the statement filed under subdivision f to the assessment sheet and shall show the reduction on the assessment sheet.
  - ~~h.~~ An exemption under this subsection terminates at the end of the taxable year of the death of the applicant.
2. a. Any person who would qualify for an exemption under subdivisions a and c of subsection 1 except for the fact that the person rents living quarters is eligible for refund of a portion of the person's annual rent deemed by this subsection to constitute the payment of property tax.
  - b. For the purpose of this subsection, twenty percent of the annual rent, exclusive of any federal rent subsidy and of charges for any utilities, services, furniture, furnishings, or personal property appliances furnished by the landlord as part of the rental agreement, whether expressly set out in the rental agreement, must be considered as payment made for property tax. When any part of the twenty percent of the annual rent exceeds four percent of the annual income of a qualified applicant, the applicant is entitled to receive a refund from the state general fund for that amount in excess of four percent of the person's annual income, but the refund may not be in excess of two

hundred forty dollars. If the calculation for the refund is less than five dollars, a minimum of five dollars must be sent to the qualifying applicant.

- c. Persons who reside together, as spouses or when one or more is a dependent of another, are entitled to only one refund between or among them under this subsection. Persons who reside together in a rental unit, who are not spouses or dependents, are each entitled to apply for a refund based on the rent paid by that person.
  - d. Each application for refund under this subsection must be made to the tax commissioner before the first day of June of each year by the person claiming the refund. The tax commissioner may grant an extension of time to file an application for good cause. The tax commissioner shall issue refunds to applicants.
  - e. This subsection does not apply to rents or fees paid by a person for any living quarters, including a nursing home licensed pursuant to section 23-16-01, if those living quarters are exempt from property taxation and the owner is not making a payment in lieu of property taxes.
  - f. A person may not receive a refund under this section for a taxable year in which that person received an exemption under subsection 1.
3. All forms necessary to effectuate this section must be prescribed, designed, and made available by the tax commissioner. The county directors of tax equalization shall make these forms available upon request.
  4. A person whose homestead is a farm structure exempt from taxation under subsection 15 of section 57-02-08 may not receive any property tax credit under this section.
  5. For the purposes of this section:
    - a. "Dependent" has the same meaning it has for federal income tax purposes.
    - b. "Homestead" has the same meaning as provided in section 47-18-01.
    - c. "Income" means income for the most recent complete taxable year from all sources, including the income of any dependent of the applicant, and including any county, state, or federal public assistance benefits, social security, or other retirement benefits, but excluding any federal rent subsidy, any amount excluded from income by federal or state law, and medical expenses paid during the year by the applicant or the applicant's dependent which is not compensated by insurance or other means.
    - d. "Medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the person may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.
    - e. ~~"Permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically~~

~~determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician.~~

**SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after December 31, 2006, for ad valorem property taxes and for taxable years beginning after December 31, 2007, for mobile home taxes."

Renumber accordingly

2007 TESTIMONY

HB 1051

1-17 #1051



**STATE OF NORTH DAKOTA**  
**OFFICE OF STATE TAX COMMISSIONER**  
Cory Fong, Commissioner

---

**HOUSE FINANCE & TAX COMMITTEE**  
**Representative Wes Belter, Chairman**  
**Testimony from Tax Commissioner Cory Fong Re: House Bill 1051**  
**January 17, 2007**

In traveling across the state in the last year people have talked to me about a variety of issues that concern them. What I have found is that the issue that seems to be on the minds of many is property taxes. By far the majority feel there is a pressing need for meaningful property tax relief.

I agree. And, I believe many on this committee and throughout the legislature agree, just based upon the extensive work and time many of you have put into this issue during the interim and even these first few weeks of this legislative session.

Now is the time for meaningful and responsible property tax relief and that is why I am here to support Representative Belter and Senator Cook's legislation, House Bill (HB) 1051. HB 1051 is not only a good start; it is manageable and sustainable into the future.

HB 1051 provides for direct property tax relief. It's not just more government spending with the hope that it trickles down and lowers property taxes, but direct property tax relief that is fair, easy to understand and implement, maintains local control and is sustainable without future state sales or income tax increases.

It provides \$116 million in direct property tax relief to the people of North Dakota through a 10% reduction in residential property taxes and 5% reduction in agricultural and commercial property taxes. The amount of the relief will be subtracted from a property tax payer's annual property tax bill and the state will reimburse the county for the amount of property tax relief provided.

For example, a homeowner with a \$120,000 home will get an average of \$217 credited per year on their property tax bill. The owner of a 1,300-acre farm or ranch will get an average of \$372 credited. And a business owner with a \$300,000 commercial property will get an average of \$300 credited.

It's that simple and that easy.

In preparation for today's hearing, I reviewed data from the State and Local Taxes book, also known as the Red Book, along with data compiled by Kathryn Strombeck, Research Analyst for the Tax Department. I have attached 7 pages for your review.

**(cont.) Testimony from Tax Commissioner Cory Fong Re: House Bill 1051**

The first bar graph and corresponding table shows that when comparing sources of major state and local taxes during the last ten-year period, local property taxes have outpaced state sales and use taxes, and certainly individual income taxes. As you can see, the burden of local property taxes exceeded the sales and use tax burden by more than \$200 million for 2006. For the same year, local property taxes exceeded individual income taxes by \$385 million. *(Source: 2006 Red Book, pg. 4)*

The second graph charts North Dakota's historical collections of income and sales taxes, and property taxes levied, for the past 30 years. This graph does not adjust for inflation; however, since typically the Consumer Price Index (CPI) would be used as a deflator for each of these series, the overall relationships shown on the graph would be maintained, even if the effects of inflation were removed. Once again, the data shows that local property taxes have grown at a faster rate than sales and use taxes along with individual income taxes. *(Source: Testimony from Kathryn Strombeck to Interim Taxation Committee, November 15, 2005)*

The third set of charts shows the collections trend in the "three legged stool" that compare each tax type with inflation. The charts start with the first data point - 1975 collections - and "inflate" it to 2004 using the CPI. Overall, inflation during that 30 year period was 243%. The inflation line on each of these three graphs shows the amount that would have been collected in 2004 if the tax had grown at exactly the rate of inflation. You can see that individual income tax collections grew at a rate that was less than the rate of inflation, while sales and property taxes exceeded the rate of inflation. *(Source: Testimony from Kathryn Strombeck to Interim Taxation Committee, December 21, 2005)*

Finally, take note of the bar graphs that show the total tax burden as a percent of income and in total dollars for a family of 3 having a \$50,000 income within our region (Fargo, ND v Billings, MT v Minneapolis, MN etc.). No surprise, the greatest, and disproportionate, percentage of the tax burden in North Dakota comes from local property taxes. *(Source: 2006 Red Book, pg. 9)*

This data confirms, in my opinion, that the three legged stool is out of balance and in need of a fix. And, this legislative session provides a golden opportunity for that fix.

As you know, there are many competing plans for what the "right" kind of fix should be. And, other plans will likely surface. Regardless of what the final plan eventually looks like, I believe we need to commit to the concept of property tax relief during this legislative session. And, I also believe that any property tax relief plan must meet the following core principles:

- Is fair and simple to understand and implement;
- Preserves local control and promotes local accountability;
- Provides direct relief; and
- Is sustainable without requiring future tax increases.

#4

**(cont.) Testimony from Tax Commissioner Cory Fong Re: House Bill 1051**

The bill before you today, HB 1051, adheres to all of those core principles.

Working together, we can arrive at a fair and sensible plan. I look forward to working with this committee and members of both chambers to make property tax relief a reality during this legislative session.

North Dakota is experiencing an unprecedented period of economic diversification and growth. Virtually every segment of our economy is growing. We cannot and should not miss this opportunity to invest in our priorities and, for the first time, provide meaningful, direct property tax relief for our people.

# HB 1051

1-17

## HB 1051 PROPERTY TAX RELIEF

**What is the plan?** Provide direct and simple property tax relief to the people of North Dakota through a reduction in residential, agricultural, and commercial property taxes. The reduction in property taxes would be supplanted by state dollars.

Residential property taxes will be reduced by 10%  
Agricultural property taxes will be reduced by 5%  
Commercial property taxes will be reduced by 5%

### What is the cost of direct relief?

Costs by Classification  
10% tax reduction for residential  
5% tax reduction for agricultural and commercial  
Assuming a 2005 average statewide mill rates of 401.66 mills\*

	<u>2007</u>	<u>2008</u>
RESIDENTIAL	\$ 36,363,735	\$ 40,581,928
COMMERCIAL	\$ 10,512,964	\$ 11,795,545
AGRICULTURAL	\$ 8,422,669	\$ 8,422,669
	\$ 55,299,368	\$ 60,800,142
<b>2007-09 BIENNIUM</b>	<b>\$</b>	<b>116,099,510</b>

### What is the impact of direct relief to property owners?

A 10% reduction in residential property taxes will result in the following savings:

\$80,000 Home	\$144.60	\$160,000 Home	\$289.20
\$100,000 Home	\$180.75	\$200,000 Home	\$361.49
\$120,000 Home	\$216.90		

\* Figures are based on the statewide average mill rate. Actual property tax relief figures will vary by individual city or township.

#4

**A 5% reduction in agricultural property taxes will result in the following savings:**

State Average of 1,300 acre farm	\$372.73
State Average of 1,300 acre farm (cropland)	\$490.23
State Average of 1,300 acre farm (non cropland)	\$111.82

**A 5% reduction in commercial property taxes will result in the following savings:**

\$75,000 Commercial Property	\$75.31
\$150,000 Commercial Property	\$150.62
\$300,000 Commercial Property	\$301.25

**How will property owners receive the relief?** Direct relief will be calculated by county and disbursed from the state, as it is with the Homestead Tax Credit. Taxpayers will see the property tax relief amount on their property tax statement.

#4

# 2008 North Dakota Property Tax Statement

<b>Property Number 123-456-789</b>		
<b>Add Name</b>	Subdivision 1	
<b>Block</b>	002	
<b>Legal Description</b>	003	
<b>Prop Address</b>	123 Elm St	
<b>True and Full Value</b>	<b>Taxable Value</b>	<b>Mill Levy</b>
120,000	5,400	.40166

<b>General Tax Distribution</b>	
State	4.50
County	287.67
City/Twp	469.45
Rural/Fire	.00
County Lib	.00
Park	175.34
School	1,232.00
Ambulance	.00
<b>Total</b>	<b>2,168.96</b>

<b>Special Assessments</b>		<b>Principal plus interest</b>	<b>Principal balance</b>
<b>Principal</b>	<b>Interest</b>		
.00	.00	.00	.00

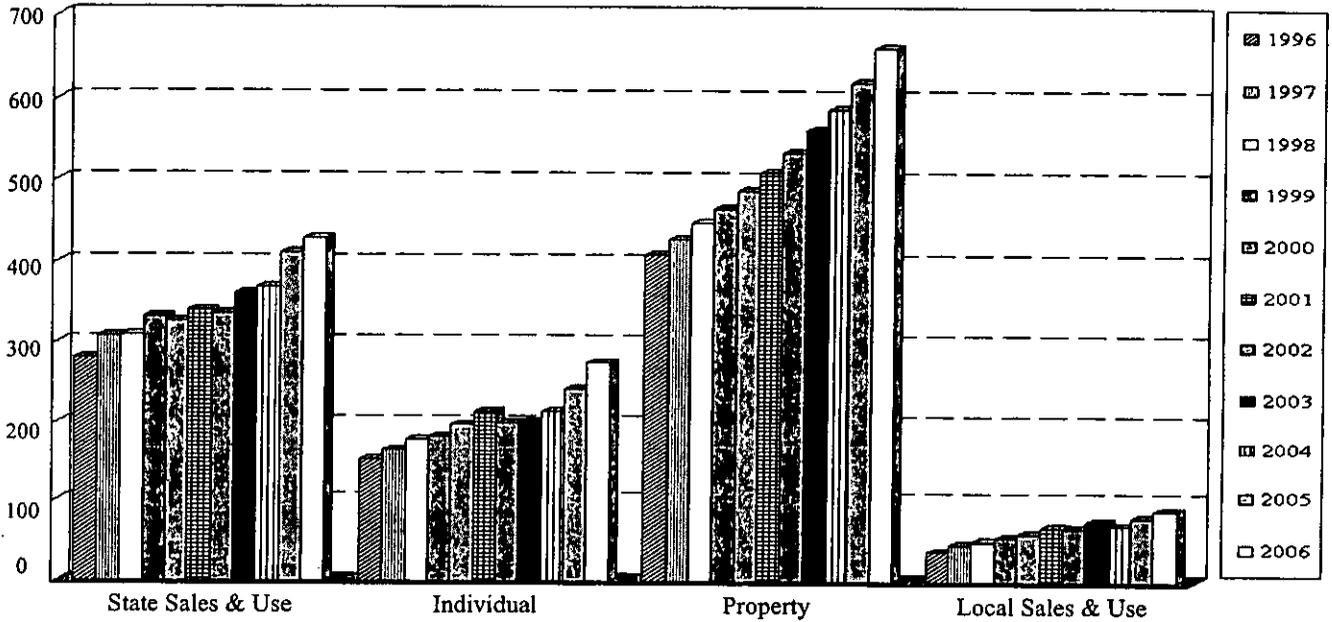
Consolidated Tax	2,168.96
Specials	.00
Tax Due Under Current Law	2,168.96
<b>State Property Tax Relief</b>	<b><u>(216.90)</u></b>
Tax After Property Tax Relief	1,952.07

*5% Early Payment Discount Still Applies*

#10 1051  
 1-17  
 (40)

## Source of Major State and Local Taxes 1996-2006

Millions



### Major State Sources

### Major Local Sources

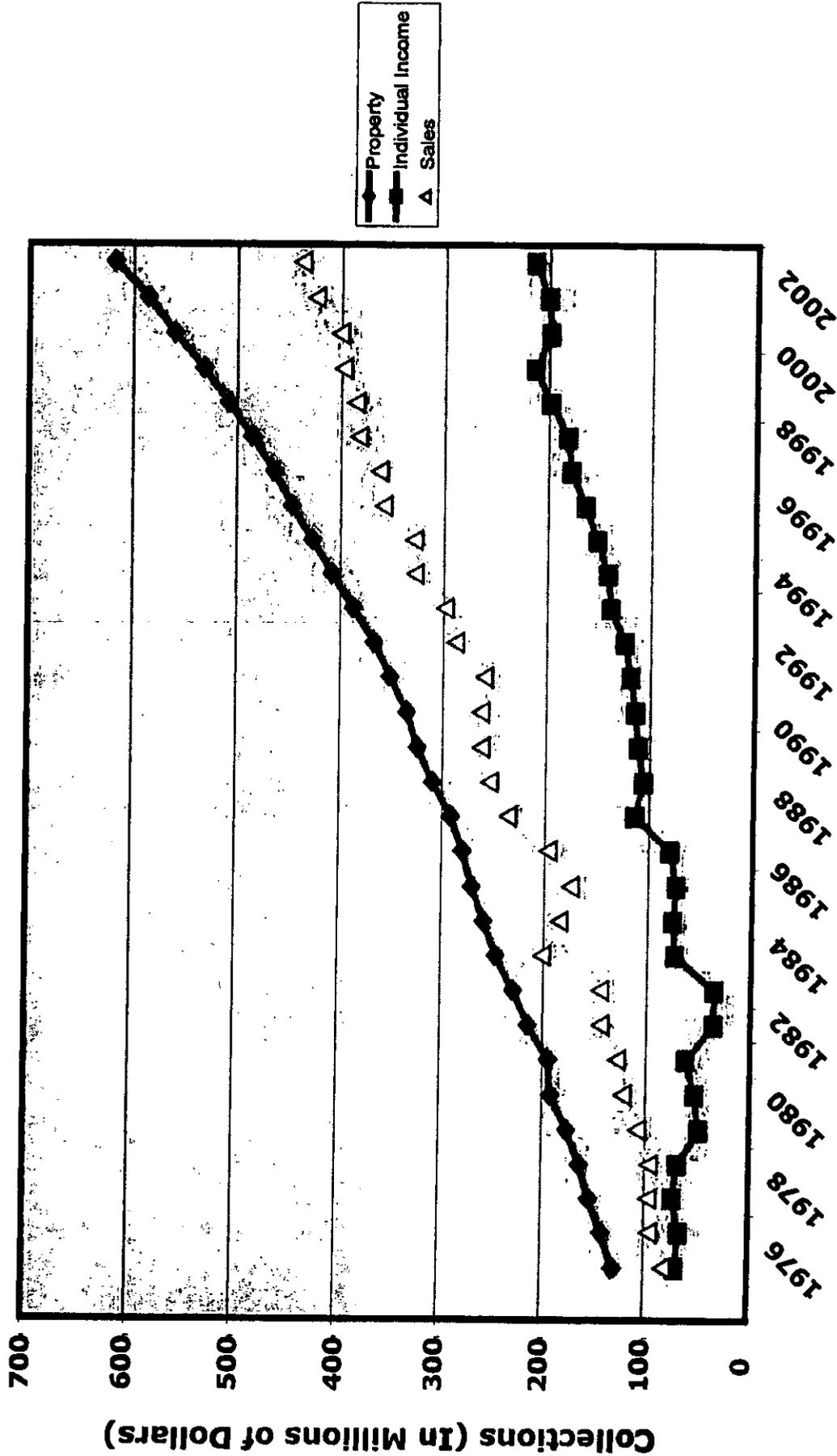
Fiscal Year	State Sales & Use Tax	Individual Income Tax	Property Tax	Local Sales & Use Tax
1996	280,319,012	152,087,864	408,353,215	36,534,413
1997	307,583,834	163,732,247	427,677,147	45,184,127
1998	308,636,871	177,904,251	447,582,274	48,929,646
1999	331,027,859	181,389,034	465,203,396	54,058,001
2000	326,261,978	197,101,325	486,194,264	58,711,263
2001	340,114,569	213,442,150	509,032,721	66,961,363
2002	335,598,693	198,922,525	532,629,675	65,368,838
2003	360,908,220	200,528,205	560,751,909	73,666,551
2004	368,323,637	214,145,899	586,412,017	68,644,864
2005	411,553,514	241,319,731	618,065,693	78,761,154
2006	428,906,406	274,621,741	659,789,376	87,563,544

\* The local sales tax figures do not include city occupancy or city restaurant and lodging taxes.

SOURCE: Office of State Tax Commissioner.

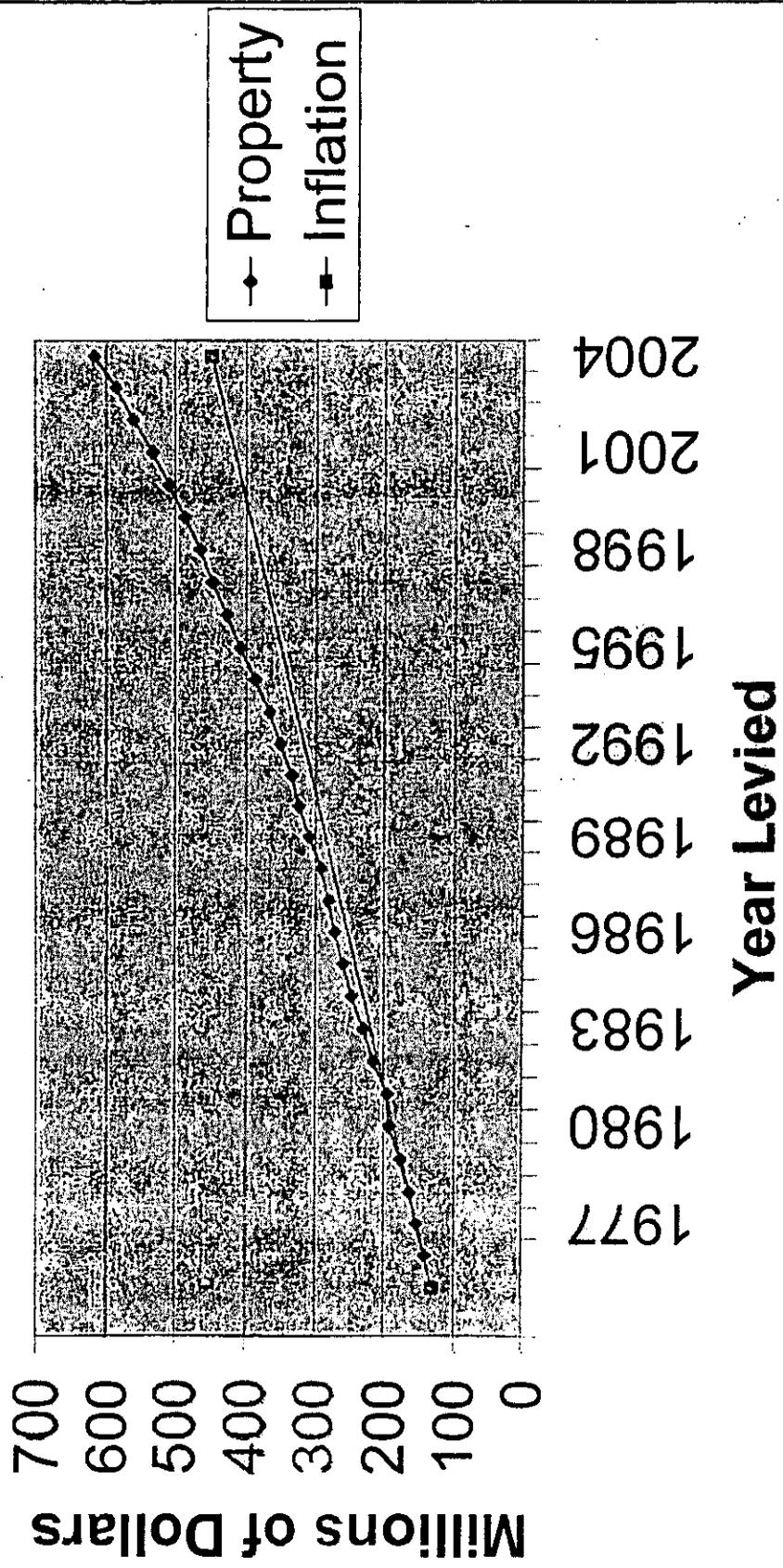
#4

# The Three-Legged Stool: Historical Property, Individual Income, and Sales Tax Collections

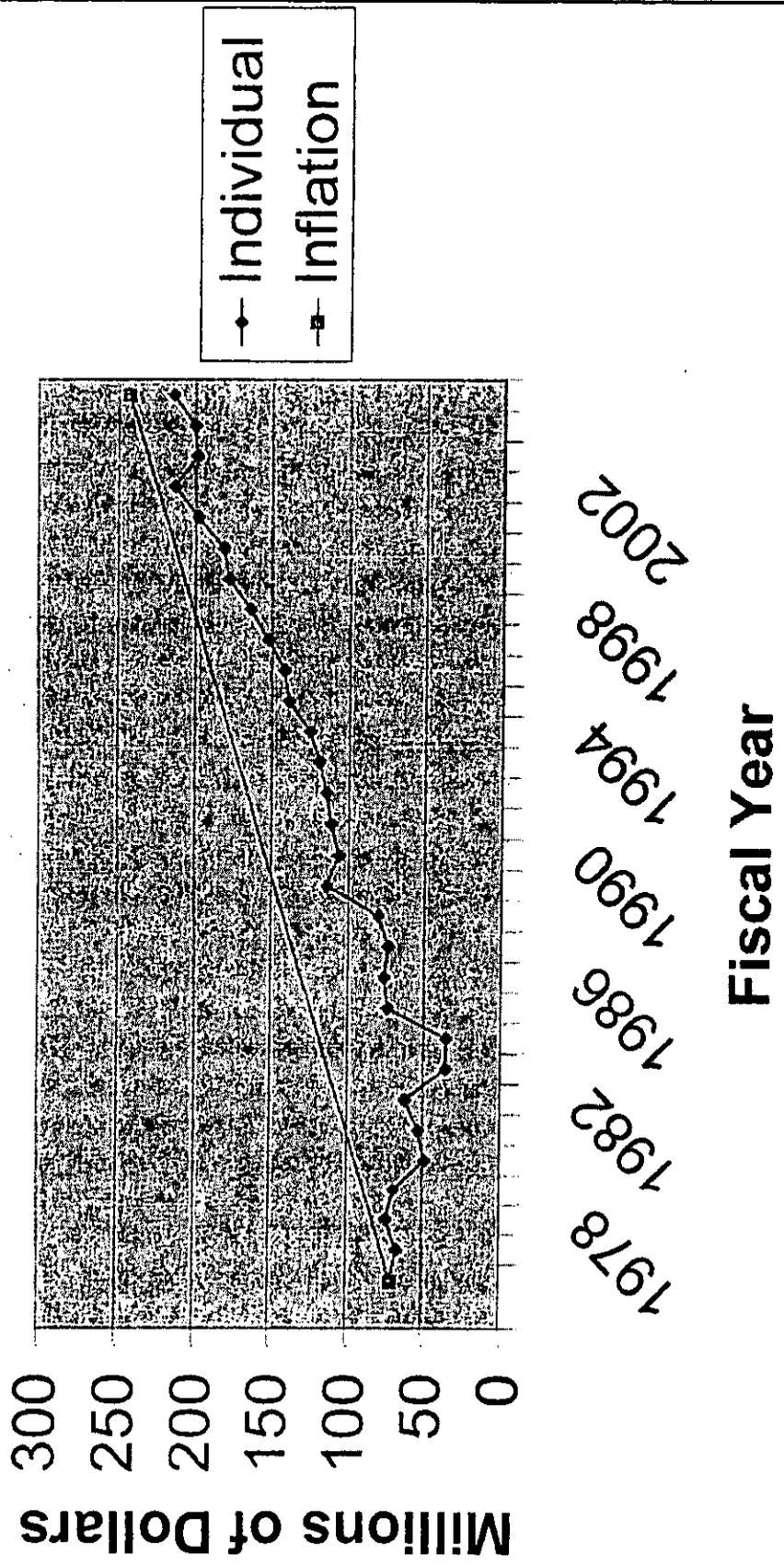


#4

# Actual Property Taxes Levied and 1975 Level Adjusted for Inflation

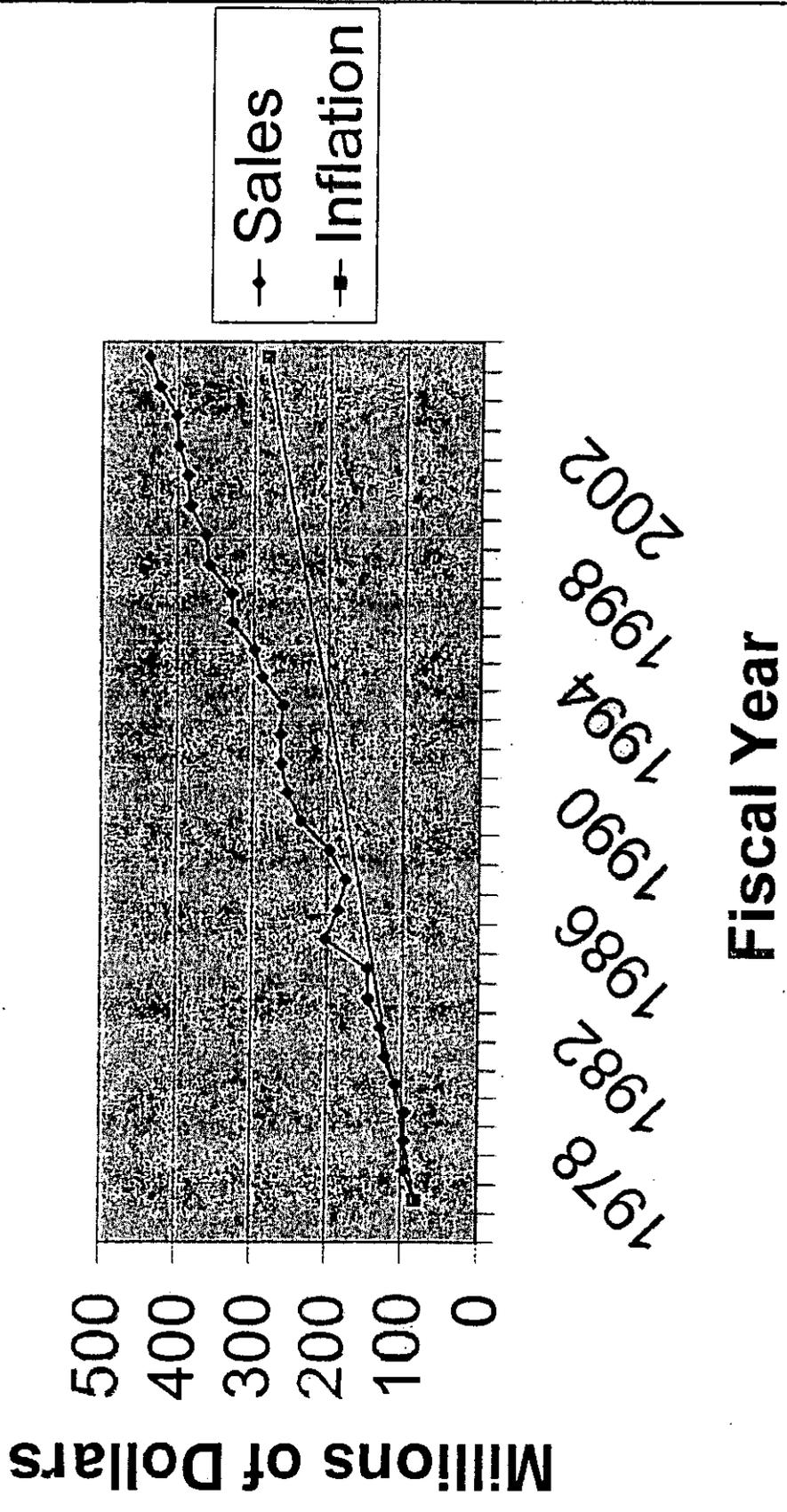


# Actual Individual Income Tax and 1975 Amount Adjusted for Inflation



#4

# Actual Sales Tax and 1975 Amount Adjusted for Inflation



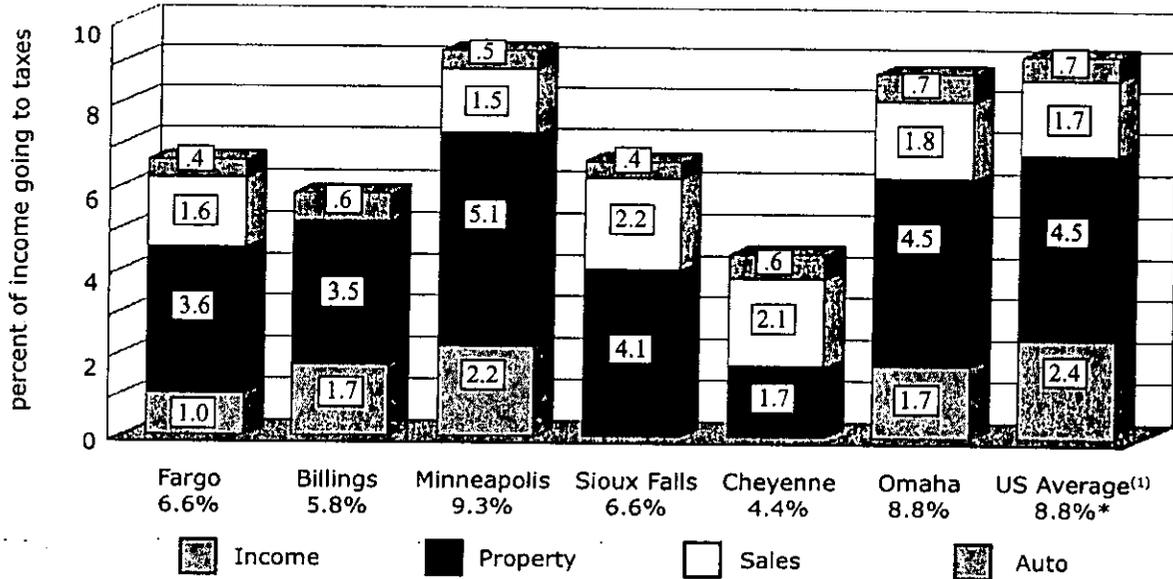
#4

**Computation of Inflation**  
**1975 Tax Collections Compared to 2004**  
**and Amount Actual 2004 Collections vary from Inflated 1975 Collections**  
**(All Dollar Amounts in Millions)**

	(A) 1975 Collection or Levy	(B) Growth in CPI from 1975 to 2004	(C) Inflation Amount $(A \times B)$	(D) 1975 Amount Inflated to 2004 (Infl plus Base) $(A + C)$	(E) Actual 2004 Collection or Levy	(F) Actual/Inflated Variance $(E - D)$	Percent Variance $(F / D) \times 100$
Property	\$ 130.936	243%	\$ 318.174	\$ 449.110	\$ 618.066	\$ 168.956	37.6%
Individual Income	70.735	243%	171.886	242.621	214.146	(28.475)	11.7%
Sales, Use and Motor Vehicle Excise	82.361	243%	200.137	282.498	438.441	155.943	55.2%

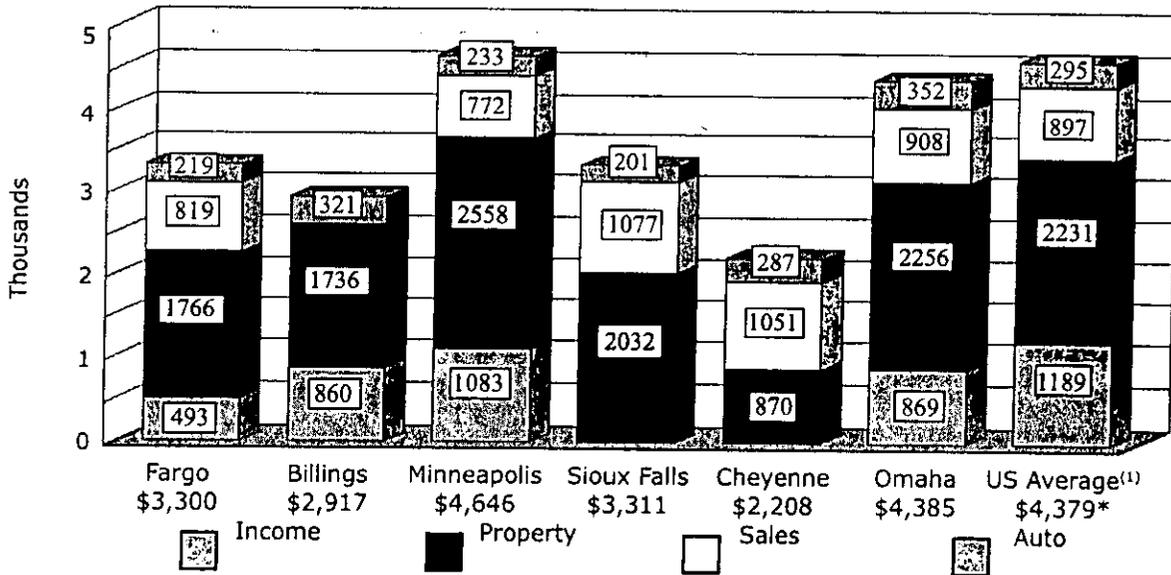
#14

### Major Taxes as a Percent of Income Family of 3 - \$50,000 per year



SOURCE: Tax Rates and Tax Burdens in the District of Columbia - A Nationwide Comparison 2005, Government of the District of Columbia

### Major Tax Burden for Family of Three Earning \$50,000 per year



\* Amounts may not add due to rounding.

<sup>(1)</sup> Based on cities actually levying tax

SOURCE: Tax Rates and Tax Burdens in the District of Columbia - A Nationwide Comparison 2005, Government of the District of Columbia



STATE OF NORTH DAKOTA  
**OFFICE OF STATE TAX COMMISSIONER**  
Cory Fong, Commissioner

---

SENATE FINANCE & TAX COMMITTEE  
Senator Herb Urlacher, Chairman  
Testimony from Tax Commissioner Cory Fong Re: House Bill 1051  
March 7, 2007

**Tax Comparison Examples**

**Example No. 1:** The first bar graph and corresponding table shows that when comparing sources of major state and local taxes during the last ten-year period, local property taxes have outpaced state sales and use taxes, and certainly individual income taxes. As you can see, the burden of local property taxes exceeded the sales and use tax burden by more than \$200 million for 2006. For the same year, local property taxes exceeded individual income taxes by \$385 million. *(Source: 2006 Red Book, pg. 4)*

**Example No. 2:** The second graph charts North Dakota's historical collections of income and sales taxes, and property taxes levied, for the past 30 years. This graph does not adjust for inflation; however, since typically the Consumer Price Index (CPI) would be used as a deflator for each of these series, the overall relationships shown on the graph would be maintained, even if the effects of inflation were removed. Once again, the data shows that local property taxes have grown at a faster rate than sales and use taxes along with individual income taxes. *(Source: Testimony from Kathryn Strombeck to Interim Taxation Committee, November 15, 2005)*

**Example No. 3:** The third set of charts shows the collections trend in the "three legged stool" that compare each tax type with inflation. The charts start with the first data point - 1975 collections - and "inflate" it to 2004 using the CPI. Overall, inflation during that 30 year period was 243%. The inflation line on each of these three graphs shows the amount that would have been collected in 2004 if the tax had grown at exactly the rate of inflation. You can see that individual income tax collections grew at a rate that was less than the rate of inflation, while sales and property taxes exceeded the rate of inflation. *(Source: Testimony from Kathryn Strombeck to Interim Taxation Committee, December 21, 2005)*

**Example No. 4:** Finally, take note of the bar graphs that show the total tax burden as a percent of income and in total dollars for a family of 3 having a \$50,000 income within our region (Fargo, ND v Billings, MT v Minneapolis, MN etc.). No surprise, the greatest, and disproportionate, percentage of the tax burden in North Dakota comes from local property taxes. *(Source: 2006 Red Book, pg. 9)*

**AGRICULTURAL PROPERTY**

**TAX RELIEF \***

State Avg. 1,300 acre farm.....	\$372.73
1,300 acre farm (cropland).....	\$490.23
1,300 acre farm (non cropland) .....	\$111.82

\* Figures are based on 2005 statewide average mill rate of 401.66. Actual property tax relief figures will vary by individual city or township.

# COMMERCIAL PROPERTY

## PROPERTY VALUE

## TAX RELIEF\*

\$75,000.....	\$75.31
\$150,000.....	\$150.62
\$300,000.....	\$301.25

\* Figures are based on the statewide average mill rate of 40 F.66. Actual property tax relief figures will vary by individual city or township.



**RESIDENTIAL PROPERTY**

**HOME VALUE**

**TAX RELIEF\***

<b>\$80,000</b> .....	<b>\$144.60</b>
<b>\$100,000</b> .....	<b>\$180.75</b>
<b>\$120,000</b> .....	<b>\$216.90</b>
<b>\$160,000</b> .....	<b>\$289.20</b>
<b>\$200,000</b> .....	<b>\$361.49</b>

\* Figures are based on 2005 statewide average mill rate of 401.66. Actual property tax relief figures will vary by individual city or township.

**Fiscal Impact of Marriage Penalty Relief  
as Contained in Reengrossed HB 1051**

**Impact on Various Income Categories - Married Joint and Married Separate Filers only**

<u>Taxable Income</u>	<u>Number of Returns</u>	<u>Tax Liability with Existing Brackets</u>	<u>Tax Liability with Proposed Brackets</u>	<u>Reduction in Tax Liability</u>	<u>Average Reduction Per Return</u>
\$0 to \$50,000	78,729	\$ 39,850,320.59	\$ 39,806,955.42	\$ (43,365.17)	\$ (0.55)
\$50,000 to \$100,000	36,757	55,778,495.48	51,040,721.21	(4,737,774.27)	(128.89)
\$100,000 to \$250,000	10,233	37,591,978.33	35,548,946.98	(2,043,031.35)	(199.65)
\$250,000 to \$500,000	2,337	21,673,832.87	19,885,796.30	(1,788,036.57)	(765.10)
Over \$500,000	2,222	44,922,817.96	43,142,520.92	(1,780,297.04)	(801.21)
	130,278	\$ 199,817,445.23	\$ 189,424,940.83	\$ (10,392,504.40)	\$ (79.77)



**Testimony of Bill Shalhoob  
North Dakota Chamber of Commerce  
HB 1051  
March 7, 2007**

Mr. Chairman and members of the committee, my name is Bill Shalhoob and I am here today representing the ND Chamber of Commerce, the principle business advocacy group in North Dakota. Our organization is an economic and geographic cross section of North Dakota's private sector and also includes state associations, local chambers of commerce, development organizations, convention and visitors bureaus and public sector organizations. For purposes of this hearing we are also representing sixteen local chambers with a total membership of 7,236.

Like the legislative assembly and citizens we found divergent opinions on how to address issues raised by the size of the budget surplus. They are the same questions you are facing today and consensus on positions has been difficult to ascertain, which is why we have not spoken at most tax reduction hearings until now. I can state our members endorse the provisions in HB 1051 dealing with the homestead tax credit, personal income tax relief through elimination of the marriage penalty and property tax relief.

While agreeing with all of these elements we do have a concern with the provisions dealing with "out-of-state" corporations and the attempt to exclude them from a credit. We believe all citizens, private and corporate, contributed to the budget surplus and, if

the relief is to be given in the form of property tax credits, all entities that paid property taxes in all four classifications are entitled to relief. It would be unwise and unfair to exclude a company or citizen based on residency. There are only two publicly traded companies incorporated in North Dakota and we could be excluding many model corporate citizens from tax relief if this provision is enacted as is.

Thank you for the opportunity to appear before you today in support of HB 1051.  
I would be happy to answer any questions.

1051  
#5  
1-17



**House Finance and Tax Committee  
HB 1051  
January 17, 2007**

Janis S. Cheney  
State Director  
AARP North Dakota

Chairman Belter and members of the House Finance and Taxation Committee, I am Janis Cheney, state director for AARP North Dakota. I represent 79,600 AARP members in North Dakota.

At this time AARP is not taking a position on this particular bill; however, I am here to support the legislature's efforts to reduce property taxes in North Dakota. Property tax is the single most burdensome tax for many low-income and older people. Many of our more elderly citizens have lived in their homes for a long time. As their property values have appreciated, so have their property taxes. But many of our elderly citizens do not have the income to afford the yearly increase in their property taxes.

AARP agrees with the premise that North Dakota is too dependent upon property taxes. We want to ensure that property tax relief is provided in an equitable manner to low- and moderate- income homeowners and renters.

Because of the health of the state economy, we support efforts to take the burden off property tax.

Thank you.

House Finance and Taxation Committee  
HB1051

Bev Nielson, North Dakota School Boards Association

NDSBA's Delegate Assembly passed the following Resolution:

"NDSBA will support direct state funding of K-12 education at a level adequate to reduce reliance on local property taxes."

Our position is that K-12 education in North Dakota should be adequately funded before money is sent back to taxpayers or district levying authority restricted.

During the Interim, our testimony was consistent. We believe the equity and adequacy issues in K-12 funding be resolved in the following order:

1. Adopt and fund an equity formula.
2. Establish what the state considers an adequate educational program for ND K-12.
3. Determine the cost of providing that educational program statewide and appropriate adequate dollars to fund the state's share of those costs.
4. Then enact comprehensive property tax reform that guarantees school districts the ability to levy sufficient local taxes to support their share of the cost of education.

Sending money back to the taxpayers sends the message that these funds are not needed to adequately fund K-12 education. We cannot concur with that assumption.

If there are sustainable dollars available, we believe they should be applied to K-12 funding; thereby beginning to reduce reliance on local property taxes. Having said that, if we are being asked to accept that tax relief is a political imperative this Session, then we have to say we support the Governor's approach in HB1051 over the more draconian changes in SB2032 which

severely limits the local school boards' authority to tax before we are assured adequate funding from the state.

If it is the intention of this committee to amend limitations similar to SB2032 into this Bill without benefit of a public hearing, I have attached our testimony for SB2032 for your record.

Senate Finance and Taxation Committee  
HB1051

Bev Nielson, North Dakota School Boards Association

NDSBA's Delegate Assembly passed the following Resolution:

"NDSBA will support direct state funding of K-12 education at a level adequate to reduce reliance on local property taxes."

With all due respect to the intentions of the authors of SB2032, our position is that K-12 education in North Dakota should be adequately funded before money is sent back to taxpayers or district levying authority restricted so we must oppose HB1051.

During the Interim and the first half of this Session, our testimony has been consistent. We believe the equity and adequacy issues in K-12 funding must be resolved in the following order:

1. Adopt and fund an equity formula.
2. Establish what the state considers an adequate educational program for ND K-12.
3. Determine the cost of providing that educational program statewide and appropriate adequate dollars to fund the state's share of those costs.
4. Then enact comprehensive property tax reform that guarantees school districts the ability to levy sufficient local taxes to support their share of the cost of education.

Sending money back to the taxpayers sends the message that these funds are not needed to adequately fund K-12 education. We do not concur with that assumption.

If there are sustainable dollars available, we believe they should be applied to K-12 funding; thereby beginning to reduce reliance on local property taxes.

SB2200, which carries the new funding formula, applies a deduction of state aid to school districts levying below 150 mills in 2007-08 and 155 mills in 2008-09. HB1051 only allows 3.5% in annual growth until a district reaches the statutory levy cap. If they are at the cap, they would have to reduce their mills the amount of additional growth and could find themselves in a position to lose state aid. In addition, equity districts must have levies of at least 185 mills in order to receive their full equity payment. If they are forced to reduce mills because of valuation increases, they will not receive the full equity payment. School districts should be able to benefit from increased property valuation just as the state benefits from increases in income levels and taxable sales. How else will schools meet their growing obligations regarding additional academic requirements, teacher salary and retirement increases, technology applications, basic building maintenance, rising fuel costs, and so on?

If we are forced to accept that tax relief is a political imperative this Session, then we would prefer the Governor's approach in the original version of HB1051 over the more drastic changes in engrossed SB2032 and engrossed HB1051, which severely limit local school boards' authority to tax before we are assured adequate funding from the state. If the legislature feels flush with ending balance dollars, a simple, two-year plan to return money to taxpayers, as proposed in the original HB1051 is a more responsible approach. Permanent levy reductions and limitations on growth are more appropriately addressed **after** the state has defined adequate educational programming and committed to fund 65% to 70% of the cost of delivering that education. Only then can the legislature make an honest, realistic estimate of the amount of property taxes necessary for school districts to fund their local share of the cost of education. Reversing the order of this process could, very well, leave many school districts in a position of being required to provide educational services without the ability to fund them.

While the \$80 million proposed for school funding this Session is generous, please consider the following:

- Approximately \$35 million goes only to equity schools.
- Of the remaining \$45 million, \$10 million will be required to pay for a 1% increase in the employers' share of TFFR (SB2046).
- That leaves \$35 million, which is only slightly more than customary increases in foundation aid and 70% of that must go to teacher compensation.
- Several new curricular mandates are being added this Session.

Please carefully consider all potential ramifications for local school districts before casting your vote on HB1051.

1-11

#1 HB 1051

**House Finance and Taxation Committee  
HB1051**

**Dr. M. Douglas Johnson, Executive Director  
North Dakota Council of Educational Leaders**

Chairman Belter and members of the House Finance and Taxation Committee, for the record my name is Doug Johnson and I am the executive director of the North Dakota Council of Educational Leaders (NDCEL) which represents North Dakota's school leaders. I am here to testify in support of **HB 1051**.

At the NDCEL's 2006 Representative Assembly, the follow position statement was passed:

"The NDCEL supports property tax relief legislation that provides direct to the taxpayer relief by the year 2013, assumes 70 percent funding of the cost of education, and is based on an adequacy model."

The NDCEL supports the need for providing North Dakota residents property tax relief. It also supports having the State pay a greater share of the cost of educating K-12 students. **HB 1051** provides for property tax relief, which we support. Further it does not proposes changing current Century Code with regard to capping mill levies in exchange for a dollar for dollar property tax relief exchange with local school districts. We believe this to be a prudent decision in the drafting of this bill. Should there be a down turn in the State's economy and the money needed to sustain property tax relief is not available school districts would still be able to go back to their property tax levels as set in current Century Code.

The NDCEL is concerned that the State has yet to define adequate funding of education and how this cost will be funded in the future. It is the position of the

NDCEL that public education be funded at an adequate level by the State so that local school districts do not have to rely on local property taxes to pay the majority of the cost of educating their students. It is hoped the Legislature will continue supporting the Governor's Commission in the coming biennia as they work to define what an adequate education is and recommend possible methods for its future funding.

Chairman Belter and members of the House Finance and Taxation Committee, the NDCEL supports the property tax relief outlined in **HB 1051**. This concludes my testimony on **HB 1051**.

**Senate Finance and Taxation Committee  
HB1051**

**Dr. M. Douglas Johnson, Executive Director  
North Dakota Council of Educational Leaders**

Chairman Urlacher and members of the Senate Finance and Taxation Committee, for the record my name is Doug Johnson and I am the executive director of the North Dakota Council of Educational Leaders (NDCEL) which represents North Dakota's school leaders. I am here to testify in opposition ~~of~~ Engrossed **HB 1051**.

At the NDCEL's 2006 Representative Assembly, the follow position statement was passed:

"The NDCEL supports property tax relief legislation that provides direct to the taxpayer relief by the year 2013, assumes 70 percent funding of the cost of education, and is based on an adequacy model."

The NDCEL supports the need for providing North Dakota residents property tax relief. It also supports having the State pay a greater share of the cost of educating K-12 students. **HB 1051**, in its original form, provided for property tax relief which we supported, ~~the bill~~. The original version of the bill did not propose changing current Century Code with regard to capping mill levies in exchange for a dollar for dollar property tax relief exchange with local school districts. We believe this to be a prudent decision in the drafting of this bill. Should there be a down turn in the State's economy and the money needed to sustain property tax relief is not available school districts would still be able to go back to their property tax levels as set in current Century Code.

However, the amendments to **HB 1051** which are now part of the engrossed version before you today now place the NDCEL in opposition to the bill. **HB 1051** now limits a district's ability to increase its property taxes in dollars by no more than 3½ % of the highest amount levied in dollars in the three preceding three years. This is a significant change from the 18% that is currently in NDCC for districts whose levy is below the current 185 mill cap and is the primary reason we are now opposed to this bill/

In addition, the NDCEL is concerned that the State has yet to define adequate funding of education and how this cost will be funded in the future. It is the position of the NDCEL that public education be funded at an adequate level by the State so that local school districts do not have to rely on local property taxes to pay the majority of the cost of educating their students. It is hoped the Legislature will continue supporting the Governor's Commission in the coming biennia as they work to define what an adequate education is and recommend possible methods for its future funding.

Chairman Urlacher and members of the Senate Finance and Taxation Committee, the NDCEL supports the property tax relief, but cannot support the current version of **HB 1051** which is before you this morning. I encourage your committee to give this bill a Do Not Pass vote. This concludes my testimony on **HB 1051**. I will be happy to answer any questions that you may have at this time.

Testimony To The  
**THE SENATE FINANCE & TAXATION COMMITTEE**  
March 7, 2007 by  
Mark A. Johnson, CAE-NDACo Executive Director

**ENGROSSED HOUSE BILL NO. 1051**

Chairman Urlacher and committee members, on behalf of North Dakota local government, I would like to encourage the Legislature in their efforts to provide property tax relief to our citizens. It is most obvious to the local officials that must levy property tax that the burden has grown too great.

While the plan contained in this bill to refund dollars directly is effective, our Association is also very supportive of the concept previously passed by the Senate as SB2032. Both proposals clearly deliver relief directly to the taxpayers.

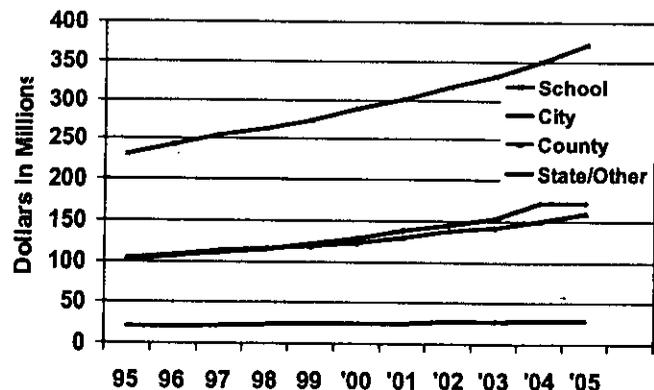
From the county perspective specifically, we are also quite pleased to see a meaningful enhancement to the Homestead Tax Credit program – a concept that will continue to help our older North Dakotans stay in their own homes.

Several aspects of this bill are troubling to local government officials however, and (as you can see) a number of them are here today to speak about those aspects. Quite a few county, city, park district, and other officials have asked to testify, and we have worked with them so that each will take a specific point. This way we can eliminate repetition, and move the testimony along quickly.

You will hear first about the importance that local government and the business community place on the economic development incentives that cities and counties currently offer, and how property tax limits will impact the future of those incentives.

The relative amount of property tax that is actually levied by various local governments will be highlighted and you will see that the amounts levied

**Property Taxes Levied by Jurisdiction**  
Statewide – All Funds

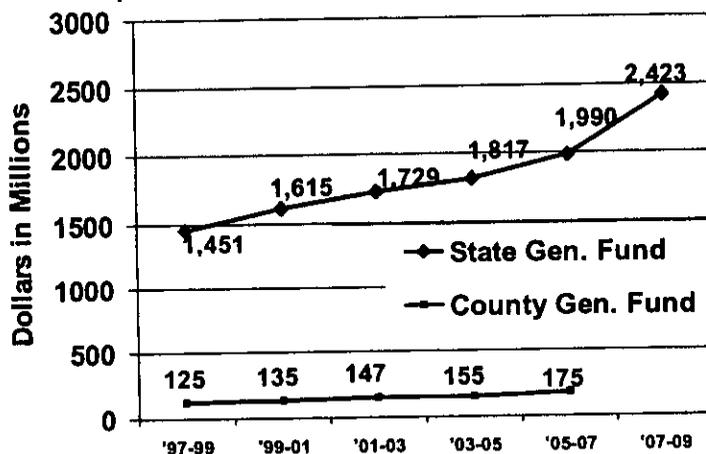


Data from State Tax Dept "Red Book"

by counties, cities, parks and townships are much smaller and have grown more slowly than the portion levied by school districts.

Another testifier will talk specifically about the process of Home Rule, and how their citizens have already voted to limit their local levy authority, and that the statutory "caps" of HB1051 are written to supersede the wishes of their voters.

### County vs. State Expenditures Comparison of General Fund Trends



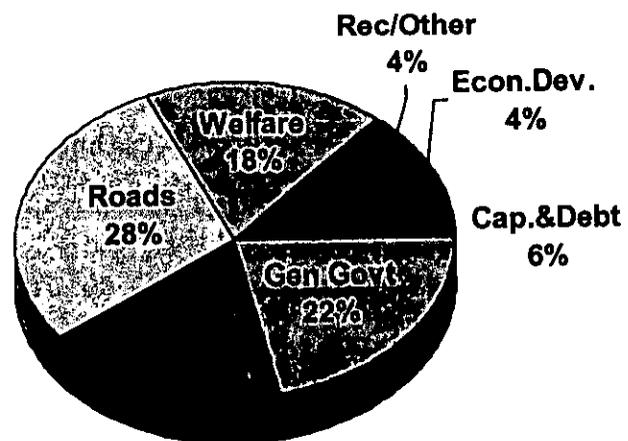
The potential impact that this sort of limitation will have on a city or county's bond rating – and therefore its ability to implement capital projects – will be discussed.

The modest growth of most local government budgets will be contrasted with the corresponding growth in the State general fund, and the point will be demonstrated that local

officials are extremely conservative in their spending.

A county testifier will discuss the lack of control that county boards have over huge portions of their budget – with program costs, salaries and reimbursements directed by the Legislature for human services; and construction, fuel, and health costs more than double the rate of inflation.

### County Expenditures by Category All Counties – All Funds



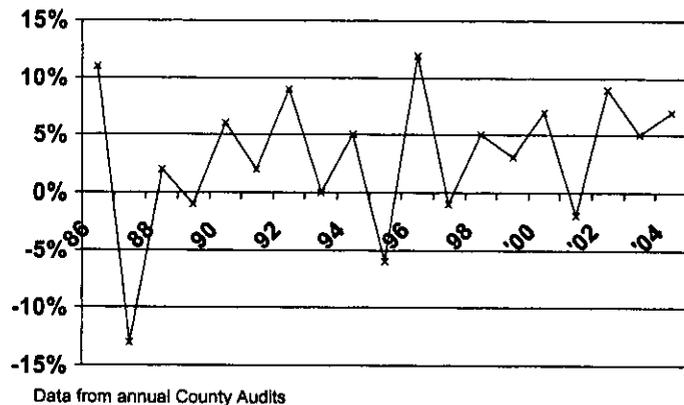
Data from annual county audits

The point will also be made that, while local

government budget growth over the long-term is modest, it can vary greatly from year to year. County audit reports reflect that, collectively, budgets can decrease by 10% in a single year, and increase by a similar percentage the next. A percentage "cap" on taxes does not encourage passing the reductions back to the taxpayers, as the taxing capacity may no longer be available when needs arise.

### County Budget Fluctuations

Statewide – All Funds – Annual Percentage Change



In the past 20 years, half the time counties collectively have been below the proposed 3½% limit, but half the time they have been above.

You will also hear concerns about the technical difficulties (and costs) associated with the Section 5 restrictions that limit the property tax relief in a manner that is inequitable for a great many North Dakota resident property owners, as well as non-residents.

I will turn the testimony over to our local government officials and industry advocates, but will close with a restatement of our strong support for immediate and sustainable property tax relief, and our desire to remove the problematic limitations written into the bill as Section 2.

Should the Committee be interested, amendments are included below to remove Section 2.

---

#### PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1051

Page 5, remove 13 through 30

Remove page 6

Page 7, remove lines 1 through 7

Re-number accordingly

**Testimony To  
THE SENATE APPROPRIATIONS COMMITTEE  
Wednesday, March 21, 2007 by  
Scott Wagner, President, North Dakota County Commissioners Association**

**REGARDING HOUSE BILL 1051**

My name is Scott Wagner. I am the Chairman of the Cass County Commission as well as President of the North Dakota County Commissioners Association. I am here today on behalf of North Dakota Counties in opposition to section 2 of amended HB1051.

Supporters of statewide property tax caps suggest most local governments are out of control when it comes to spending and Legislative caps are the answer. This sweeping generalization is simply not true and may lead to greater fiscal problems.

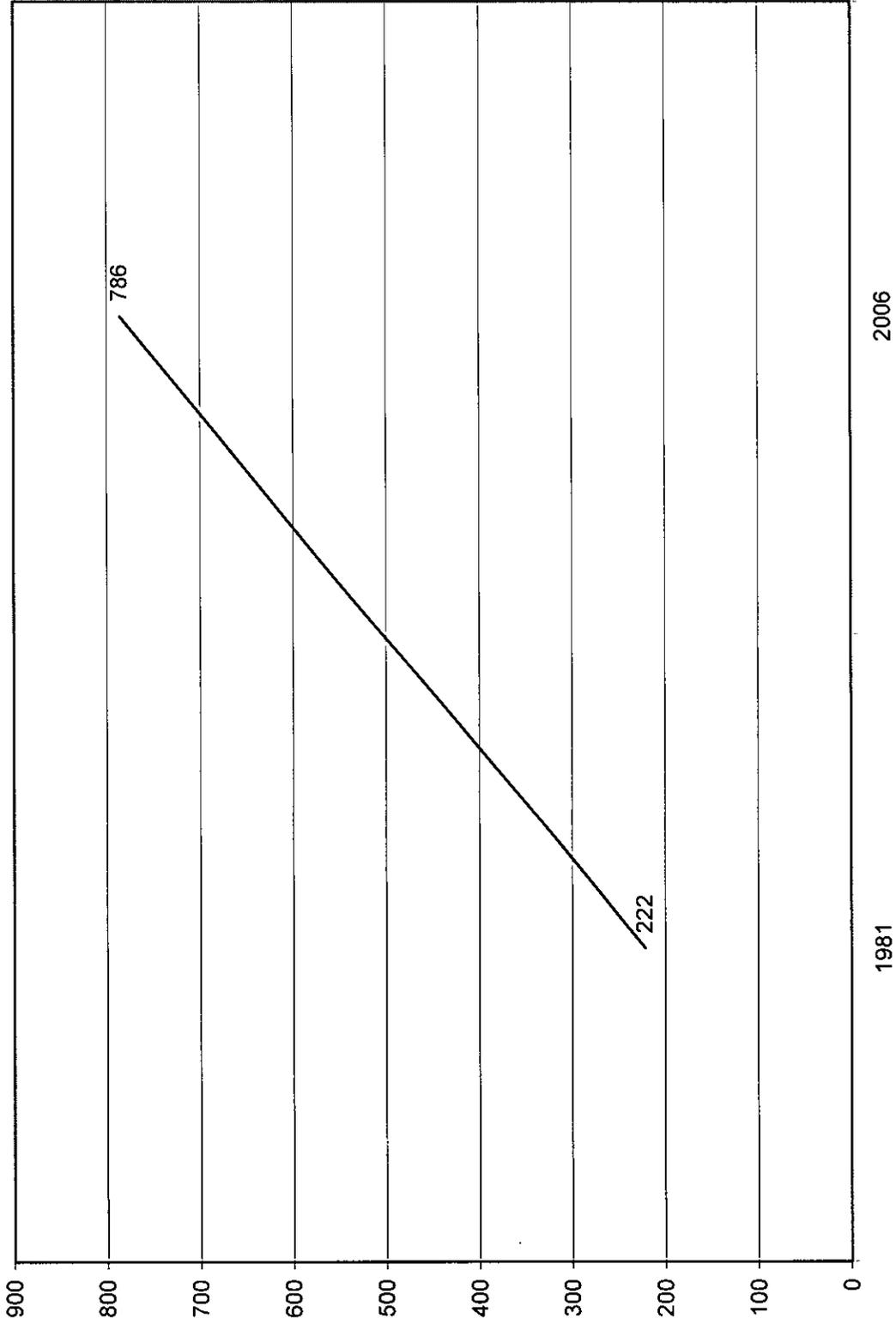
Statewide, counties comprise 21.7 percent of local property taxes. The percentage decreases if we compare the largest counties: The local share of taxes among the four largest counties is 16 percent; in Cass County, 12 percent of property taxes go to pay for county-funded programs and services.

Under North Dakota law, home rule charters allow local governing bodies to set levy limits and prevent the need to legislate an overly-restrictive "one size fits all" approach to local budgets. Some counties, like Cass County, are currently living under self imposed budgetary caps. In 1994 the citizens of Cass County voted to set a levy limit on county budget authority of 75 mills, as part of the Cass County Home Rule Charter. Thirteen years later the current levy stands at 61 mills- 14 mills under our citizen imposed cap.

Caps on local budgets potentially hinder the quality of life in our communities. What could be lost? If other states that have implemented these restraints are any indication basic services like: public safety, social welfare, and transportation systems see reductions in funding. Also hard hit are non-mandated services. Yet these services have a profound impact on local communities. In Cass County we help fund groups like: Rape and Abuse Crisis Center, Valley Water Rescue, Greater Fargo-Moorhead Economic Development Corporation and senior citizen programming.

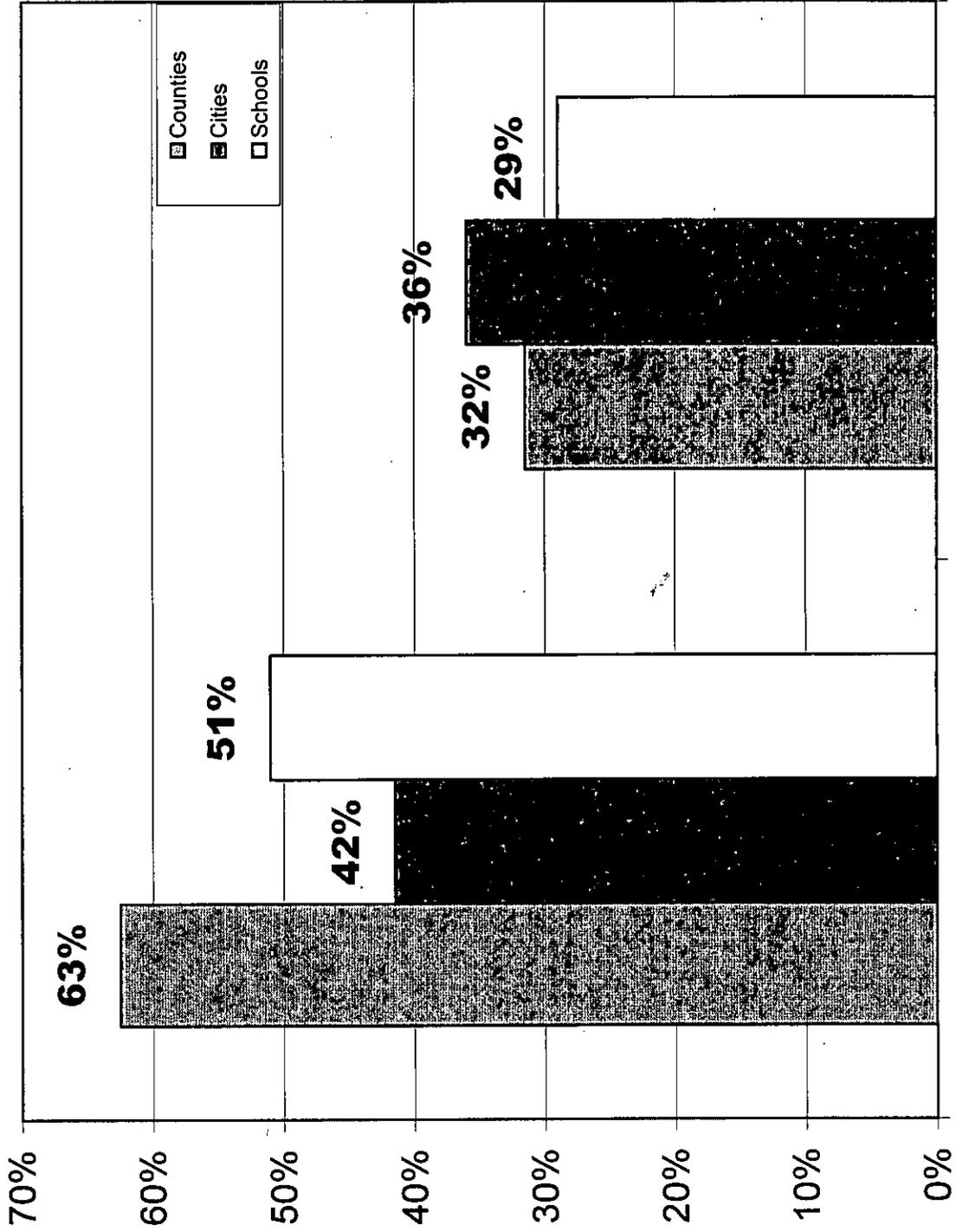
As a Legislature, you are currently debating initiatives' like expanding the homestead tax credit and K-12 education funding (the largest component of property taxes). Investing in these areas should help reduce the tax burden without placing broad caps on all local governments. Our communities consistently rank as some of the best and most affordable places to live in the nation. This has been accomplished in part by locally elected officials having the financial ability to respond to community priorities. Let's keep communities strong, I urge you to vote no on caps.

# Property tax payable millions of dollars



— Property tax payable millions of dollars

Property Tax Levied



1981-1997 with escalator      1998-2006 without escalator



# Don't HandiCAP Local Services

## Local Government - Local Decisions

### **Home rule authority is approved locally.**

Don't pass legislation that overrides the vote of local citizens.

### **Local government is closest to the people.**

Local officials are in contact with local citizens on a daily basis. Local officials are elected to balance necessary services with needed revenue and those decisions are put to the test daily.

### **General fund revenues pay for essential services.**

Additional caps will hamper local ability to provide adequate police and fire protection.

### **Local officials need budget flexibility to respond to local needs.**

Cities provide services that attract more businesses and residents. *Cities make life more livable!*

### **Caps ignore the impact of inflation.**

Local officials face rising costs for such expenses as fuel and health insurance.

### **Caps limit important projects.**

Capital construction projects must be considered separately.

### **Local officials have acted responsibly.**

The average park district mill levy in North Dakota in 1996 was 9.22 mills.  
The average park district mill levy in North Dakota in 2006 was 10.52 mills.

The average city mill levy in North Dakota in 1996 was 77.52 mills.  
The average city mill levy in North Dakota in 2006 was 78.41 mills.

The average county mill levy in North Dakota in 1996 was 98.86 mills.  
The average county mill levy in North Dakota in 2006 was 103.36 mills.

***Cities Make Life More LIVEABLE***

<u>City</u>	<u>GF from PT (%)</u>	<u>PS exp (%)</u>
Bismarck	\$7.9m (34%)	\$11.6m (52%)
Carrington	\$183,000 (31%)	\$217,667 (36%)
Fargo	\$11.9m (21%)	\$20.8m (\$38)
Grand Forks	\$8.9m (40%)	\$12.1m (54%)
Northwood	\$42,737 (18%)	\$115,302 (52%)
West Fargo	\$2.3m (40%)	\$2.7m (52%)

## Impact of HB1051 (example: Renaissance Zone)

Base year \$2,000,000

+5% growth rate IF under the cap \$2,100,000

Exemption (deduct) \$250,000 building

\$11,250 taxable value

400 mills X \$11,250 taxable value = \$4,500

New base year value \$1,990,500

(\$2,000,000 - \$4,500)

1,995,500 X 5% growth allowed = \$99,775

\$1,995,500 + \$99,775 \$2,095,250

**Exemptions will lower the base**

Testimony

HB 1051

Senate Finance and Taxation Committee

Senator Urlacher, Chairman

March 7, 2007

Chairman Urlacher and members of the Senate Finance and Taxation Committee, my name is Shari Doe, I am the Director of Burleigh County Social Services. I'm here to offer comments on House Bill 1051, particularly, the caps on county taxing authority.

Capping a county's ability to raise taxes may sound like a simple solution, but what happens when the demand for services at the local level exceeds the funding available? What happens during times of inflation when the overall cost of doing business exceeds the revenue that can be raised? A property tax cap places an unfair burden on county budgets and has the potential to curtail our ability to respond to the needs of our citizens. When the demand for our services exceeds our capacity, we do not have the luxury of "capping" our services. Can you imagine waiting lists for things like food stamp benefits, child abuse assessments or burial assistance? When the need presents itself, we have to respond.

Additionally, we have little control over many of the elements in the social service budget. Program costs are determined by the state and passed down to the county. Reimbursements back to the counties have remained stagnant while local costs have increased. When

state legislators decide to tighten up the eligibility requirements for in-home care services for the elderly and the disabled, the state may save a few million dollars, but the clients don't go away. When the state decides on a "best practice" model that requires a social worker have no more than 15 child welfare cases when a typical case load is 25 cases, we can't make children go away. When the federal government decides that too few people are taking advantage of food stamps and launches a national advertising campaign to recruit food stamp recipients, we can't turn away the new clients. When the phone rings and there's a child in danger, even if it's the 20th call that day, we have to respond.

Every year, I am instructed by the County Commission to maintain a level budget – no increases. While at the same time, I have to figure out how to take care of those elderly and disabled people who are looking for affordable ways to stay in their own home; or find an additional social worker to take over the case management of those 10 kids; or create a worker to take care of those new food stamp recipient; or get a worker out for that twenty first child abuse and neglect call. The clients don't go away just because we don't have the resources to manage the demand.

Over the past three years, the number of food stamp recipients in Burleigh County increased by almost 15%. Last year, we had to increase our programs costs by almost 12% to pay for unanticipated increases in foster care and subsidized adoption costs. These costs are assigned to us from the state based on a state-wide formula. We

increased our in-home care costs by almost 40% and child support costs increased by over 5%. We can be the most efficient and effective county social service office in the state and still be faced with these kinds of increases. This is the nature of public service and why we look to governmental agencies with taxing authority to respond to these needs.

I do not object to mechanisms to provide property tax relief, but caps have the potential to tie our hands in carrying out our statutory responsibilities. I urge you to reconsider imposing caps on county taxing authority.

I'd be happy to answer any questions you may have.

**Testimony To  
THE SENATE FINANCE AND TAXATION COMMITTEE  
Wednesday, March 7, 2007 by  
Scott Wagner, Chairman, Cass County Commission  
Cass County Government**

**REGARDING HOUSE BILL 1051**

Chairman Urlacher and committee members my name is Scott Wagner. I am Chairman of the Cass County Board of Commissioners as well as President of the North Dakota County Commissioners Association. I am here today in my capacity as Chairman of the Cass County Commission to give the perspective of one of North Dakota's larger growing counties and the potential impact of amended HB 1051.

I appreciate the chance to address your committee regarding property taxes. I also understand your concern, since we, at the local level have been addressing property tax issues as well.

However, the artificial caps in HB 1051 place unrealistic limitations on county budgeting authority. Across the board, caps fail to distinguish the difference in how cities, counties and school districts have levied property tax. Counties statewide are only 21.7% of local property tax. Cass County's percentage of local property tax is only 12%.

Since 1990 Cass County has seen an increase of 32,000 new residents. During that time, Cass County Government has met the demands of providing expanded services to more constituents, while at the same time striving to hold down costs. Through consolidation and cost sharing with other local governments, Cass County has been able to manage expenses; however, with significant inflationary costs and increased mandates, this has become more challenging.

In 1994 the residents of Cass County voted to implement a home rule charter with a 75 mill cap on county budgeting authority. Thirteen years later, the current mill levy stands at 61 mills—14 mills under our citizen imposed cap. In its amended form, HB 1051 would retroactively supersede our voter approved budget authority.

Restricting county budget authority will impact local services without providing substantial tax relief. For instance, if these caps had been in place last year it would have meant a \$5.90 dollar reduction on the county portion of taxes on a \$200,000 dollar home. However, if these artificial caps were in place 10 years ago, Cass County would have lost over \$19,000,000 dollars in revenue. Over the same time, annual caps

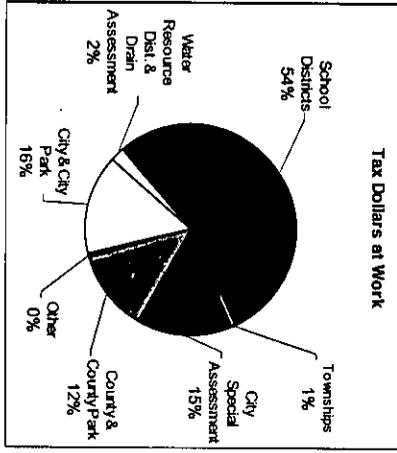
don't adequately factor in inflationary costs and increased mandates. For example, in the area of highway maintenance, the average cost of asphalt has doubled and bridge construction is up 70%. In the area of Social Services, the administrative costs (currently \$9 million dollars) have shifted from 50% property tax dependent to 70% property tax dependent over the past 10 years. In 1999 71% of Cass County voters approved construction of our new jail. The largest increase to the law enforcement budget is due to added staffing and maintenance costs associated with the opening of this new facility.

The first area impacted by budget constraints is non-mandated services. Yet these services have a large impact on local communities. Cass County has helped fund organizations like Valley Water Rescue; Rape and Abuse Crisis Center; and the YWCA. We have also been a leader in funding local economic development efforts.

In conclusion, counties like Cass continue to be in the best position to respond to local needs and constantly look for ways to enhance public service and lower costs. We need to maintain budget flexibility and have the ability to work within limitations established by our citizens through our home rule charter. Thank you for the opportunity to address your committee on this important issue. I urge you to reconsider and remove Section 2 of amended HB 1051.

Each year, in early December, the county sends out property tax statements. For the 2006 tax year, those statements represented \$203 million in real estate taxes. Of this, the county levy (including the county park) amounted to over \$24 million, or approximately 12%. City levies and city special assessments accounted for another 30%. School Districts accounted for the largest percent of tax dollars, over 54%. Other taxing districts, such as townships, water resource districts and fire districts made up the remaining 4%.

With these tax dollars, the county is able to maintain roads, staff the sheriff's department, manage the county jail, sell marriage licenses, and support the disenfranchised through the Regional Child Support and the Human Service Fund. This is only a short list of the services the county provides to its citizens.

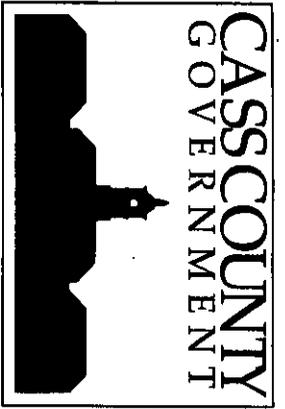


For your convenience, you can pay your taxes using any of the following methods:

- The treasurer's office accepts cash, check or Discover Card
- Through the mail, you can either pay by check or Discover Card.
- Most major banks in Cass County also accept property tax payments
- On the Internet, go to [www.casscounty.gov](http://www.casscounty.gov) and select electronic check. Official Payment Options also accepts payments using any major credit card.

Cass County Government  
211 9th Street South  
P.O. Box 2806  
Fargo, ND 58108

Phone: 701-241-5600  
Fax: 701-241-5728  
Email: [auditor@co.cass.nd.us](mailto:auditor@co.cass.nd.us)



## Budget in Brief 2007

Cass County Commission

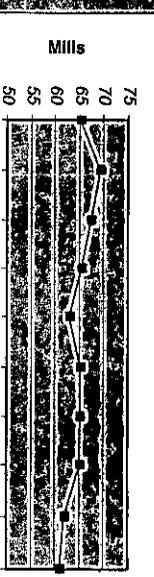
Scott Wagner (Dist 1)  
Yern Bennett (Dist 2)  
Ken Pawluk (Dist 3)  
Darrell Yanyo (Dist 4)  
Robyn Sorrum (Dist 5)

County Auditor  
Michael Monplaisir  
[auditor@co.cass.nd.us](mailto:auditor@co.cass.nd.us)  
[www.casscounty.gov](http://www.casscounty.gov)

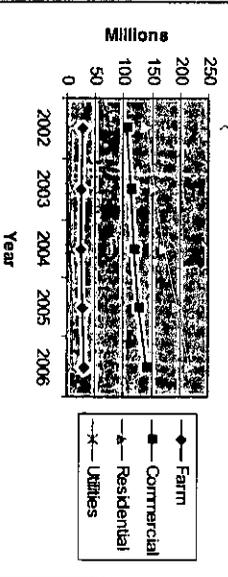
A copy of the detail budget may be viewed at the County Auditor's Office, 211 9th Street South, Fargo, North Dakota, or on line at [www.casscounty.gov](http://www.casscounty.gov)

### Budget in Review

In 1924 the voters approved of Home Rule Charter for the County. This charter sets a limit of 75 mills. Since then the Commission has approved final budgets well within that 75 mills. The mill rate for 2007 is 61 mills, a decrease of 14 mill from the 2006 budget. These mills represent the levies of the general special revenue and debt service funds of the county. The mills do not include levies made by separate boards, such as Norcross Weed, Vector Control, County Park and Water boards.



### Taxable Valuations



The taxable valuation continues to increase in the county - more than 10% in 2006. The growth in the tax base over the past five years has been over 40 percent (making Cass County the fastest growing county in North Dakota). The taxable valuation of Cass County for the 2006 tax year is \$395,777,450.

	2002	2003	2004	2005	2006
Farm	27,020,426	29,626,410	25,769,215	28,350,135	30,086,670
Commercial	106,443,443	142,572,196	148,554,700	176,622,140	189,938,250
Residential	1,420,449,775	1,653,054,329	1,733,934,665	1,954,409,605	2,174,107,787
Utilities	6,430,403	6,448,914	6,786,398	7,042,191	7,662,125
Total	2,788,991,914	3,297,734,736	3,252,152,068	3,577,775,914	3,957,777,450

# Cass County Levy

(Expressed in Mills)

	2006	2007
General Fund	31.25	31.25
Special Levies:		
Road and Bridge	10.75	10.25
Human Services	19.00	18.00
Emergency Fund		.50
Senior Citizens Fund	1.00	1.00
Total Special Levies	30.75	29.75
Total General and Special Levies	62.00	61.00
Other Levies:		
Vector Control Board	1.00	1.00
Weed Control Board	2.35	2.35
County Park	1.00	.50
Southeast Cass WRD	4.00	3.50
Rush River WRD	4.00	4.00
Maple River WRD	4.00	4.00
North Cass WRD	4.00	4.00
Red River Joint Board	1.00	1.00

The mills and taxable valuation are used to compute the property tax dollars the county will receive to support the county budget. Taxable value is computed as a percentage of the true and full value of property (market value). Market value times 50% equals 'Assessed Value'. Assessed Value times a property classification percentage (10% for commercial and agricultural property, 9% for residential property) equals the taxable value.

To determine taxes on any parcel, the taxable value is multiplied by the total mills, then divided by one thousand.

$$\text{(Taxable Value X Mill Rate)} / 1000 = \text{Tax}$$

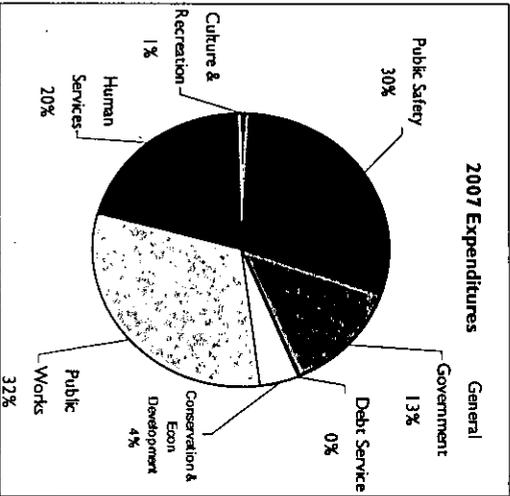
Noxious Weed Control is not levied in the City of Fargo. The County Park is levied only in those areas without a city park levy. All areas within the county are included in one of the water resource districts (WRD).

The 2007 budget is \$52.9 million, compared to \$51.3 million in 2006. The County General Fund increased by \$103 thousand and the County Highway Fund (Road and Bridge) increased by \$1.3 million.

The increase in the General Fund is mainly the result of additional staff for the expected county jail expansion, as well as a reduction in homeland security grants. The Emergency Management budget in 2006 contained \$1.6 million to purchase homeland security equipment. Additional homeland security grants are expected to be received in 2007. Adjustments to the 2007 budget will take place at the time of grant awards. Personnel costs increased 7% over 2006 which includes salary increases, increased cost of providing health care, and dental insurance benefit.

The County Highway Fund (Road and Bridge) budget fluctuates from year to year depending on construction projects that are planned for the year. Major projects in 2007 include the local costs for the Highway 20 bridge over the Red River and the approach road improvements to the bridge on Highway 20. Other paving projects include County Highways 17 and 26.

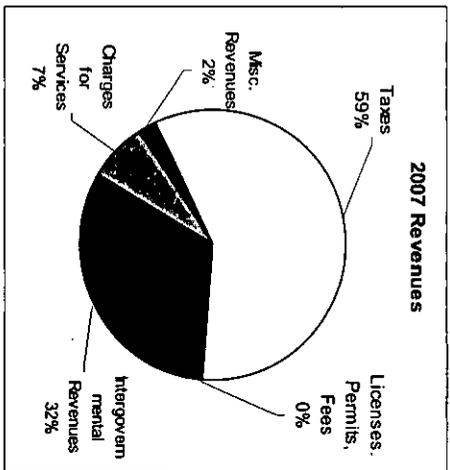
The County Human Service Department is dealing with increased case loads in Economic Assistance and Child Welfare but have worked to contain the local costs. The single largest cost for this department is the salaries and benefits to administer the various programs.



# Cass County Budget

Fund	2006	2007
General Fund	20,662,380	20,965,535
Human Service Fund	9,831,171	10,121,089
Road & Bridge	8,622,210	9,981,558
Asset Forfeiture-Sheriff	1,287,116	1,317,764
Senior Citizens Fund	557,987	653,182
911 Service Fund	411,122	407,117
Asset Forfeiture-States Atty	10,000	12,000
Emergency Fund	50,000	50,000
JABC Fund-Sheriff	6,000	6,000
Jail Commissary Fund-Sheriff	243,000	265,227
Hazard Plan/Response Fund	300	4,000
Valley Water Rescue-Sheriff	38,100	38,100
NDPRIN-County Recorder	196,000	362,000
Document Preservation Fund	90,969	65,560
Round Hill S & I	29,163	33,094
Greyhawk Estates S & I	25,693	45,063
Bordenud's S & I	8,380	12,960
Forest River S & I	26,638	0
Holmen's 3rd S & I	8,353	8,352
Health Insurance Fund	2,200,500	2,429,442
Telephone Service Fund	23,000	17,000
Victor Pool Service Fund	26,600	35,200
Dental Insurance Trust	0	233,258
Weed Control Fund	368,243	404,998
Vector Control Fund	756,510	794,759
County Park	63,645	41,703
Southeast Cass WRD	5,483,529	4,411,465
Rush River WRD	163,909	161,790
Maple River WRD	690,802	1,262,775
North Cass WRD	270,515	487,540
Red River Joint WRD	757,775	395,735
Total	\$ 51,329,707	\$ 52,933,257

General Fund Department	2006	2007
Budgets	1,081,531	977,257
Information Services	187,788	877,007
County Auditor	266,228	9,228
County Registrar	49,117	182,835
Director of Equalization	1,54,905	164,484
State's Attorney	3,061,652	3,346,173
County Sheriff	656,585	674,257
Emergency Management	1,728,466	2,258,257
Planning	77,826	69,698
Extension Service	367,714	431,667
Salaries Services	6,889	308,647



The 2007 revenue budget is \$48.8 million, compared to a budget of \$46.5 million in 2006. The county is heavily dependent on local property taxes (59%) as a source of revenue. Intergovernmental revenues, including the county's share of State Aid Distribution, Highway Gas Tax and reimbursements for the Human Service Program account for another 32% of the county's revenues. Charges for Services include charges to the public and other agencies for services provided by the county. Revenues are expected to remain stable as a result of the strong economic growth in the county.

**Testimony To The  
THE SENATE FINANCE & TAXATION COMMITTEE  
March 7, 2007 by  
Doug Graupe, Divide County Commissioner**

**ENGROSSED HOUSE BILL NO. 1051**

Chairman Urlacher and committee members, I am Doug Graupe, a Divide County Commissioner and I am here on behalf of the Divide County Board.

A largely rural county such as Divide is quite familiar with the increasing burden of property taxes. I have had numerous calls over the years as taxpayers receive their statements. They often don't bother to look at the breakdown. In Divide Co. approx. 70% of the taxes go to schools and when I point out that the school raised their taxes and not the County they understand.

It must be pointed out that county boards have no control over several major levies, including those for the ambulance district, the fire district, soil conservation, hospital district, cities, schools, and townships. All of these levies make up the total taxes on the statement. However, the county commission is often the target of the calls because they mail out the statement.

Once caps are in place, they will nearly impossible to get removed. In Divide County, we found it necessary to implement the Emergency Poor levy (for the past two years) to be able to provide mandated social services. We will probably be able to drop that levy next year. However if a cap is in place we would be hesitant to remove it for fear of not being able to implement it again if necessary in the future.

As a county board, we are already doing what can be done to limit property tax growth. We do not know however, what may come up from one year to the next. This bill does not help local boards respond in a timely manner to the needs of their citizens.

Mr. Chairman and committee members, in Divide County we are very hopeful that the Legislature can provide a measure of property tax relief, but we also hope that the county can continue to respond with the services demanded by the Legislature and our citizens. Thank you.

**HB 1051 Testimony**  
**Senate Finance and Tax Committee**  
**March 7, 2007**

*By Sonya Gross, Napoleon*

Good morning, Mr. Chairman and members of the Senate Tax Committee. My name is Sonya Gross. My husband, our three children and I farm near Napoleon in Logan County.

I am here today to support HB 1051.

The property taxes on our agricultural land continue to increase every year. I believe the same is true of all classes of property all across North Dakota...residential, commercial and agricultural.

While I realize that property taxes are under the authority of our local officials, there does not seem to be a will to control property taxes on a local level.

Therefore, I am here today hoping that the Legislature will see fit to return some of the state's budget surplus back to the taxpayers in the form of property tax relief.

I agree with the provisions in HB 1051 that place caps on the dollars generated by property taxes on the local level. Without the cap on revenue and spending, the county could simply increase the mill levy and still raise our property taxes. This would not be real property tax relief. It would simply be a smaller increase.

My husband and I have a great deal of respect for our local government officials, but property taxes are out of control.

I hope you will give HB 1051 a "do pass" recommendation. Thank you and I would try to answer any questions you might have.

**Testimony To The  
THE SENATE FINANCE & TAXATION COMMITTEE  
March 7, 2007 by  
Ronald Krebsbach, McLean County Commissioner**

**ENGROSSED HOUSE BILL NO. 1051**

Good morning Chairman Urlacher and committee members, my name is Ronald Krebsbach and I am a county commissioner from McLean County. I have some concerns about the proposed caps on county government as proposed in HB 1051.

McLean County has always been a great advocate of economic development. Just recently in 2006, the county granted Blue Flint Ethanol a 5-year tax exemption with the hopes that the ethanol plant would be located in McLean County. Our efforts were instrumental in the building of the plant which now is in operation. At the present time there is consideration of a biodiesel plant also being constructed. With a cap on revenues we may not be able to grant such an exemption to retain this type of plant.

McLean County has always been very tax-conscious in regard to its constituents. In 1982 our General Fund tax levied provided \$400,674.61 in revenue and in the year 2006 our General Fund tax levy provided \$358,567.19, with fluctuations up and down in the years in between, never exceeding the 1982 high. Our major expenses are roads, human service and wages. Federal and state mandates have caused more expenses as they come either with no money or less money, therefore causing it to fall on the local taxpayer.

In closing I have to wonder if putting a cap on local entities will not increase taxes rather than reduce them. The logical thing to do in the event of caps is to tax to the limit of the cap in case of snow emergencies or other emergencies in the future. Most county governments do not require their departments to spend their budget just to get more the next year as some governments do.

March 7, 2007

To: Senator Herbert Urlacher, Chair  
Senator Ben Tollefson, Vice Chair  
Senator Constance Triplett  
Senator Arden Anderson  
Senator Dwight Cook  
Senator Robert Horne  
Senator Dave Oehlke

From: Annette Lalka Edinger, PWS  
2968 23<sup>rd</sup> Avenue NW, Benedict, ND 58716

RE: TESTIMONY ON HB 1051

Thank you for hearing my testimony this morning and your consideration of my concerns.

My husband and I are small grain farmers in northern McClean County. Having left my professional job recently to be on the farm, we have a rental house in Minot and one in Bismarck to supplement our retirement income.

High property tax increases, particularly in Minot, have become of great concern over the past few years. The property tax on an established \$90,000 three bedroom single family home in Minot has increased an average of 6.7% each year since 2003. Increases have been as follows:

2006 Tax \$1,888 = 7.8% increase  
2005 \$1,740 = 15% increase  
2004 \$1,476 = 2.5% decrease  
2003-2000 = Average 4% increase each year

The explanation that Ward County gave for why Minot area property taxes were increased (7.8% for us this year) was that home values were up 8% ( Minot Daily News December, 2006). Guess what, home values are starting to decline now, as they will normally go up and down as any part of our economy does.

It would seem to me that these drastic tax levels and increases in Minot would serve well to depress the local economy. What matter is it if President Bush cuts taxes to stimulate our economy when our local government increases land taxes an average of 6.7% per year!

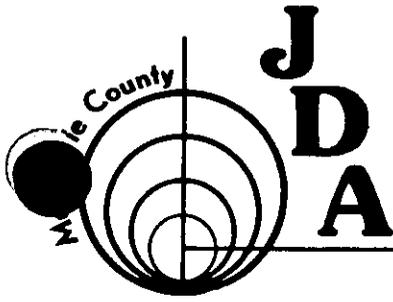
In comparison, the property tax increase on a \$70,000 single family Bismarck home from 2005 to 2006 was 5 % and from 2002 to 2006 increased an average of 3.4% per year. Knowing the much much greater degree that Bismarck has economically grown in comparison to Minot, it was astonishing that Minot could claim so much higher property value increases and thus tax increases than Bismarck!

An even more alarming comparison is the \$1,500 property tax a family member in a suburb of Portland, Oregon pays on her \$200,000 3 bedroom condominium compared to the \$1,888 property tax we pay on a \$90,000 3 bedroom home in Minot! And there is no sales tax in Oregon so much of their revenue does come from property taxes! These continually escalating property taxes are oppressive and I'm sure this is why this bill before you has gone this far.

So where do I go from here? Do I raise the rent on each of the single mother's that rent from us and hope they get a raise to cover the expense. Or do I myself take a pay cut or not cover my costs? We need a reasonable solution for property owners. If one is not forthcoming, we may need to look at a ballot measure that will provide some control. Then however, the issue will be completely put in the hands of property owners and local governments may not like it.

Thank you for your time and consideration.

*Need a guarantee of caps, The tax structure is broken. First put a valve on the faucet of a cap. Then develop a solution to get local governments the money they need. Let voters approve special funding needs.*



## McKenzie County Job Development Authority

201 5th Street NW • Box 699  
Watford City, North Dakota 58854  
Telephone: (701)842-2804  
Fax: (701)842-3916

Re: HB 1051

March 6, 2007

My name is Gene Veeder, executive director of the McKenzie County Job Development Authority. I represent McKenzie County economic development organizations as well as the Economic Development Association of North Dakota (EDND). I serve as past president of that organization, representing over 80 members including most of the states development organizations and communities and many private businesses. The mission of EDND is to increase economic opportunities in the state by supporting primary sector business growth and by supporting policies that seek to improve the economic well-being and quality of life for a community through the creation or retention of jobs that facilitate growth and provide a stable tax base.

The economic development community supports a responsible tax policy that encourages businesses to reinvest wealth into local and state economies. While members of our organization represent a number of views on a number of tax issues, **we stand united in rejecting proposed limitations on local taxing districts under Section 2 of HB 1051.**

The legislature has given taxation authority and levy limits to local entities to allow for the diversity of community needs. Across the state, communities use these local tools for a variety of community development and infrastructure improvements. They realize the local responsibility to address community needs because one size does not fit all. The state cannot adequately address the diversity of community needs for economic development programs, water systems and park districts. Legislative action allowed for the creation of local Job Development Authorities, Water Districts, Weed Boards and Park Districts to identify and respond to the specific needs of the community along with levy restrictions on each taxing district.

In the twelve years that I have served in my current capacity, I have encouraged the importance of local input to my colleagues across the state. Communities have been aggressive with planning efforts on the local level with community meetings, public hearings and locally appointed boards receiving public input from all levels of citizens. These boards are directly responsible to local citizens and fund projects and initiatives with this input and with the intent of introducing new wealth to the community or improving quality of life in those communities. They have come to realize the state can not meet the diverse needs of every community and it is the responsibility of local government to fund supported initiatives. I trust they also recognize the limitations voters will bring if citizens feel they are being asked to accept undue tax burden. Proposed caps will take away that responsibility and limit opportunity.

New wealth brings the jobs and tax base needed for real tax relief. Quality of life keeps citizens in communities and stabilizes the tax base. It is at this level that economic development initiatives have been most effective, and the decision to fund local initiatives should remain with local government.

**Gene Veeder, Executive Director**  
**McKenzie County Job Development Authority and Tourism Bureau**  
**Watford City, ND 58854**

**Testimony To The  
THE SENATE FINANCE & TAXATION COMMITTEE  
March 7, 2007 by  
Ron Anderson, McKenzie County Commissioner**

**ENGROSSED HOUSE BILL NO. 1051**

Thank you Chairman Urlacher and committee members for the opportunity to testify on behalf of the McKenzie County Commission.

McKenzie, like several western counties, has a much smaller percentage of property that is taxable. For example over one third of our land is held by federal, state and tribal entities. Therefore, we are affected by property tax issues in somewhat different ways. One size does not fit all.

While property tax makes up about 43% of county budgets across the State, in McKenzie that figure (right now) is closer to 15%. We get a larger share of our revenues from payments-in-lieu of taxes on federal and State lands, oil production in McKenzie County, and royalties the county retained when Bankhead Jones came into existence.

Unfortunately, these other sources of revenue are extremely volatile. The price of oil, the size of pipelines, the whim of the Congress and the State can cause dramatic swings in our revenue picture. Property tax becomes the equalizer and moderator for our budget.

Although we (as the county) rely on property tax for only 15% of our budget, our citizens have still seen their property tax burden grow. The county commission is therefore certainly supportive of your efforts to provide property tax relief.

However, the provisions of section two of the bill which would place a percentage cap on future property taxes appears to penalize the most responsible. We would be seriously restricted if our other revenues were to decrease and a percentage growth limit was in place.

I would also ask that you make doubly sure that section five of the bill which sets the guide lines for the property tax relief be made County Auditor and County Treasurer friendly. Let's keep the process simple. Most counties

have one or two person departments. We should not have to add people for what will most likely be a two year state paid property tax relief.

Mr. Chairman and committee members, the McKenzie County Board is very supportive of your efforts to provide property tax relief to our citizens, but urge you to remove the restrictive limitations on local budgeting. Thank You

Testimony to the  
**Senate Finance and Taxation Committee**  
presented March 7, 2007  
by Eldon Moors  
Rolette County Commissioner

**Concerning HB 1051**

Chairman Urlacher and members of the committee, I am appearing before you in opposition of HB1051.

Rolette County has been following the legislation in regards to HB 1051 closely. I am very concerned as to the impacts of the bill on county government. As a County Commissioner for over 8 years, I have painstakingly tried to balance the county budget with a minimal amount of increase in taxes. Many years there has been little or no increase in taxes, some years there has been an increase. In Rolette County we have a very low taxable valuation as compared to the population. Our taxable valuation for this year is 10,208,574, while our population from the 2000 census was 13,674 and continues to grow. We have a very high unemployment rate in the county and the highest TANF caseload in the state. High law enforcement costs along with prosecution take up much of our budget due to the high crime rate and meth cases in the county.

Some of the increases in taxes that we have had to impose were due to social services costs because we have a deficit budget and had to levy the emergency poor levy for the deficit balance, or an increase in the jail levy due to the increased costs of housing prisoners, increased staffing needs. Increases in fuel costs and health insurance add to the need for the flexibility in county government taxes.

Rolette County stands in opposition to the caps to county funds and taxes by this bill. We also stand in opposition to the requirements that the implementation of the tax credit would have on county government. The tax credits would require new programming of county software, in addition to an increase of staff and training for staff in the implementation. In addition, the requirements would be next to impossible to implement, for county Auditors and County Tax Directors, since this information is not readily available to these offices.

Mr. Chairman, I believe this legislation is not in the best interests of county government or the citizens.



## Board of Commissioners

Carroll Erickson  
(701) 838-4604

John Fjeldahl  
(701) 725-4386

Jerome Gruenberg  
(701) 839-8845

Jim Lee  
(701) 722-3667

Darlene Watne  
(701) 852-4376

March 7, 2007

Chairman Urlacher, Vice Chairman Tollefson, and members of the Senate Finance & Taxation Committee:

Thank you for allowing us to appear before you today on HB 1051. I love being in the Brynhild Haugland room of the State Capitol again. Brynhild was a mentor of mine. She told me once that the main job of a legislator was "to do no harm."

HB 1051 does harm. It harms the counties. I am Chairman of the Ward County Commissioners and have discussed what this bill will do to our counties with our Auditor and with fellow members of the 2007 North Dakota Association of Counties' Legislative Committee, all 16 of them.

I know you consider HB 1051 a property tax relief measure. However, if you look at the attached graph of General and Special Property Taxes by Taxing District, county taxes are not the problem. School taxes are the problem. The tax bill is made out to the county, so the perception is that we are the problem, but we get a small share of those taxes. We have been historically frugal in our spending across the state. Statewide counties expend only 23.7% of the property taxes collected. In the four largest counties it is only 16%. In the past 15 years county property taxes have increased an average of only 4.3% per year. The rate of inflation makes a slight raise inevitable with costs going up - - especially gas, asphalt, concrete and gravel for the highway department and heating oil for the courthouse. Further, of the 12 largest cities in ND, Minot has the lowest tax. It was \$1,918 on a \$100,000 home in 2005. ND was 32<sup>nd</sup> in the nation in 2004 in property taxing and 25<sup>th</sup> in income taxes. Comparing those figures, ND is not out of line at all.

SB 2032 addresses the problem of the rise in school spending without harming the counties. Counties are different from schools. Schools educate: counties provide essential services and promote economic development. We are both key elements in the promotion of a good environment where people want to live, where they are happy in life. Why they live in ND, why businesses are attracted to ND, why we have chosen to continue to live in the best state in the United States. We know that environment and we love this environment, the people, the services, the cleanliness, the low crime rate, the clean water, clean air, being close to nature. They rejuvenate our soul every day.

Everyone in our state supports property tax relief. However, when the value of our properties rise, taxes thereon will rise, and we all want our properties to appreciate in

value, so that is just a given in life. We all appreciate your efforts to help with the burden of property taxes, but caps on county spending are onerous, they hinder us, they harm us. Caps on counties are not the road to relief of this burden. We already have mill levies to hold spending. Passing this bill with caps will mean we most likely will have to cut county government; cut services, we cannot invest in economic efforts, and may not be able to retain our present staff, maintain our road responsibilities, or replace needed equipment for road care or offices. It will backfire on your efforts and the legislature will be blamed in the future. I firmly believe this and don't want to see our wonderful legislative body harmed because it thought it was doing right.

One of our fears also is that once a cap is installed, it may never be removed. When I first read this bill, my reaction to my fellow Commissioners was: "This is prohibited by the ND Constitution! Where is the legal authority of the State to interfere in county government?" Ward County is a Home Rule county so it especially seems unlawful to me. The response I got was: "Yes, we believe it is prohibited, but it would cost a lot of money to fight it." My response was, "This will cost us money, tie our hands, it would be worth fighting." To me it is like the Federal Government telling a state that it can only spend so much money, only collect certain taxes. We already have a lot of mandates on us from the State, especially in Social Services where our budget is huge. This cost recently jumped from 15% to 18% of county budgets. It is the same as our state has seen in mandates from federal policies. That is doing harm. I saw it at the state level while I was in the Senate and now I'm seeing it from the state level to the counties.

Law enforcement costs, too, have been high, especially because of the Meth problem in our state. Our largest percentage of expenses are roads. Second is human services, and third is law enforcement. And, of course, salaries have jumped by 9 to 11% per year. If you cap our spending, we cannot keep up with these services or inflation costs.

The Cass County Auditor said, "The bill has had a Christmas tree full of stuff added to it and it is now a major administration nightmare for us." Section 4 has a state-paid property tax relief credit line added to tax bills. We are computerized. Adding new information to tax bills is labor intensive and needs a complete revamp of the computer system. This is imposing another mandate on the counties with no reimbursement.

Paragraph 1(a) (1) says "Ten percent of property taxes in dollars levied against residential property owned and occupied by an individual as that individual's homestead." Because I prefer to invest in properties instead of stocks or bonds, this penalizes me. If I own a house or apartment building that I rent out, I would not be eligible for credit. This is not property tax relief to all. It is discriminatory.

Paragraph 1(a)(2) sets classes of taxation. This means the auditors not only need to know who to send a tax bill to, but they would have to determine who owns 20% or more of a farm and are making day-to-day decisions – plus they have to determine if the person owns and occupies a residence in ND. How does the auditor determine those parameters? And ownership of properties changes continually. My husband and I own a real estate company that he established in 1951. It is one of the oldest established

continuing real estate companies in our state, established before Realtors were even licensed. We know the constant change, we make our living on that change. As I said, adding new information to tax bills is labor intensive and needs computer system revamp. Another mandate, almost impossible to administer, and no reimbursement. A farmer moving into town, into a nursing home, is penalized. A business owner who goes to a nursing home is penalized. This is not property tax relief to all. Again it is discriminatory.

As I read this bill, I wonder why the railroads and airlines get special treatment. How about banks, car companies, utility companies, construction companies? Why the distinction? And they don't have the owning, occupying, management requirements either.

I look at Ward County. Counties have had the same percentage of highway funding with no increase in many years. This meant that Ward County received \$700,00 less last year as our percentage. Any increase in federal funding to the state has gone to state roads. In 2000 the cost of surfacing a mile of road cost Ward County \$100,000. Today it is \$200,000. We have had to make up the difference in our budget process. Some counties cannot even afford to meet the matching funds. Some townships have disbanded thinking the county can take care of their roads. Ward County has one township in this position.

HB 1051 hits Ward County very hard. We have extreme space needs for our offices and must rent, buy, or build. A bond issue failed last fall for a vision to build a new building. Our space problems come from a variety of service expansion, more Social Service personnel because of mandates, more space needed because of more judges in our county that need more courtroom and office space. The Clerk of Court's office has many needs, not the least is record storage despite digitalization of records, which is costly. We need more jail space, at least 18 beds. We've been told Minot will lose its Federal Building downtown if we can't house federal prisoners. We are now entering a contract to digitalize the records of the County Recorder but it still doesn't free enough space that we need. The State's Attorney needs space. The IT and Superintendent of Schools are housed in the Auditor's office. An old safe now serves as an office. Emergency Management is in a hallway in the basement. Passport applicants make out applications in a hallway. And the needs and impact go on and on. We are looking at buildings available in the community and we now pay \$250,000 rent elsewhere. Can we afford more rent? If we make our building proposal smaller, will it pass for a bond issue? Should we go the building authority route? Will we qualify?

Ward County has no debt. We would qualify for bonding to about \$70 Million but the voters would not approve a \$19 Million bond issue that would have given us complete space solutions for 25 to 30 years. Where do we go? We know with passage of HB 1051 will have **no** options to consider even though we are well below our mill levy at the present time. This bill will take all options away from us no matter how careful, how stringently, we budget every department. Here, too, the bill does us great harm.

Capping will affect all of the entities we deal with – the coroner, public administrator, water districts, park districts, senior citizens groups, economic development groups in every area, the county agent, veteran's office, domestic violence councils, 911 communications, First District Health, highway department, the Historical Society, the jail, juvenile detention, the county library, regional child support, rehab services, social services, the State Fair, the Souris Basin Planning Council, the Superintendent of Schools, Weed Control Board, Weather Resource Board, Ward County Soil Conservation, Weather Modification, Water Resource Board, the court system, and all of our county offices like Tax Equalization, County Recorder, auditor/treasurer, building superintendent, highway department, Emergency Management. They are all in our budget every year.

Caps handicap counties and I have provided herewith information on Why Property Tax Caps won't work. I have also provided a sheet on Talking Points Regarding Property Tax Reform. I hope you read them. They are important. I feel HB 1051 is an unfunded mandate to the counties, it is discriminatory, it is unconstitutional, and does great harm to our counties.

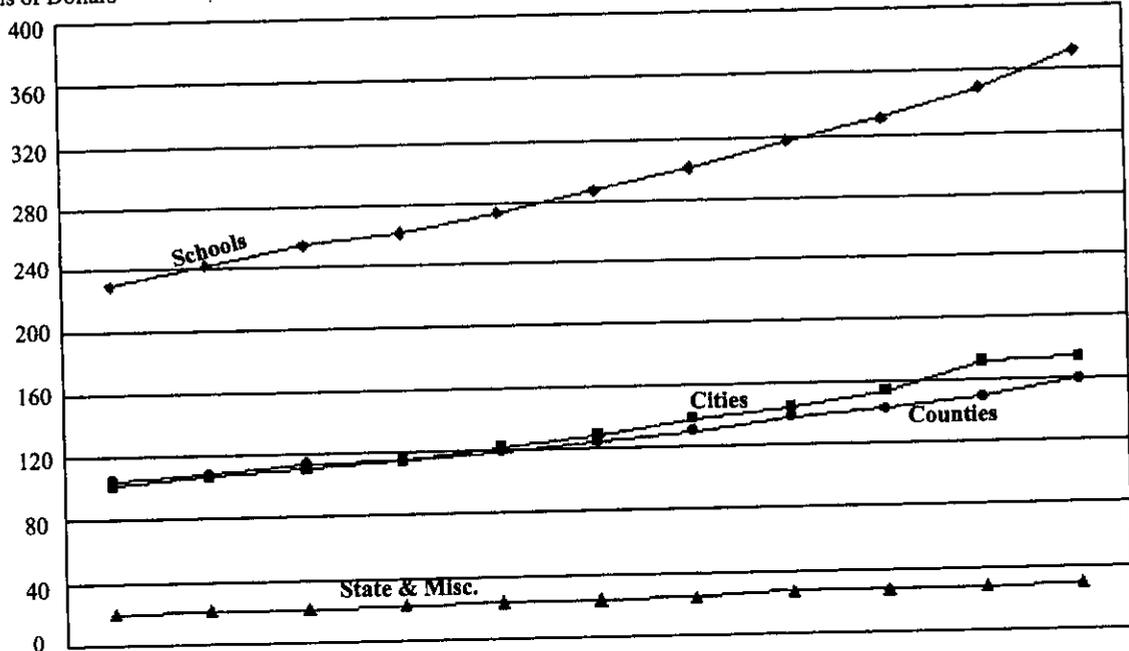
I apologize for the length of my testimony here but simply did not know what I could leave out. I strongly urge a Do Not Pass on HB 1051.

Respectfully,

Darlene C. Watne, Chairman  
Ward County Commissioners

# General and Special Property Taxes by Taxing Districts Payable in 1996 - 2006

Millions of Dollars

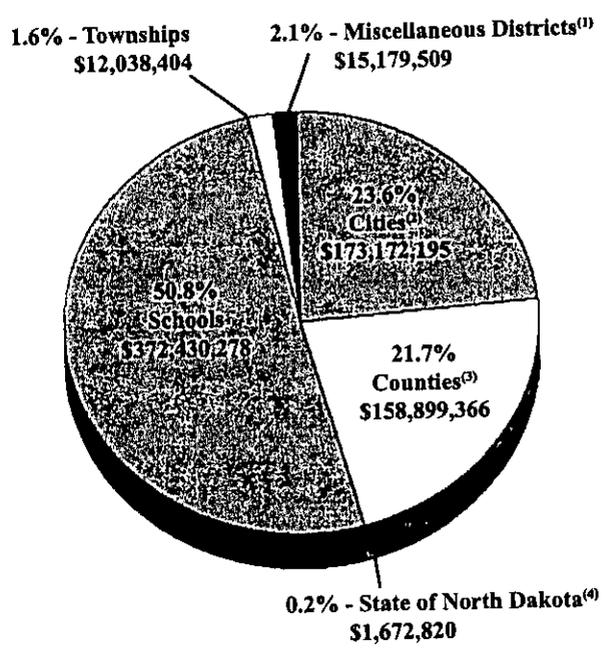


Year Payable	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Schools	230	242	255	262	274	288	301	317	331	349	372
Cities	101	106	110	114	121	128	137	144	153	171	172
Counties	104	108	113	115	119	123	129	137	142	149	159
State & Misc.	20	21	22	23	24	24	25	27	27	28	29

SOURCE: North Dakota Office of State Tax Commissioner, Property Tax Division, "Property Tax Statistical Report."

## Percent of Property Taxes by Taxing District Levied in 2005 - Payable in 2006

**GRAND TOTAL - \$733,392,572**



- (1) Garrison Diversion Conservancy District, rural fire protection districts, hospital district, 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 Office of State Tax Commissioner, Property Tax Division, "Property Tax Statistical Report."

# **Caps *Handicap* Counties**

## **Why Property Tax Caps Won't Work**

### **Caps put an unfair burden of tax reduction on county government**

*County government spends less than 22% of property taxes collected*

### **Caps wrongly assume county spending is out of control**

*In the past 15 years, county property tax increases averaged only 4.3% per year*

### **Caps handcuff those who provide for the safety of our citizens**

*County budgets for law enforcement and incarceration are increasingly strained*

### **Caps penalize responsible taxing behavior**

*In the past 15 years, county tax growth as been much less than others (schools, parks)*

### **Caps put counties at the mercy of funding sources that are also being cut**

*County government spending is closely tied to federal and state budgets*

### **Caps place more burden on already strained staff budgets**

*Counties have worked hard to reduce personnel costs, including staff and elected officials*

### **Caps ignore the impacts of national and global inflation**

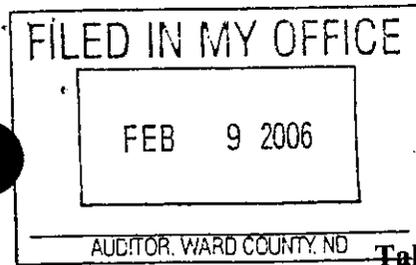
*County budgets have to absorb rising costs of oil, construction material, health care, etc.*

### **Caps can conflict with state mandates**

*Programs, salaries and other County Social Services costs largely controlled by the state*

### **Caps create a dis-incentive to pass savings along to citizens**

*External forces like those mentioned above cause fluctuations in county spending patterns.*



*mail from Terry Traynor*

### Talking Points Regarding Property Tax Reform

County commissioners are extremely concerned about property taxes and supportive of efforts to reduce taxes and reduce the growth of taxes. Limitations on county governments' ability to manage their own budgets however are not an effective way to accomplish this goal.

- County government is not a significant factor in property tax increases:
  - Statewide, counties expend 23.7% of the property tax collected
  - Within the four largest communities that percentage is only 16%
- In the past 15 years, county property taxes have increased an average of 4.3% per year:
  - While the average is low, the annual change has ranged from 10% to -10%, depending upon yearly needs.
  - In that same time period, school property taxes (which are the largest share of the property tax) have increased by much more; as an example:
    - Last year Burleigh County property values increased 14%
      - Burleigh County taxes increased by 4% (\$474,000)
    - Last year Bismarck School District property values increased by 14%
      - Bismarck School taxes increased by 11% (\$4,500,000)
- Counties have made significant efforts to reduce costs:
  - In the last 10 years, consolidations/redesignations have reduced the number of elected county officials from 570 to 459, a 19% reduction.
  - Overall county staffing has remained flat – with small increases in the more urban counties offsetting the losses in the more rural counties.
- Much of the cost of county government is driven by external forces:
  - The largest county expenditure is roads, and with virtually stagnant federal and State support, counties have faced double-digit increases in road costs – driven by fuel, equipment, asphalt, concrete, and gravel prices.
  - The second largest – and growing – county cost is human services. It has recently jumped from 15% to 18% of county budgets. The State Legislature or its state agencies set the program requirements, the staffing, county salaries, and even travel reimbursement rates for county social services.
  - The third largest county cost is the enforcement of State laws through the costs of law enforcement, prosecution, and jails.
  - As you can imagine all of these service areas involve staff, and reasonable employee benefits have jumped by 9 to 11% per year.

## WARD COUNTY STATISTICS

### Budget figures 2002 – 2006

Sheriff's Department (law enforcement)	up 27.5%
Jail Operations	up 24.5%
Social Services	up 24.5%

Annual levies in Ward County have increased an average of 4.3% per year.

Health insurance approved by state	2001	+14.5%
	2003	+16.0%
	<u>2005</u>	<u>+12.0%</u>
	total	+42.5%

Costs of utilities have increased 40.2% since 2002.

Cost of Living increases to Ward County employees over 7 year period total 6.5%

Cost of gasoline per gallon was \$1.85 in 2004 and is currently \$2.54 - a 37.3% increase. This does not include the price in 2006 when the price per gallon exceeded \$3.19.

### Mill Levy Breakdown by Percentage in Ward County Cities

NAME	CITY PARK	COUNTY	SCHOOL	FIRE	REGION STATE
Berthold	15%	24%	57%	1%	3%
Burlington	21%	20%	57%		2%
Carpio	16%	24%	56%	2%	2%
Des Lacs	7%	23%	66%	2%	2%
Donnybrook	21%	21%	56%		2%
Douglas	30%	21%	46%	1%	2%
Kenmare	34%	18%	46%		4%
Makoti	18%	25%	51%	3%	3%
Minot	35%	16%	47%		2%
Ryder	18%	25%	51%	3%	3%
Sawyer	14%	23%	60%	1%	2%
Surrey	22%	20%	55%	1%	2%

Agricultural Increases from 2002-2005

Fuel up 185%

Fertilizer up 179%

Other Chemicals up 139%

**Lyson, Stanley**

---

**From:** Kari Evenson [KariE@co.williams.nd.us]  
**Sent:** Thursday, February 22, 2007 11:29 AM  
**To:** Lyson, Stanley  
**Cc:** Dan Kalil; david.montgomery@noridian.com; Raymond Schmidt  
**Subject:** HB 1051 - Williams County Treasurer's opinion

Senator Lyson,

There are many parts to this bill but I will only address the sections that I see that specifically affect the duties of the County Treasurer's office and the collection of property taxes.

First, I would like to say that I do support property tax relief. My concern is with the provisions that HB 1051 would require.

I have always been of the mindset that we tax real estate property not ownership. Taxes are against the property not against the owner. The eligibility requirements on page 8 for the property tax relief credit are difficult, and nearly impossible, to determine.

Page 8, Line 13 puts a stipulation on the qualification of the tax credit by stating "and occupied by an individual as that individual's homestead." My concern would be proving that qualification. How are we going to prove occupancy?

Likewise, Page 8, Lines 16 - 20 put another stipulation for commercial & agricultural property "if the individual primarily responsible for management decisions regarding that property has an ownership interest of at least twenty percent in that property and owns and occupies residential property or a mobile home in this state as that person's homestead." This requires the counties to determine ownership and occupancy statewide along with management decisions.

Lines 22 - 23 require "if the mobile home is owned and occupied by an individual as that individual's homestead." I know that you are fully aware of the nightmare of determining mobile home ownership as titles are rarely exchanged when buying and selling mobile homes in North Dakota.

Lines 25 - 29 also have the stipulation "if the individual primarily responsible for management decisions regarding that property has an ownership interest of at least twenty percent in that property and owns and occupies residential property or a mobile home in this state as that individual's homestead". This requires the counties to determine ownership and occupancy statewide along with management decisions.

Williams County sends out tax statements for about 23,000 parcels. We would have to run title on each parcel and potentially do extensive research to determine percentage of ownership, occupancy & management decisions. I am not even sure how we would go about proving management decisions. Many deeds are recorded into corporation names or company names and we have no contact information for owners of the corporations or companies as it is not required to record the deeds.

Perhaps the intent of the legislature is to remove as many out-of-state owners as possible from the equation but that is a difficult and costly burden to the counties.

The only way I can see this property tax relief working as a credit on tax statements is to remove all of the "if" and "and" stipulations on Page 8, under 57-20-07.2: subsections (1), (2), (3) & (4). Just give the property tax relief based on the type of property and don't require ownership, occupancy and management decisions into the equation. Those provisions are massive and unnecessary burdens to the counties who don't have the resources to implement them.

Thank you for your time,  
 Kari Evenson  
 Williams County Treasurer/Recorder

2/23/2007



March 7, 2007

Chairman Herb Urlacher  
Senate and Taxations Committee and Members;  
Senators Horne, Triplett, Tollefson, Cook, Oehlke, and Anderson

Testimony on HB 1051.

Chairman Urlacher and Committee Members:

For the record I am Ron Sorvaag, a commissioner of the Fargo Park District and an agency member of the North Dakota Recreation and Park Association. I stand before you to speak to HB 1051 as a park district commissioner and association member in support HB 1051 with the exception of Section 2 for the following reasons:

1. Park Districts, providers of local public parks and recreation services are presently capped in taxing authority.
2. Further restrictions will destroy the ability to provide the services and programs our local citizens are demanding in a fair and affordable manner.

Park Districts have five (5) taxing levies - General Operating Fund, Construction Fund, Pension, Special Assessments and Social Security Funds and are currently operating with very restrictive mill levy authority and caps in both the General and Construction Fund. We have an operating cap on our General Fund that only allows a mill increase by election approval to a maximum allowable levy. This General Fund limitation has been in existence since 1999. The Construction Fund is capped at five (5) mills since 1989.

Our ability to grow general operating funds has already been limited to only new growth in the tax base and by market value adjustments. Section 2 will reduce further the ability for Park Districts to meet the need of our community with additional caps and restrictions.

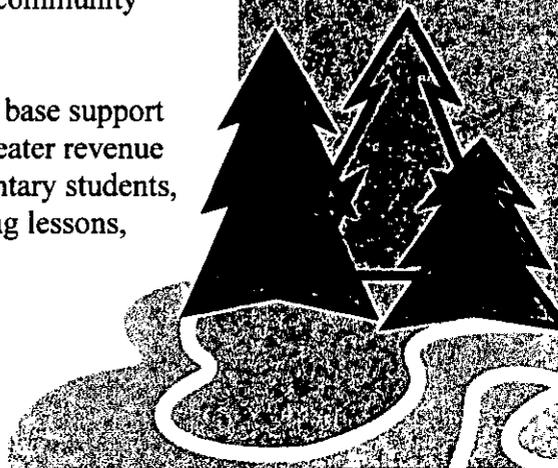
Section 2 of HB 1051 greatly reduces and diminishes broad base support of local programs and services that will only to be made up with greater revenue generation from fees and charges. After school programs for elementary students, senior programs, recreation centers, and swimming pools, swimming lessons,

#### Park Board

Barb Johnson, Commissioner  
Joel Vettel, Commissioner  
Ron Sorvaag, Commissioner  
Mary Johnson, Commissioner  
Joe Deutsch, Commissioner  
Chris Kennelly, Clerk

#### Administration

Roger Gross,  
Executive Director  
Jim Larson,  
Director of Finance/Human  
Resources  
Dave Leker,  
Director of Parks  
Clay Whittlescy,  
Director of Recreation  
Carolyn Boutain,  
Director of Cultural Activities  
Kevin Boe,  
General Manager Courts Plus  
Fitness Center  
Brian Arett,  
Director Fargo Senior Services  
Amy Rasmussen,  
Administrative Assistant



special events, tournaments, trail development and parks in new neighborhoods will all be affected.

I would ask you to remove Section 2 of HB 1051 and not further restrict Park Districts and local government.

Park Districts are part of the economic engine of a community by providing jobs, purchasing goods and services, providing alternatives to mischief and idle time, offering safe haven for youth, facilitating activities for adults, attracting visitors and being part of growing the economy. Park Districts provide resource management, open space preservation, increased community value, special events, tournaments, health, and wellness and make communities livable.

It is difficult in a short period of time to go into depth on all funding sources beyond property taxes and the mechanics of local public parks and recreation services. However, as provided for you in the attached charts, I must say that Park Districts are not only tax supported. Revenue generation to provide these local service exceeds local tax support for parks, programs, facility development and operations. In many cases local taxes in the General Fund do not meet the needs of payroll for a park district. I have provided for you a 2006 General Fund break down of revenue and expenses for Valley City, Mandan, Wahpeton, Fargo, Grand Forks, Devils Lake and Bismarck to not only show you revenue sources but general operating costs as well. The charts are the representation of basic operating.

I would also like to point out that an additional chart is provided to summarize the park districts impact, in the 13 largest cities, on local property tax in 2005 and 2006 and their efforts in managing their own taxing authorities. Park district taxes represent an average of 8 cents of each tax dollar collected in a city.

We support HB 1051 with the exception of Section 2.

Thank you.



Ron Sorvaag  
Commissioner

**Valley City Park District  
Revenue - General Fund  
2006**

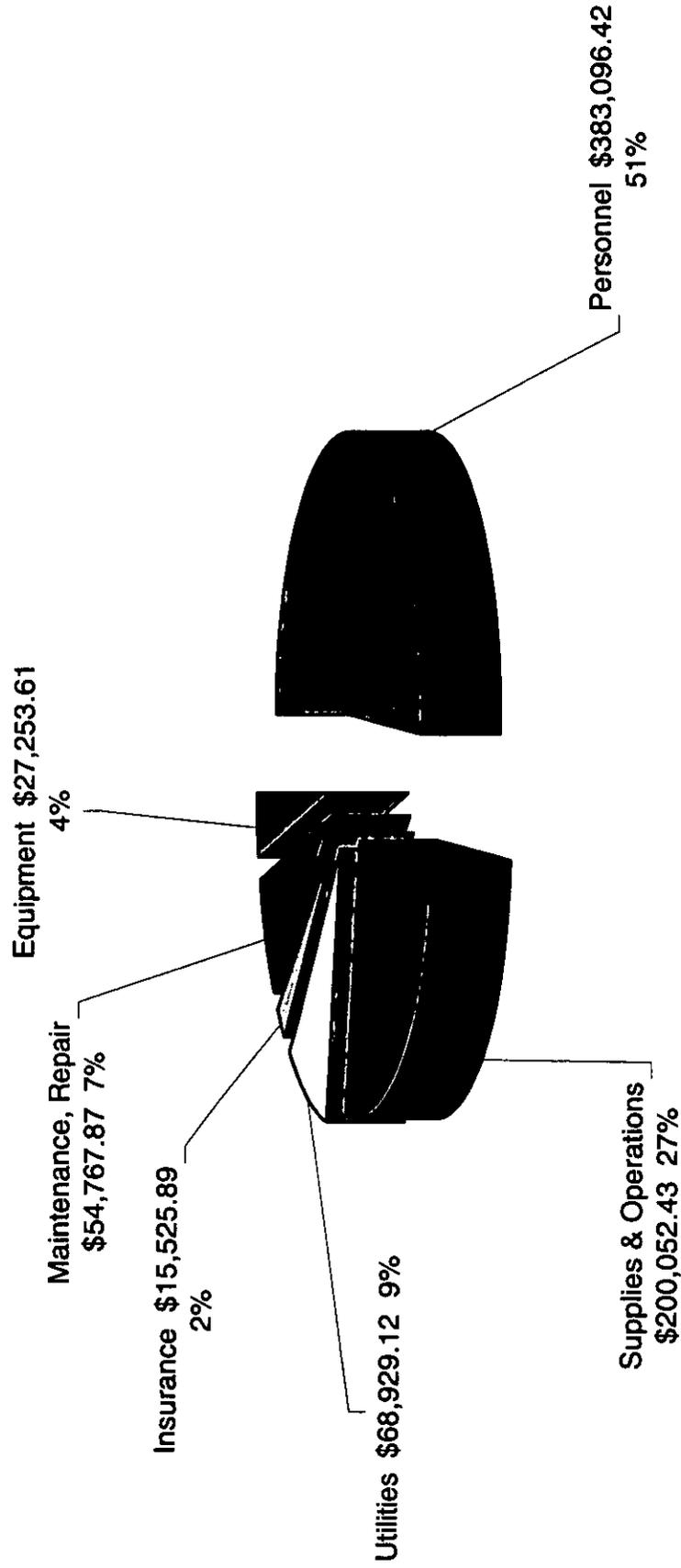
Property Tax receipts  
\$237,079.25 29%

State Aid \$69,364.64  
9%

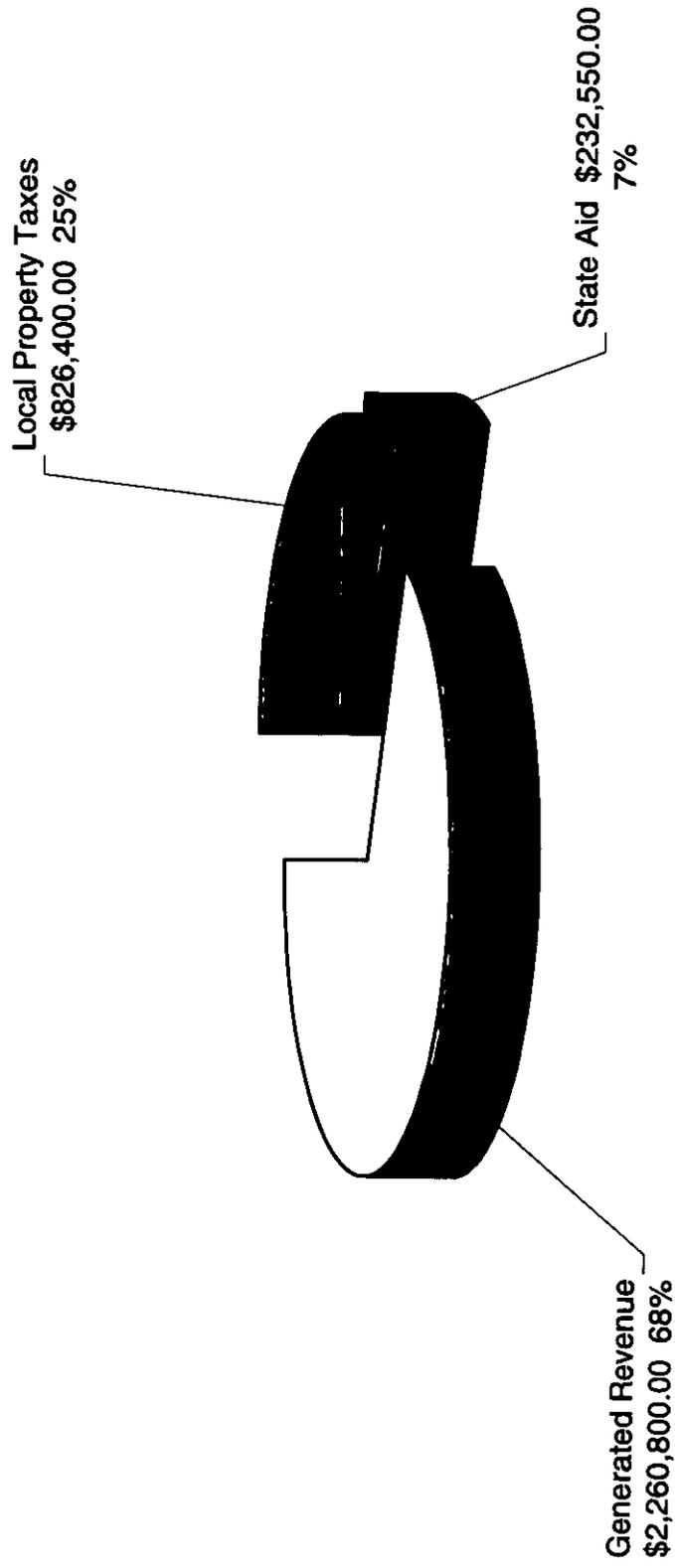
Generated Revenue  
\$498,848.44 62%



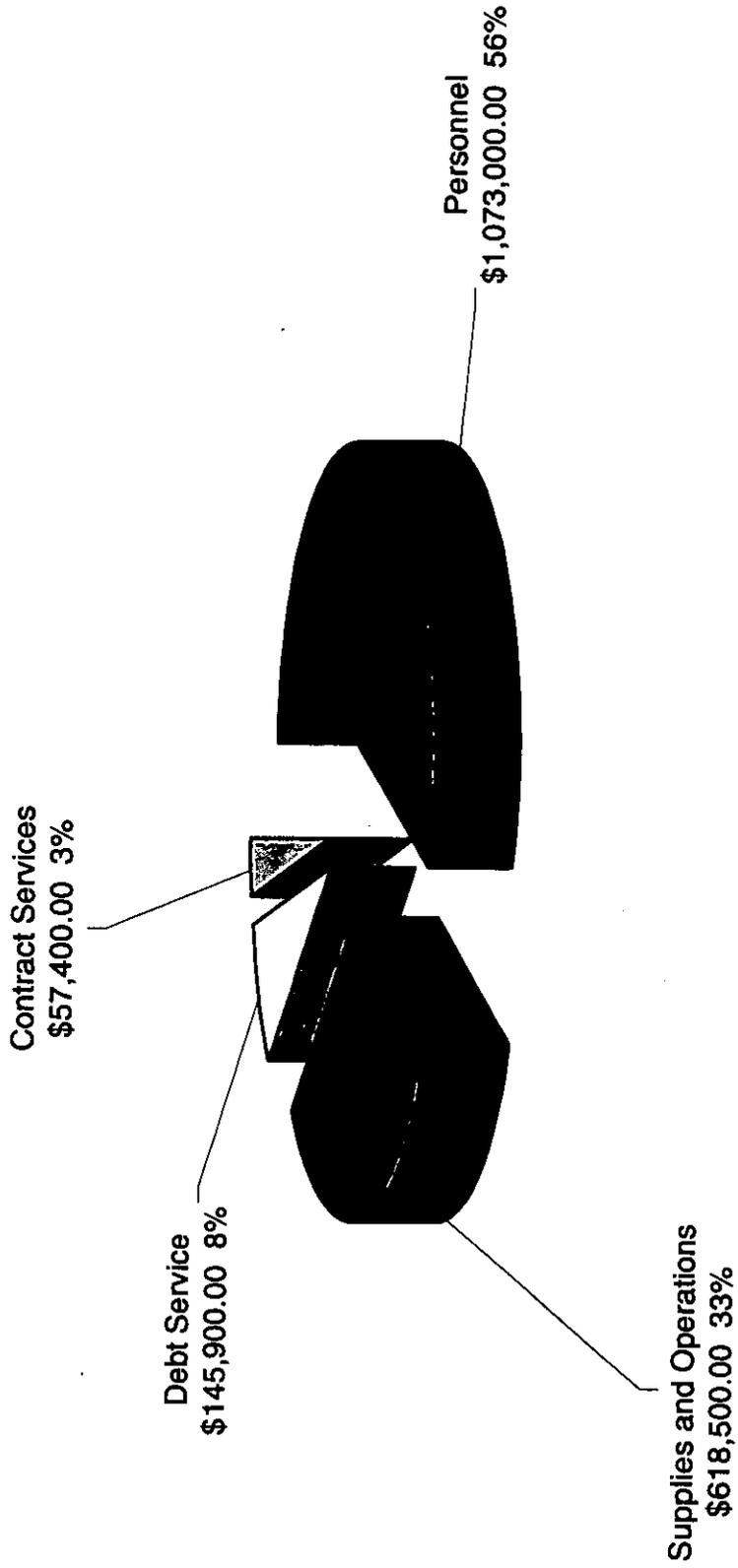
**Valley City Park District  
Expenses - General Fund  
2006**



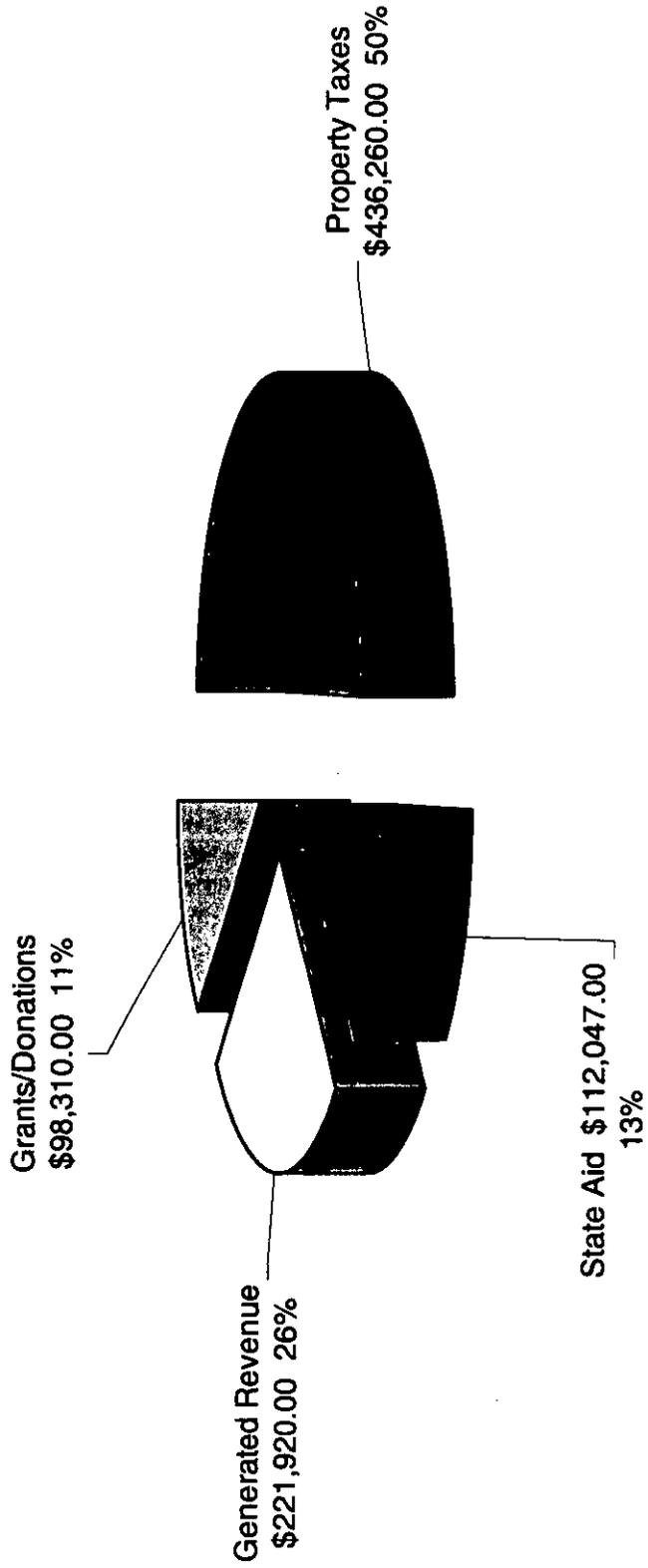
**Mandan Park District  
Revenue - General Fund  
2006**



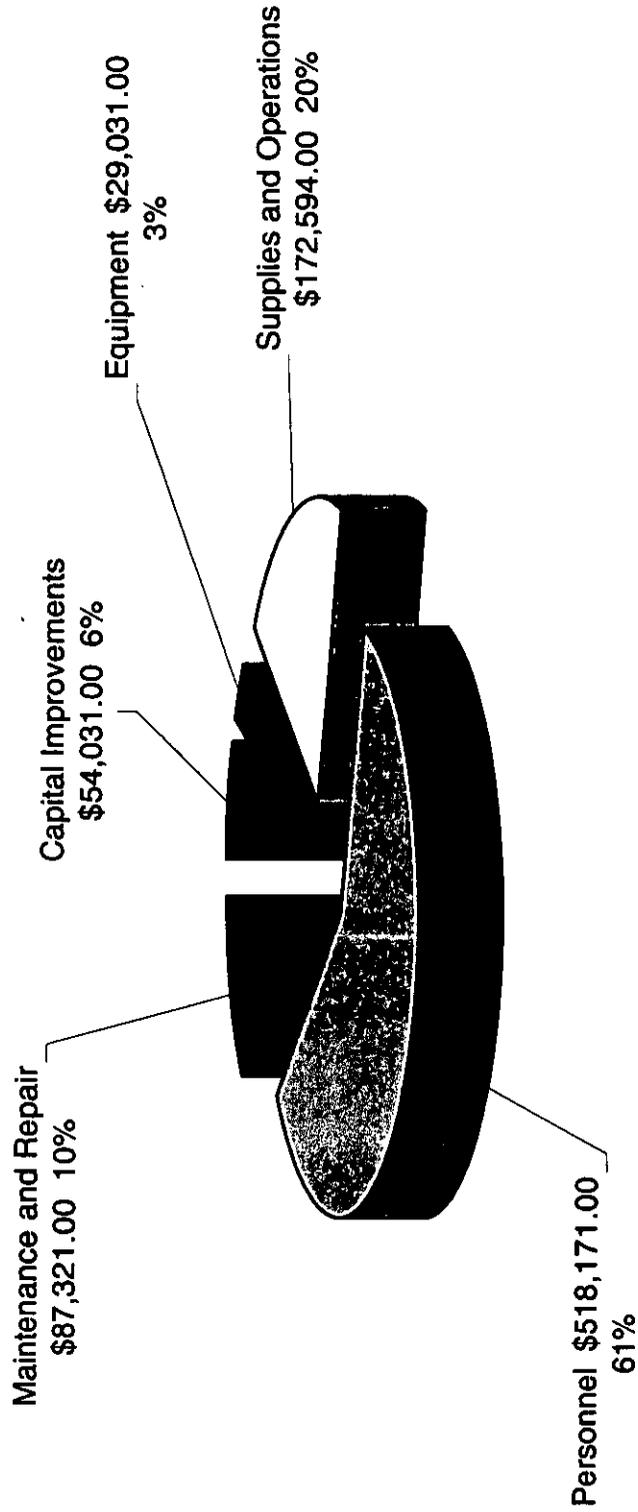
**Mandan Park District  
Expenses - General Fund  
2006**



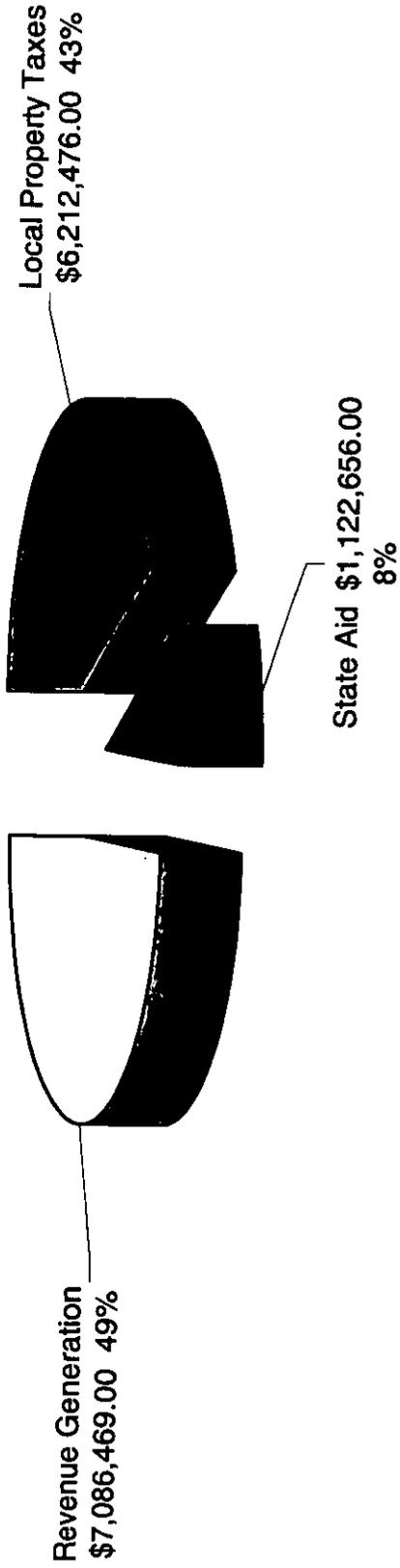
**Wahpeton Park District  
Revenue - General Fund  
2006**



**Wahpeton Park District  
Expenses - General Fund  
2006**

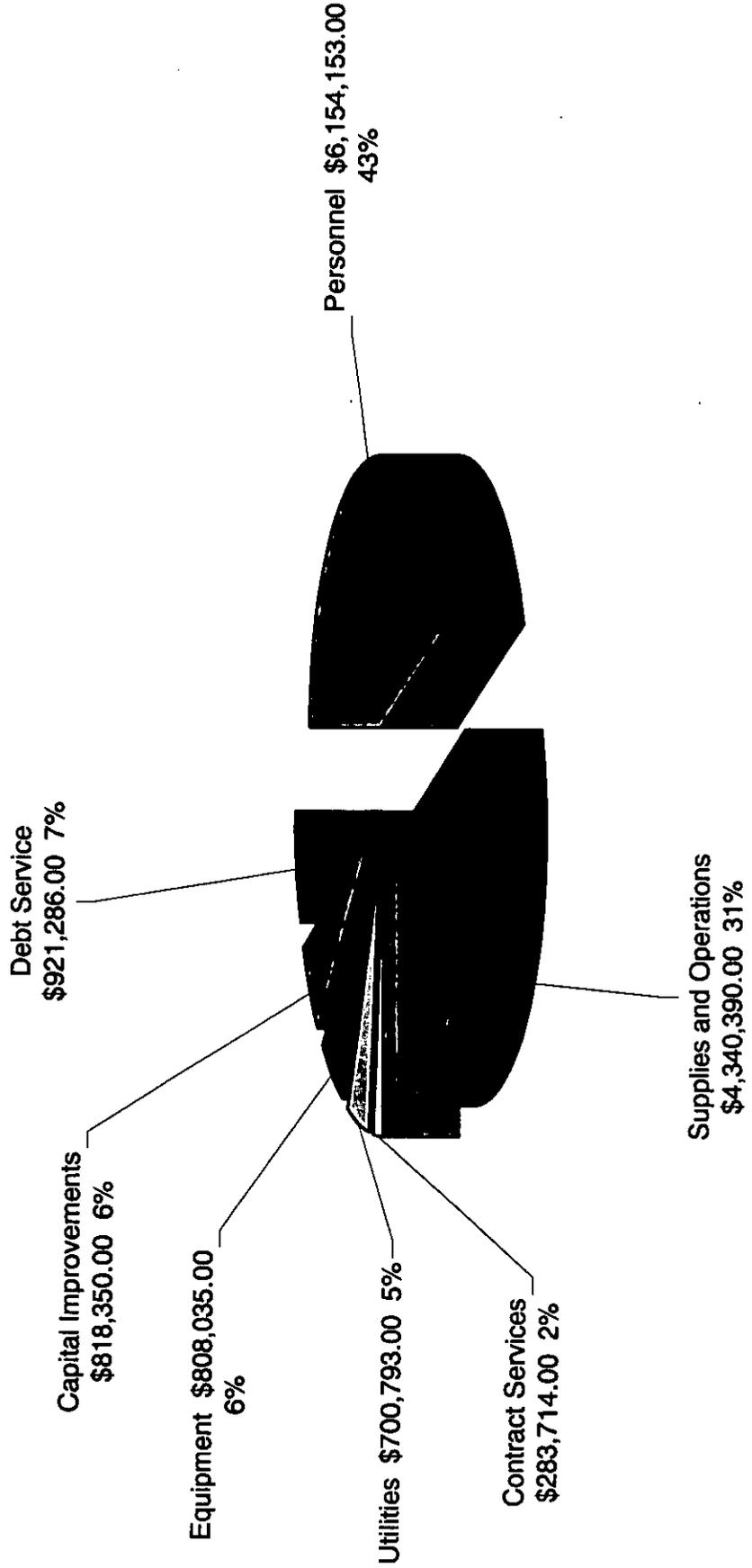


**Fargo Park District  
Revenue - General Operating  
2006**



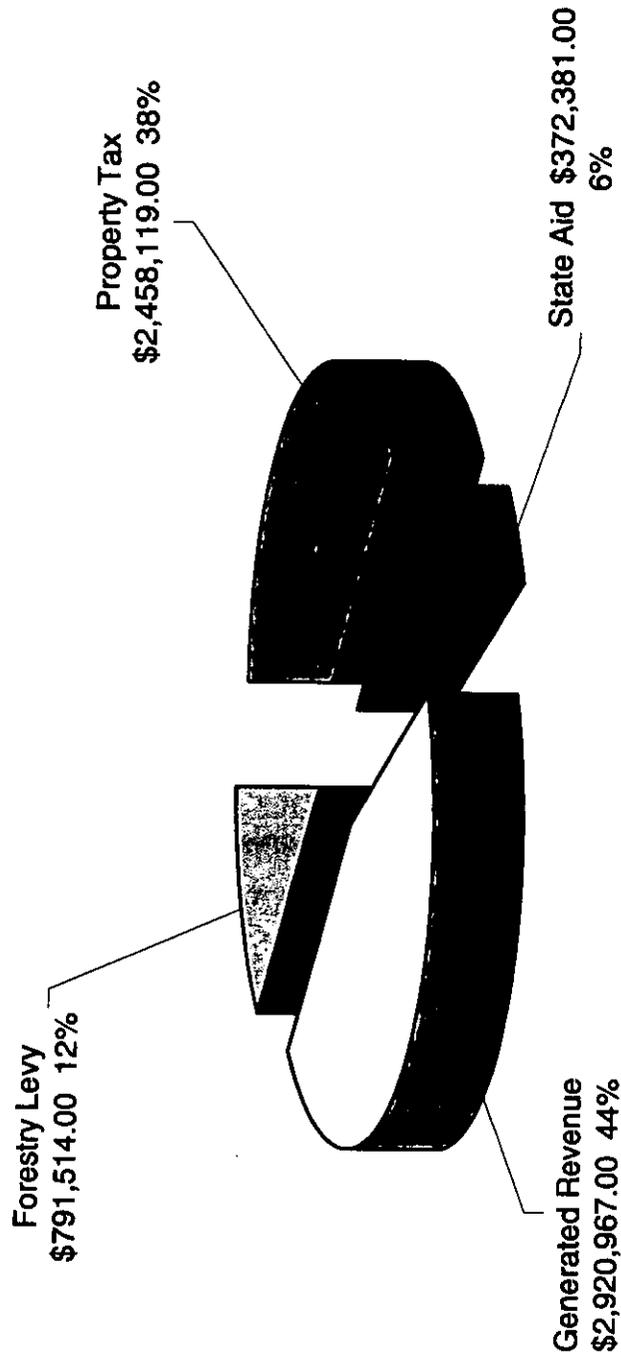
\*Includes Revenue Enterprise Facilities

**Fargo Park District  
Expenses - General Operating  
2006**



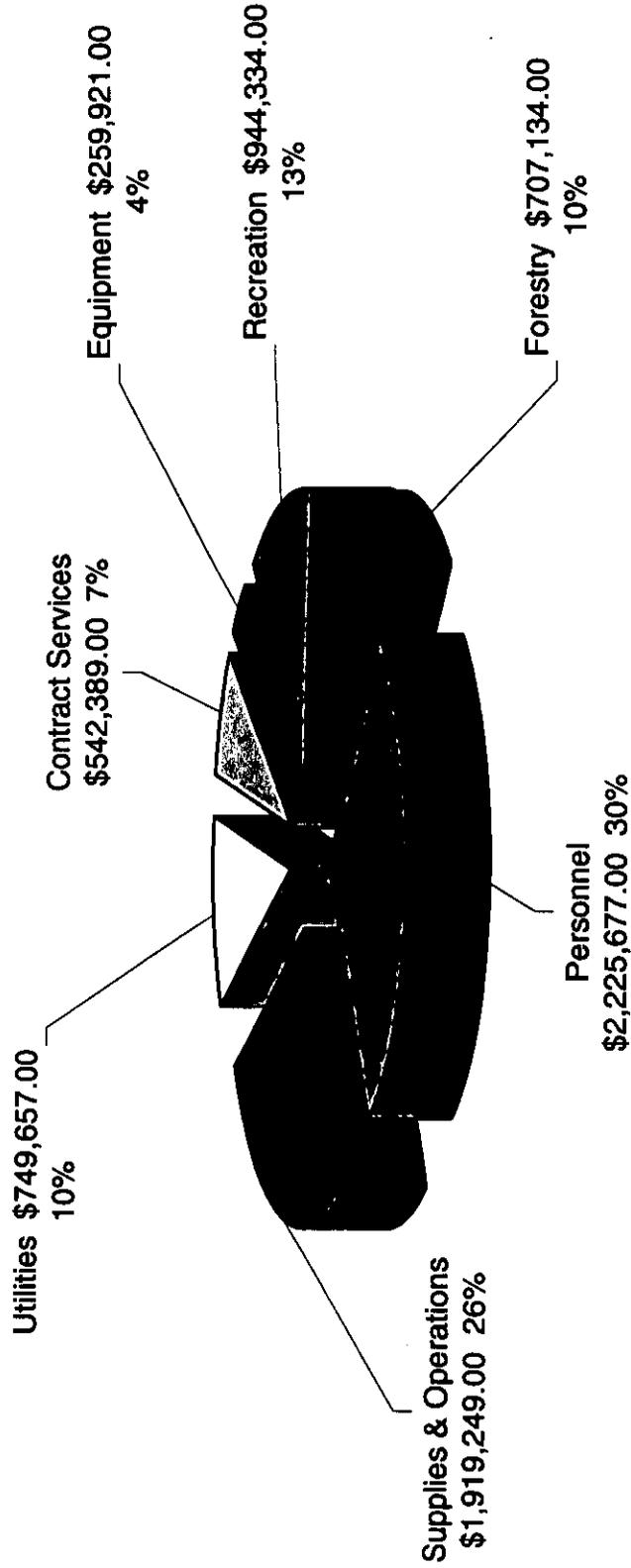
\*Includes Revenue Enterprise Facilities

**Grand Forks Park District  
Revenue - General Fund  
2006**



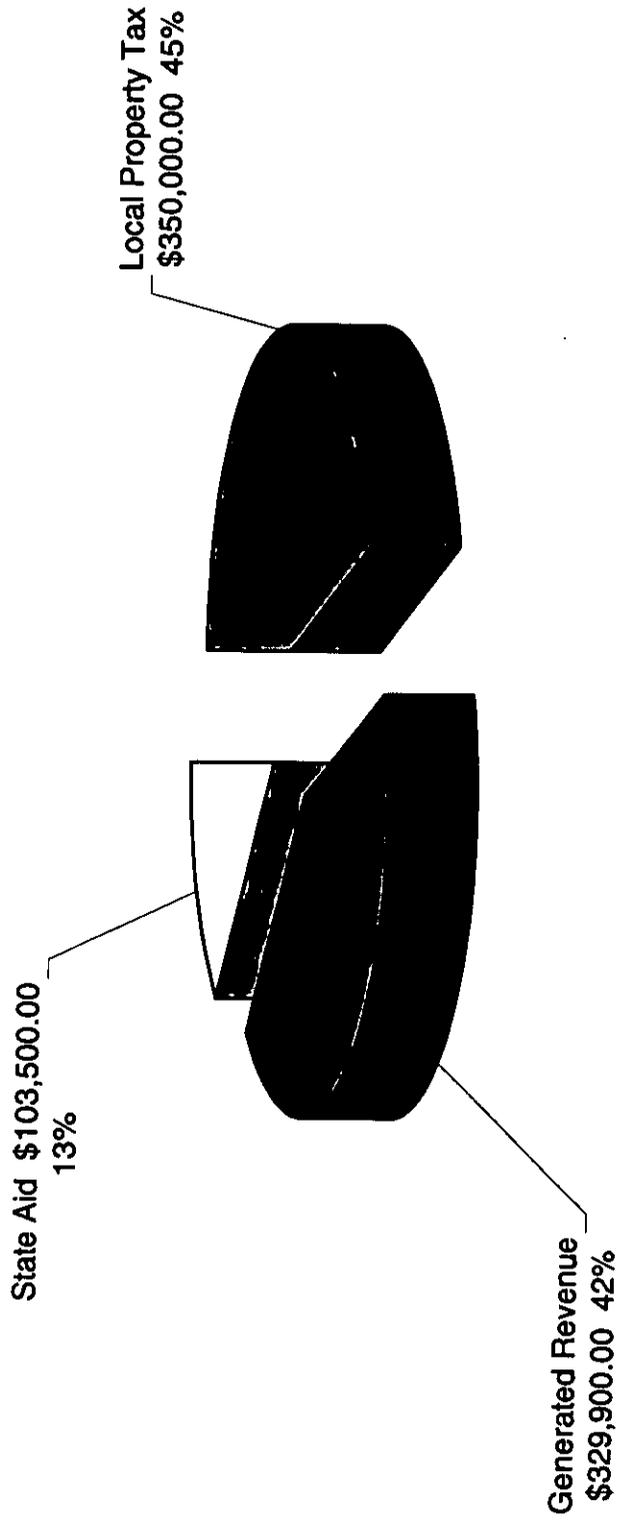
\*Includes Revenue Enterprise Facilities

**Grand Forks Park District  
Expenses - General Fund  
2006**



\*Includes Revenue Enterprise Facilities

**Devils Lake Park District  
Revenue - General Fund  
2006**

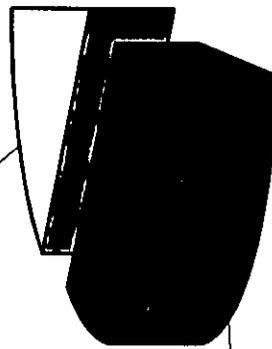


**Devils Lake Park District  
Expenses - General Fund  
2006**

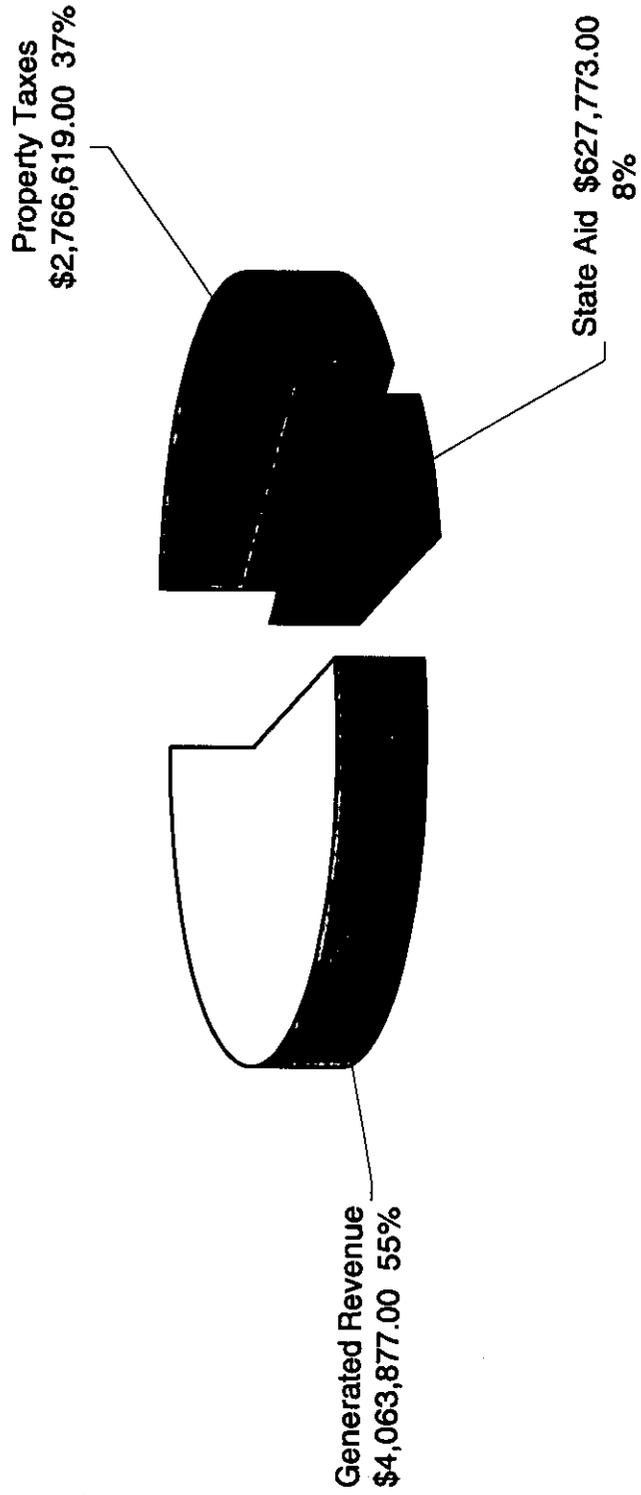
Utilities \$116,000.00  
15%

Supplies and Operations  
\$255,250.00 33%

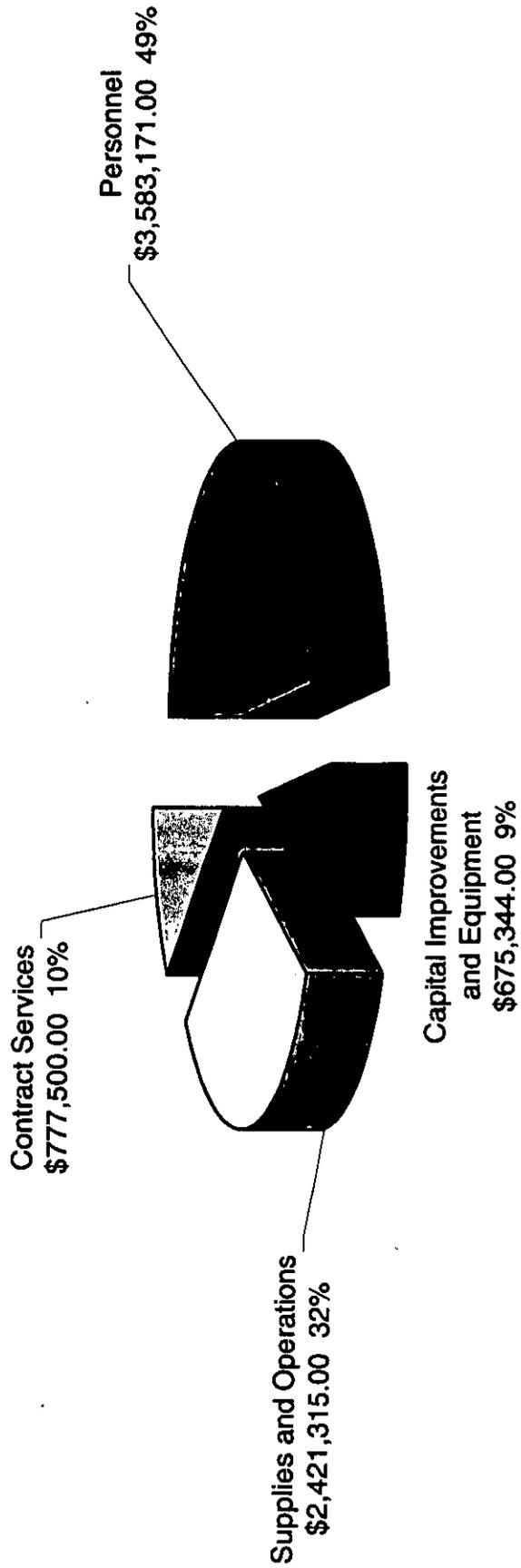
Personnel \$395,800.00  
52%



**Bismarck Park District  
Revenue - General Fund  
2006**



**Bismarck Park District  
Expenses - General Fund  
2006**



PARK DISTRICTS  
THIRTEEN LARGEST CITIES IN NORTH DAKOTA

MILL LEVY AND TAX COMPARISON  
FOR THE 2005 AND 2006 YEARS

CITY	MILLS LEVIED		MILL LEVY INC/(DEC)	TAXES ON \$100K RESIDENCE		DOLLAR INC/(DEC)	PERCENT INC/(DEC)
	2005	2006		2005	2006		
Dickinson	31.45	30.64	(0.81)	\$ 141.53	\$ 137.88	(3.65)	-2.6%
Minot	32.56	30.83	(1.73)	146.52	138.74	(7.78)	-5.3%
Fargo	32.58	32.07	(0.51)	146.61	144.32	(2.29)	-1.6%
Grafton	31.27	33.46	2.19	140.72	150.57	9.85	7.0%
West Fargo	39.66	36.02	(3.64)	178.47	162.09	(16.38)	-9.2%
Wahpeton	37.59	37.48	(0.11)	169.16	168.66	(0.50)	-0.3%
Bismarck	40.67	39.46	(1.21)	183.02	177.57	(5.45)	-3.0%
Valley City	38.97	39.48	0.51	175.37	177.66	2.29	1.3%
Mandan	40.11	40.05	(0.06)	180.50	180.23	(0.27)	-0.1%
Williston	42.94	41.60	(1.34)	193.23	187.20	(6.03)	-3.1%
Grand Forks	43.59	42.36	(1.23)	196.16	190.62	(5.54)	-2.8%
Jamestown	41.45	43.62	2.17	186.53	196.29	9.76	5.2%
Devils Lake	48.64	58.22	9.58	218.88	261.99	43.11	19.7%

2006 MILL COMPARISONS FOR 2007 APPROPRIATIONS  
FOR THE 13 LARGEST CITIES IN NORTH DAKOTA

RANK THIS YEAR	LAST YEAR	CITY	2000 POP	2005 EST. POP	VALUATION	COUNTY MILLS	STATE & COUNTY MILLS	CITY MILLS	DISTRICT MILLS	SCHOOL MILLS	OTHER MILLS	TOTAL MILLS
1	3	Bismarck	55,532	56,619	\$149,966,086	58.17	94.37	39.46	248.40	0.00	440.40	
2	1	Minot	36,567	35,149	\$82,554,824	79.75	122.74	30.83	208.42	0.00	441.74	
3	2	West Fargo	14,940	17,581	\$55,387,303	62.00	88.69	36.02	254.00	9.28	449.99	
4	4	Dickinson	16,010	15,686	\$28,290,649	108.10	109.49	30.64	206.98	2.00	457.21	
5	5	Fargo	90,599	91,048	\$268,544,513	62.00	57.25	32.07	309.02	6.91	467.25	
6	7	Grand Forks	49,321	48,984	\$121,056,846	102.45	113.55	42.36	224.11	1.00	483.47	
7	8	Wahpeton	8,586	8,411	\$12,339,366	119.00	117.16	37.48	216.64	0.78	491.06	
8	6	Valley City	6,826	6,446	\$9,436,200	109.53	102.48	39.48	241.11	0.00	492.60	
9	10	Williston	12,512	12,191	\$17,729,539	117.58	92.59	41.60	248.41	2.01	502.19	
10	13	Mandan	16,718	16,969	\$30,561,697	128.85	111.05	40.05	236.56	5.00	521.51	
11	11	Jamestown	15,527	14,925	\$24,231,610	106.73	133.85	43.62	237.40	0.00	521.60	
12	9	Grafton	4,516	4,267	\$5,155,978	131.18	114.79	33.46	242.95	0.00	522.38	
13	12	Devils Lake	7,222	6,842	\$9,548,269	127.92	127.53	58.22	225.16	0.00	538.83	

2006 vs 2005 VALUATION AND MILL LEVY COMPARISONS FOR ALL ENTITIES  
FOR THE 13 LARGEST CITIES IN NORTH DAKOTA

RANK (Low-High) THIS YEAR	LAST YEAR	2000 POP	2005 POP	2005 TAX VALUATION	2006 TAX VALUATION	INC/(DEC)	2005 MILL LEVY	2006 MILL LEVY	MILLS INC/(DEC)	05 TAXES \$100K RES	06 TAXES \$100K RES	INC/(DEC)
1	3	55,532	56,619	\$132,395,061	\$149,966,086	\$17,571,025	457.61	440.40	(17.21)	\$2,059.25	\$1,981.80	-3.76%
2	1	36,567	35,149	\$74,635,946	\$82,554,824	\$7,918,878	448.69	441.74	(6.95)	\$2,019.11	\$1,987.83	-1.55%
3	2	14,940	17,581	\$44,779,582	\$55,387,303	\$10,607,721	455.10	449.99	(5.11)	\$2,047.95	\$2,024.96	-1.12%
4	4	16,010	15,686	\$25,124,687	\$28,290,649	\$3,165,962	468.06	457.21	(10.85)	\$2,106.27	\$2,057.45	-2.32%
5	5	90,599	91,048	\$244,141,153	\$268,544,513	\$24,403,360	480.76	467.25	(13.51)	\$2,163.42	\$2,102.63	-2.81%
6	7	49,321	48,984	\$109,889,541	\$121,056,846	\$11,167,305	491.83	483.47	(8.36)	\$2,213.24	\$2,175.62	-1.70%
7	8	8,586	8,411	\$11,624,945	\$12,339,366	\$714,421	501.93	491.06	(10.87)	\$2,258.69	\$2,209.77	-2.17%
8	6	6,826	6,446	\$8,690,423	\$9,436,200	\$745,777	491.17	492.60	1.43	\$2,210.27	\$2,216.70	0.29%
9	10	12,512	12,191	\$16,087,950	\$17,729,539	\$1,641,589	514.73	502.19	(12.54)	\$2,316.29	\$2,259.86	-2.44%
10	13	16,718	16,969	\$28,603,587	\$30,561,697	\$1,958,110	534.68	521.51	(13.17)	\$2,406.06	\$2,346.80	-2.46%
11	11	15,527	14,925	\$22,776,920	\$24,231,610	\$1,454,690	523.26	521.60	(1.66)	\$2,354.67	\$2,347.20	-0.32%
12	9	4,516	4,267	\$5,180,298	\$5,155,978	(\$24,320)	512.64	522.38	9.74	\$2,306.88	\$2,350.71	1.90%
13	12	7,222	6,842	\$9,243,966	\$9,548,269	\$304,303	528.60	538.83	10.23	\$2,378.70	\$2,424.74	1.94%

2006 MILL LEVY COMPARISONS FOR 2007 APPROPRIATIONS BY POLITICAL SUBDIVISION WITHIN THE 13 LARGEST CITIES IN NORTH DAKOTA

RANK (Low-High)	THIS YEAR	LAST YEAR	2005 STATE & COUNTY MILLS		2006 STATE & COUNTY MILLS		MILL LEVY INC/(DEC)	2005 TAXES ON \$100K RESIDENCE	2006 TAXES ON \$100K RESIDENCE	DOLLAR INC/(DEC)	INC/(DEC)
			COUNTY MILLS	MILLS	COUNTY MILLS	MILLS					
1	3	Bismarck	63.33	58.17	(5.16)	\$284.99	\$261.77	(23.22)	0.0%		
2	1	Fargo	63.00	62.00	(1.00)	\$283.50	\$279.00	(4.50)	-8.1%		
3	2	West Fargo	63.00	62.00	(1.00)	\$283.50	\$279.00	(4.50)	-1.6%		
4	4	Minot	78.45	79.75	1.30	\$353.03	\$358.88	5.85	-1.6%		
5	5	Grand Forks	100.40	102.45	2.05	\$451.80	\$461.03	9.23	1.7%		
6	6	Jamestown	108.40	106.73	(1.67)	\$487.80	\$480.29	(7.51)	2.0%		
7	8	Dickinson	113.46	108.10	(5.36)	\$510.57	\$486.45	(24.12)	-1.5%		
8	7	Valley City	109.56	109.53	(0.03)	\$493.02	\$492.89	(0.13)	-4.7%		
9	9	Williston	116.04	117.58	1.54	\$522.18	\$529.11	6.93	0.0%		
10	10	Wahpeton	119.70	119.00	(0.70)	\$538.65	\$535.50	(3.15)	1.3%		
11	12	Devils Lake	128.28	127.92	(0.36)	\$577.26	\$575.64	(1.62)	-0.6%		
12	13	Mandan	129.32	128.85	(0.47)	\$581.94	\$579.83	(2.12)	-0.3%		
13	11	Grafton	122.84	131.18	8.34	\$552.78	\$590.31	37.53	-0.4%		

RANK	THIS YEAR	LAST YEAR	2005 PARK MILLS		2006 PARK MILLS		MILL LEVY INC/(DEC)	2005 TAXES ON \$100K RESIDENCE	2006 TAXES ON \$100K RESIDENCE	DOLLAR INC/(DEC)	INC/(DEC)
			MILLS	MILLS	MILLS	MILLS					
1	2	Dickinson	31.45	30.64	(0.81)	\$141.53	\$137.88	(3.65)	0.0%		
2	3	Minot	32.56	30.83	(1.73)	\$146.52	\$138.74	(7.79)	-2.6%		
3	4	Fargo	32.58	32.07	(0.51)	\$146.61	\$144.32	(2.29)	-5.3%		
4	1	Grafton	31.27	33.46	2.19	\$140.72	\$150.57	9.85	-1.6%		
5	7	West Fargo	39.66	36.02	(3.64)	\$178.47	\$162.09	(16.38)	7.0%		
6	5	Wahpeton	37.59	37.48	(0.11)	\$169.16	\$168.66	(0.50)	-9.2%		
7	9	Bismarck	40.67	39.46	(1.21)	\$183.02	\$177.57	(5.45)	-0.3%		
8	6	Valley City	38.97	39.48	0.51	\$175.37	\$177.66	2.29	-3.0%		
9	8	Mandan	40.11	40.05	(0.06)	\$180.50	\$180.23	(0.27)	1.3%		
10	11	Williston	42.94	41.60	(1.34)	\$193.23	\$187.20	(6.03)	-0.1%		
11	12	Grand Forks	43.59	42.36	(1.23)	\$196.16	\$190.62	(5.54)	-3.1%		
12	10	Jamestown	41.45	43.62	2.17	\$186.53	\$196.29	9.76	-2.8%		
13	13	Devils Lake	48.64	58.22	9.58	\$218.88	\$261.99	43.11	5.2%		

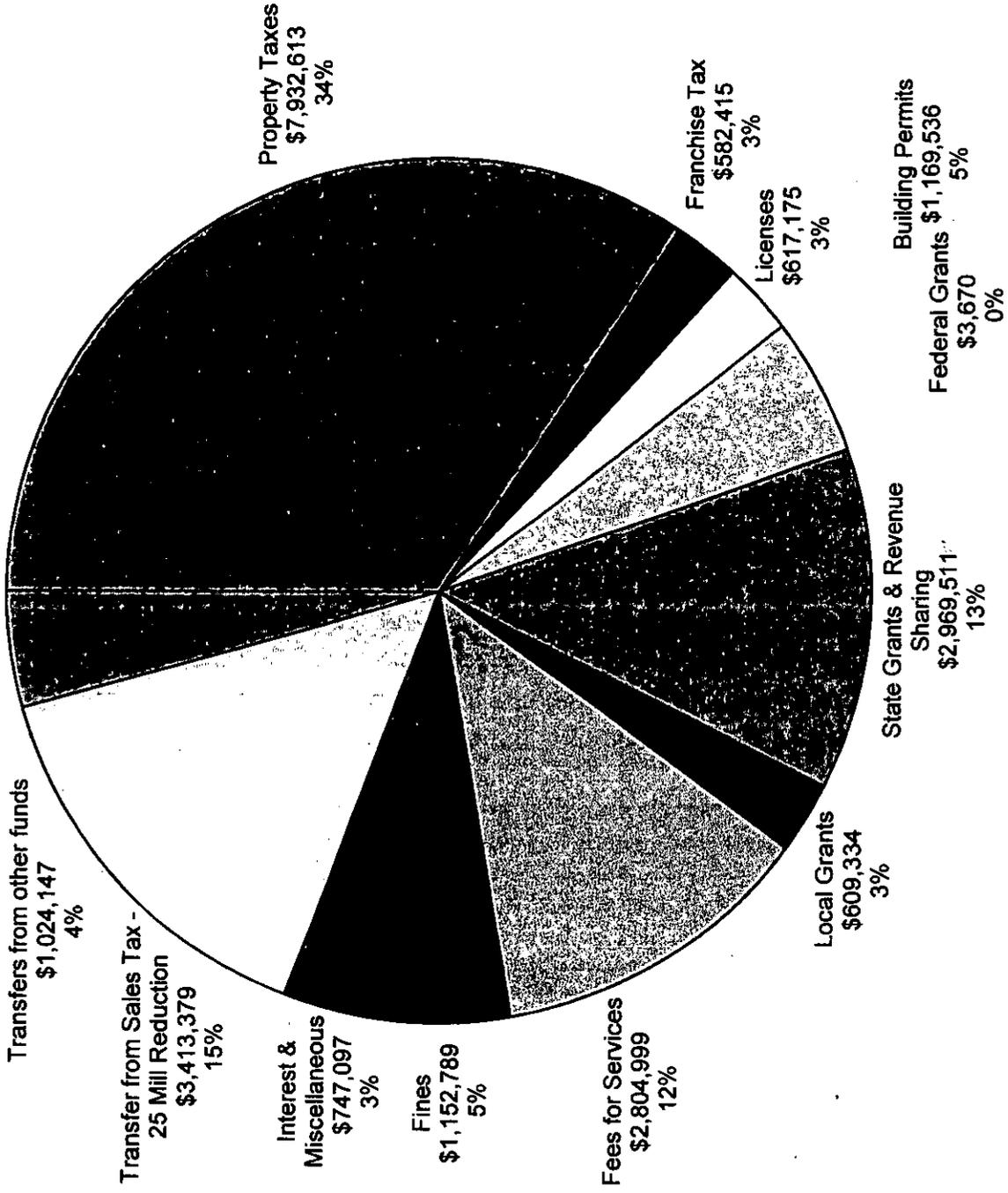
(Cont. on next page)

2006 MILL LEVY COMPARISONS FOR 2007 APPROPRIATIONS BY POLITICAL SUBDIVISION WITHIN THE 13 LARGEST CITIES IN NORTH DAKOTA

RANK	THIS YEAR	LAST YEAR	2005 CITY		2006 CITY		MILL LEVY INC/(DEC)	2005 TAXES ON \$100K RESIDENCE		2006 TAXES ON \$100K RESIDENCE		DOLLAR INC/(DEC)	0.0% INC/(DEC)
			MILLS		MILLS			\$100K RESIDENCE	\$100K RESIDENCE	\$100K RESIDENCE	\$100K RESIDENCE		
1		1	59.25	Fargo	57.25	(2.00)	\$266.63	\$257.63	(9.00)	-3.4%			
2		2	88.76	West Fargo	88.69	(0.07)	\$399.42	\$399.11	(0.31)	-0.1%			
3		5	105.10	Williston	92.59	(12.51)	\$472.95	\$416.66	(56.30)	-11.9%			
4		3	98.59	Bismarck	94.37	(4.22)	\$443.66	\$424.67	(18.99)	-4.3%			
5		4	104.83	Valley City	102.48	(2.35)	\$471.74	\$461.16	(10.58)	-2.2%			
6		9	117.55	Dickinson	109.49	(8.06)	\$528.98	\$492.71	(36.27)	-6.9%			
7		6	111.20	Mandan	111.05	(0.15)	\$500.40	\$499.73	(0.66)	-0.1%			
8		10	117.73	Grand Forks	113.55	(4.18)	\$529.79	\$510.98	(18.81)	-3.6%			
9		7	114.84	Grafton	114.79	(0.05)	\$516.78	\$516.56	(0.22)	0.0%			
10		8	117.54	Wahpeton	117.16	(0.38)	\$528.93	\$527.22	(1.71)	-0.3%			
11		11	126.52	Minot	122.74	(3.78)	\$569.34	\$552.33	(17.01)	-3.0%			
12		12	128.36	Devils Lake	127.53	(0.83)	\$577.62	\$573.89	(3.74)	-0.6%			
13		13	137.01	Jamestown	133.85	(3.16)	\$616.55	\$602.33	(14.22)	-2.3%			

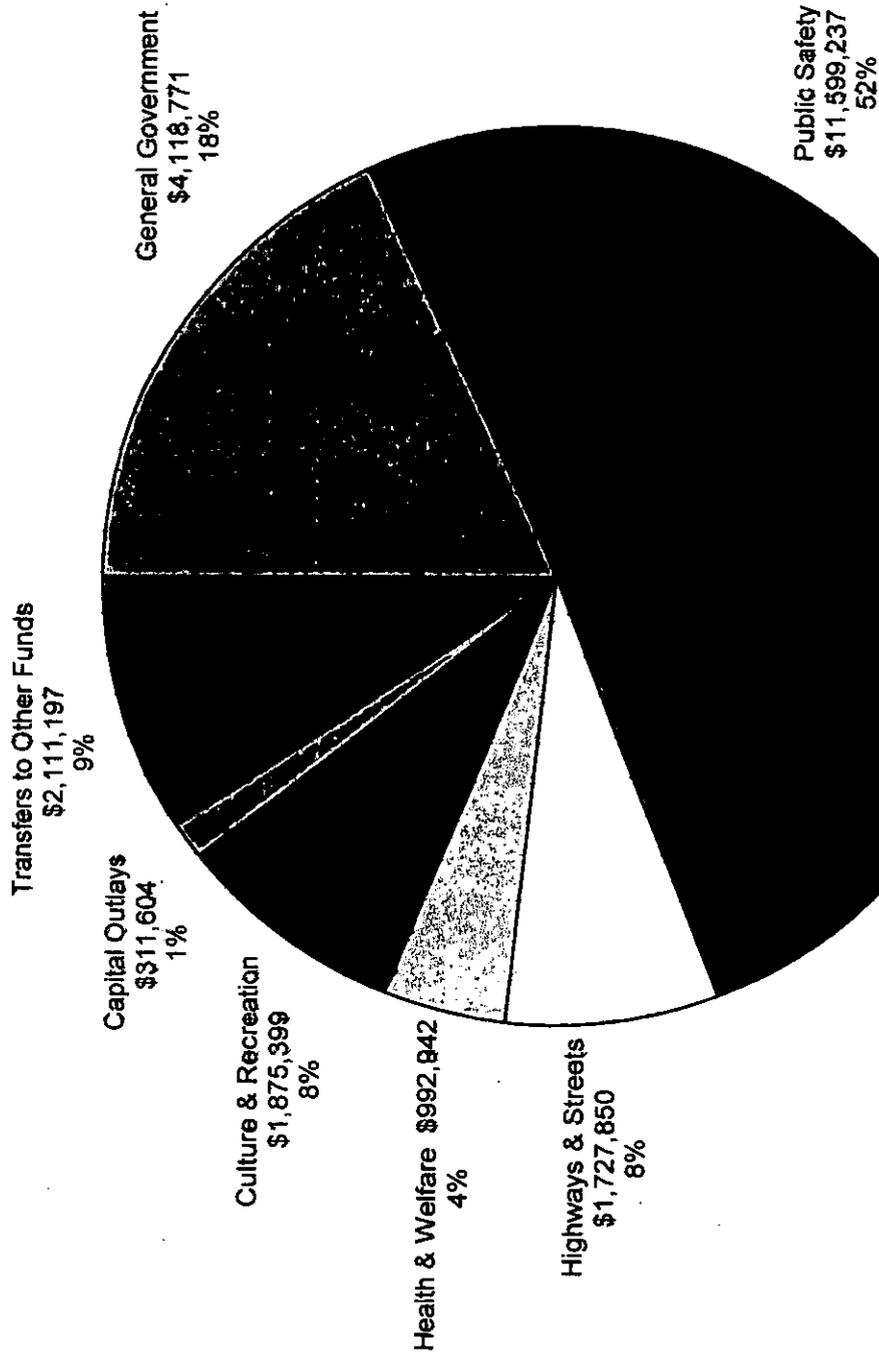
RANK	THIS YEAR	LAST YEAR	2005 SCHOOL		2006 SCHOOL		MILL LEVY INC/(DEC)	2005 TAXES ON \$100K RESIDENCE		2006 TAXES ON \$100K RESIDENCE		DOLLAR INC/(DEC)	0.0% INC/(DEC)
			MILLS		MILLS			\$100K RESIDENCE	\$100K RESIDENCE	\$100K RESIDENCE	\$100K RESIDENCE		
1		1	205.60	Dickinson	206.98	1.38	\$925.20	\$931.41	6.21	0.7%			
2		2	211.16	Minot	208.42	(2.74)	\$950.22	\$937.89	(12.33)	-1.3%			
3		4	226.32	Wahpeton	216.64	(9.68)	\$1,018.44	\$974.88	(43.56)	-4.3%			
4		5	230.11	Grand Forks	224.11	(6.00)	\$1,035.50	\$1,008.50	(27.00)	-2.6%			
5		3	223.32	Devils Lake	225.16	1.84	\$1,004.94	\$1,013.22	8.28	0.8%			
6		10	249.10	Mandan	236.56	(12.54)	\$1,120.95	\$1,064.52	(56.43)	-5.0%			
7		6	236.40	Jamestown	237.40	1.00	\$1,063.80	\$1,068.30	4.50	0.4%			
8		7	237.81	Valley City	241.11	3.30	\$1,070.15	\$1,085.00	14.85	1.4%			
9		8	243.00	Grafton	242.96	(0.05)	\$1,093.50	\$1,093.28	(0.23)	0.0%			
10		12	255.02	Bismarck	248.40	(6.62)	\$1,147.59	\$1,117.80	(29.79)	-2.6%			
11		9	248.47	Williston	248.41	(0.06)	\$1,118.12	\$1,117.85	(0.27)	0.0%			
12		11	254.02	West Fargo	254.00	(0.02)	\$1,143.09	\$1,143.00	(0.09)	0.0%			
13		13	318.62	Fargo	309.02	(9.60)	\$1,433.79	\$1,390.59	(43.20)	-3.0%			

**CITY OF BISMARCK, ND**  
**2005 ACTUAL GENERAL FUND REVENUES**



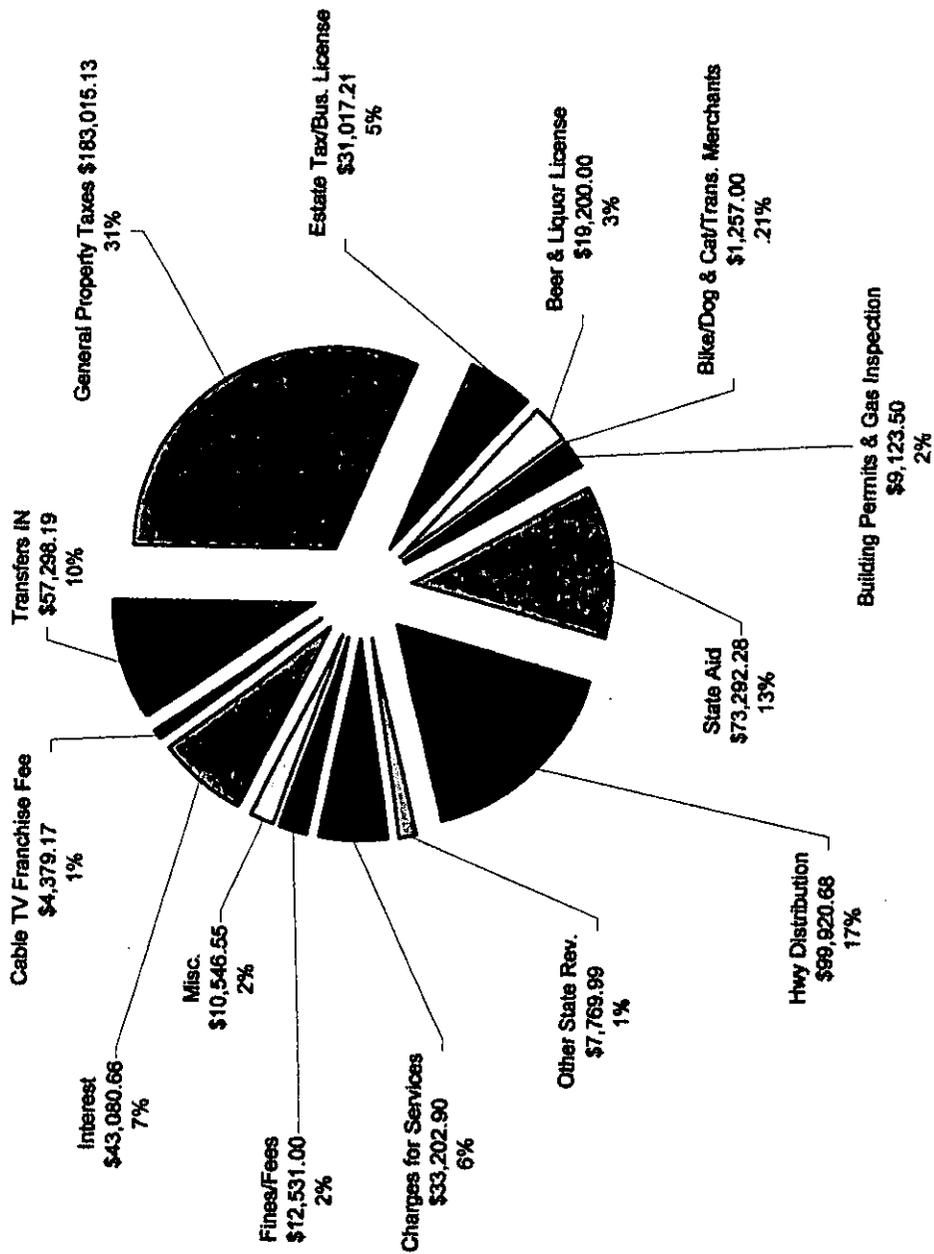
2005 General Fund Revenues total \$23,026,665

**CITY OF BISMARCK, ND**  
**GENERAL FUND EXPENDITURES BY FUNCTION - 2005 ACUTALS**



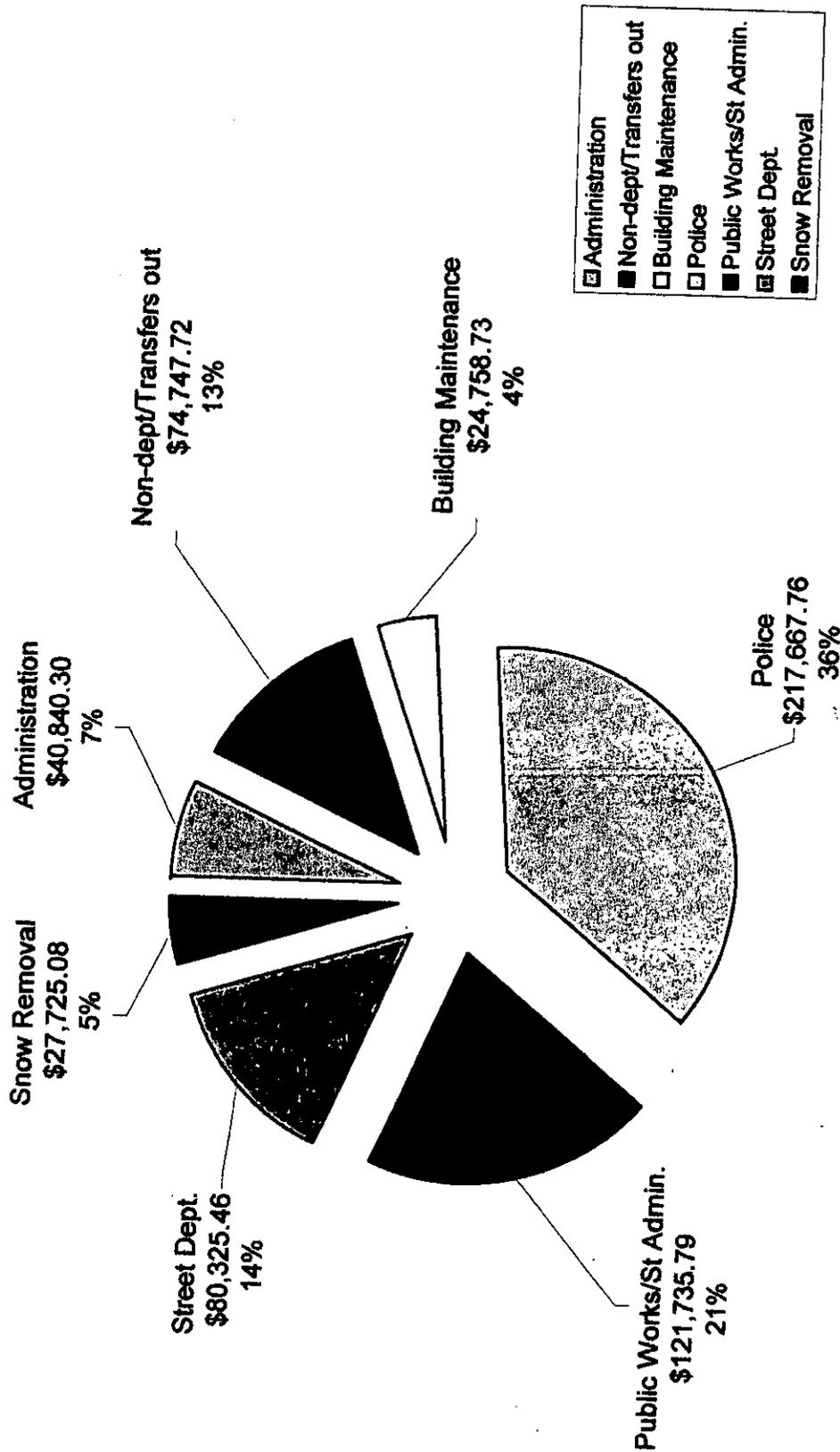
2005 General Fund Expenditures total \$22,737,000

# CITY OF CARRINGTON 2005 REVENUE



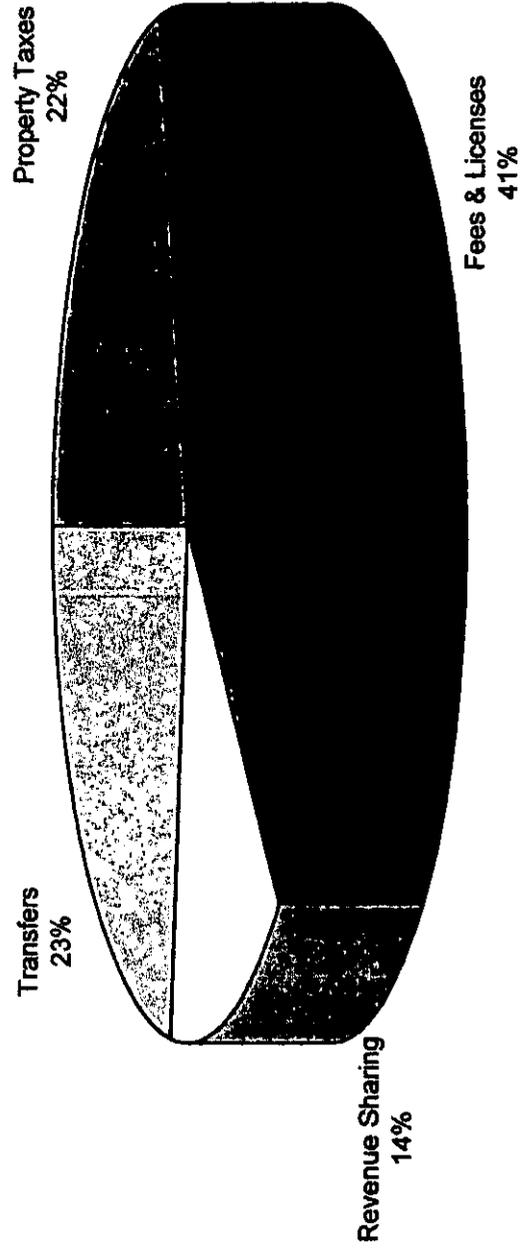
- General Property Taxes
- Estate Tax/Bus. License
- Beer & Liquor License
- Bike/Dog & Cat/Trans. Merchants
- Building Permits & Gas Inspection
- State Aid
- Hwy Distribution
- Other State Rev.
- Charges for Services
- Fines/Fees
- Misc.
- Interest
- Cable TV Franchise Fee
- Transfers IN

# CITY OF CARRINGTON 2005 EXPENDITURES

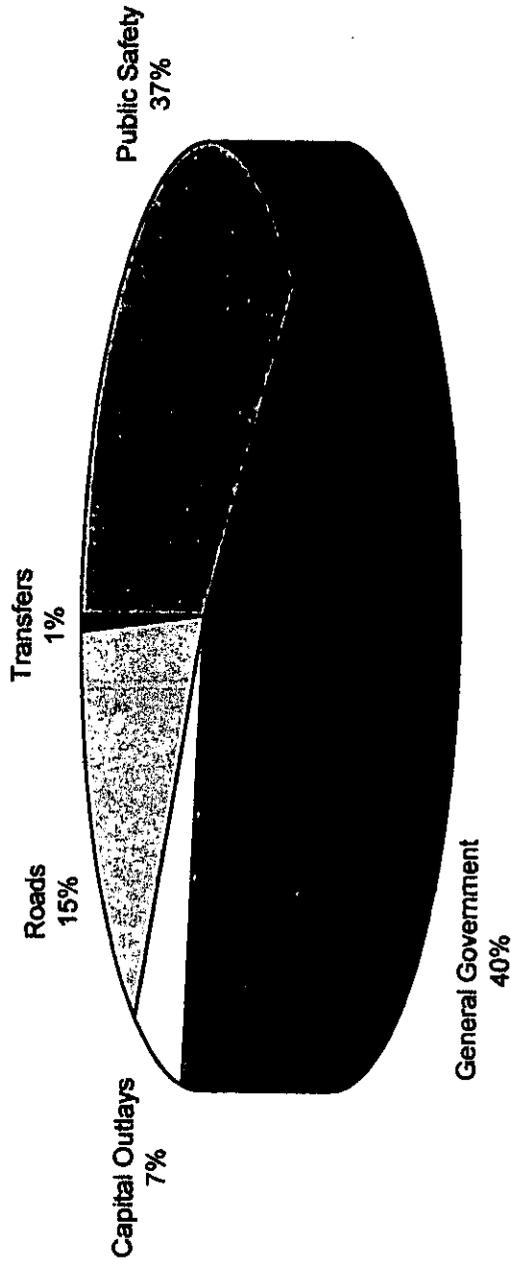


- ☐ Administration
- Non-dept/Transfers out
- Building Maintenance
- Police
- Public Works/St Admin.
- ☐ Street Dept.
- Snow Removal

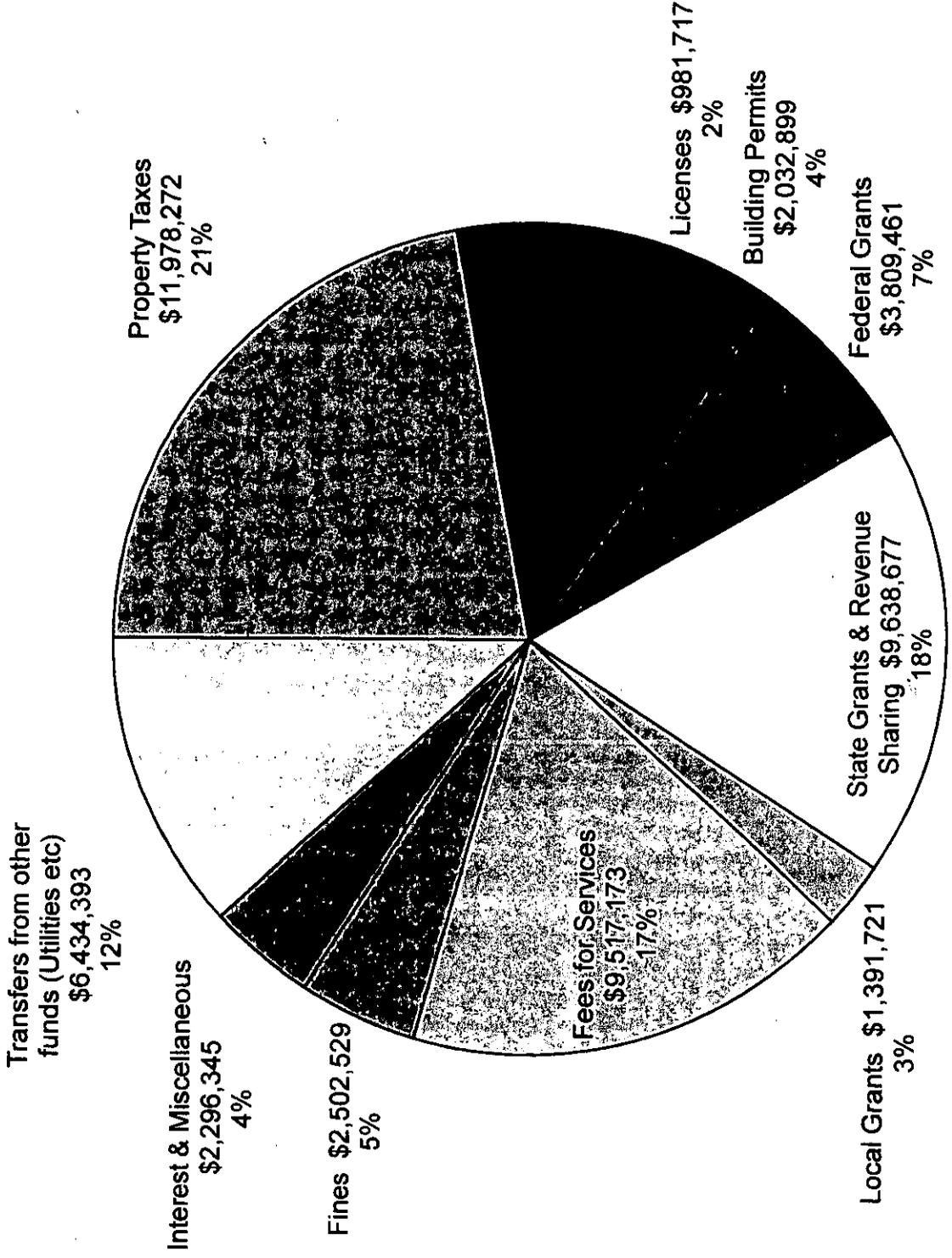
**City of Devils Lake  
Revenues**



# City of Devils Lake Expenditures

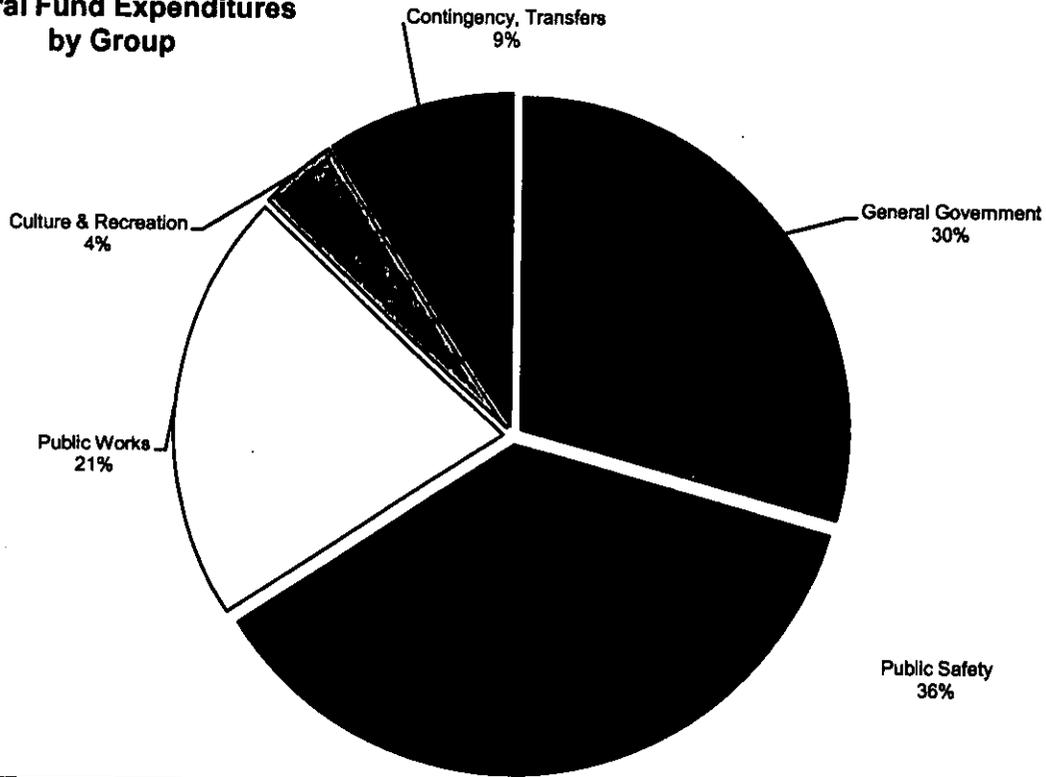


**CITY OF FARGO, ND  
2005 ACTUAL GENERAL FUND REVENUES**

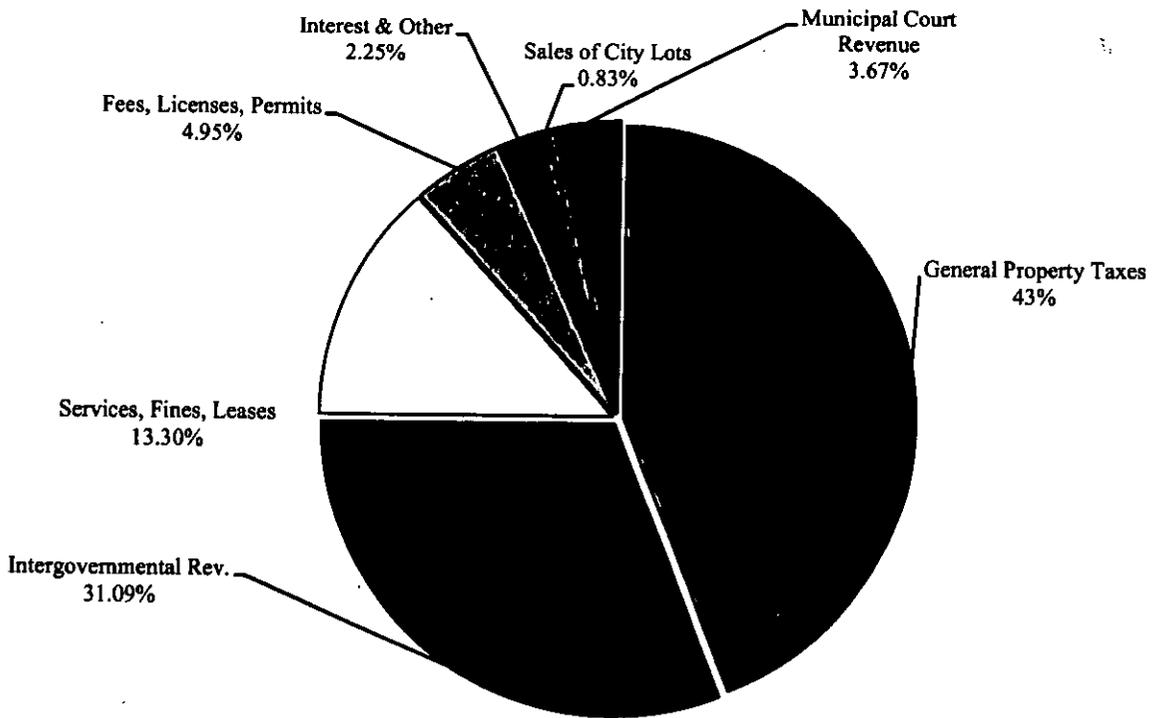


Dillonson

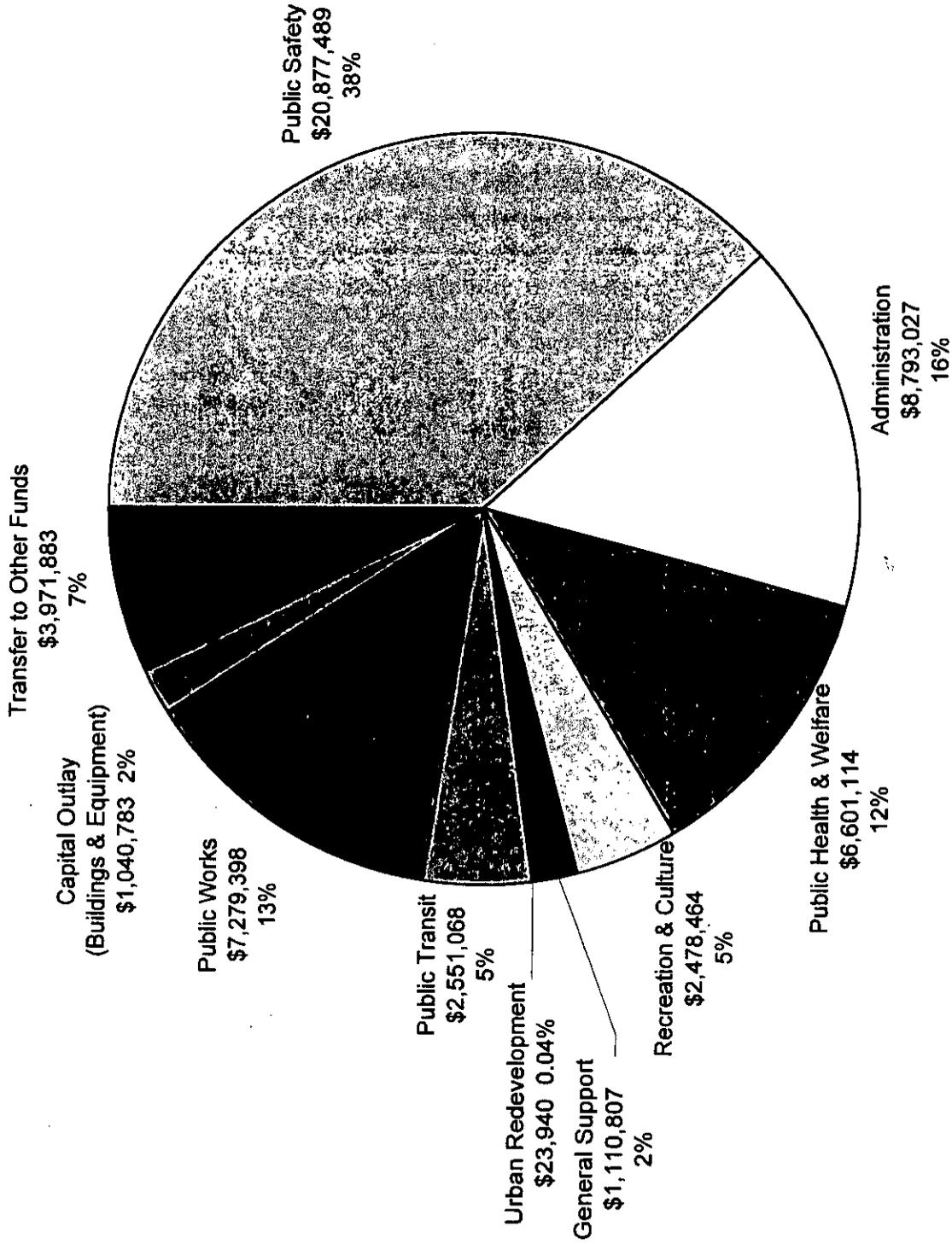
### General Fund Expenditures by Group



### General Fund Revenues

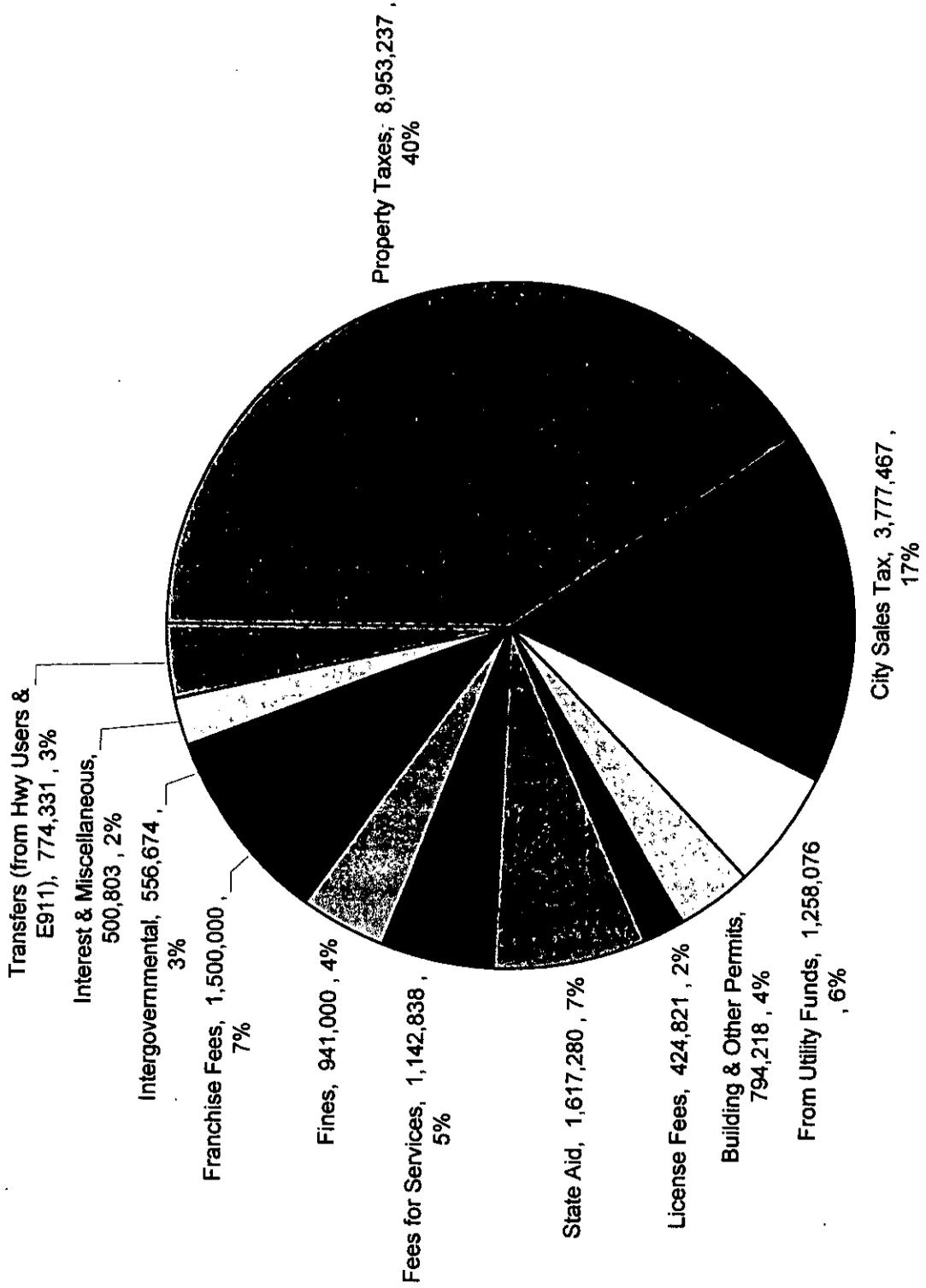


**CITY OF FARGO, ND  
GENERAL FUND EXPENDITURES BY FUNCTION - 2005 ACTUALS**

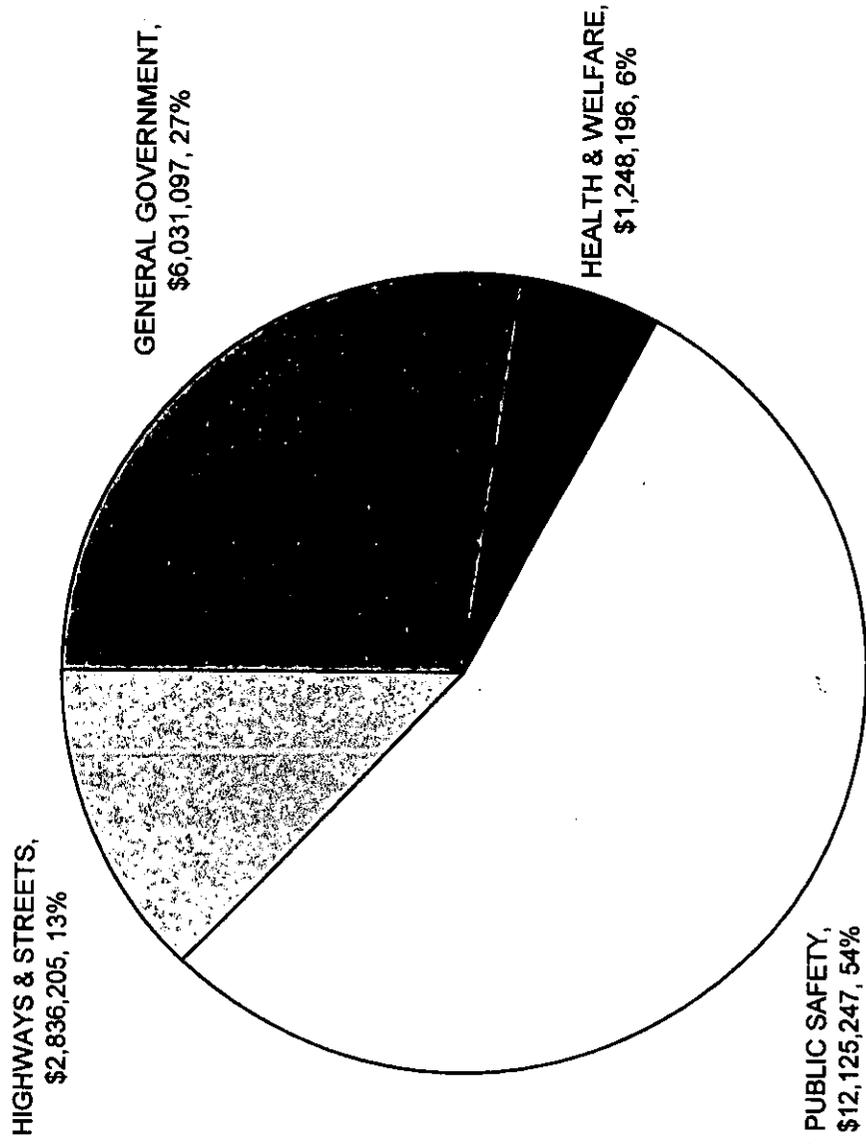


2005 General Fund Expenditures total \$54,727,973

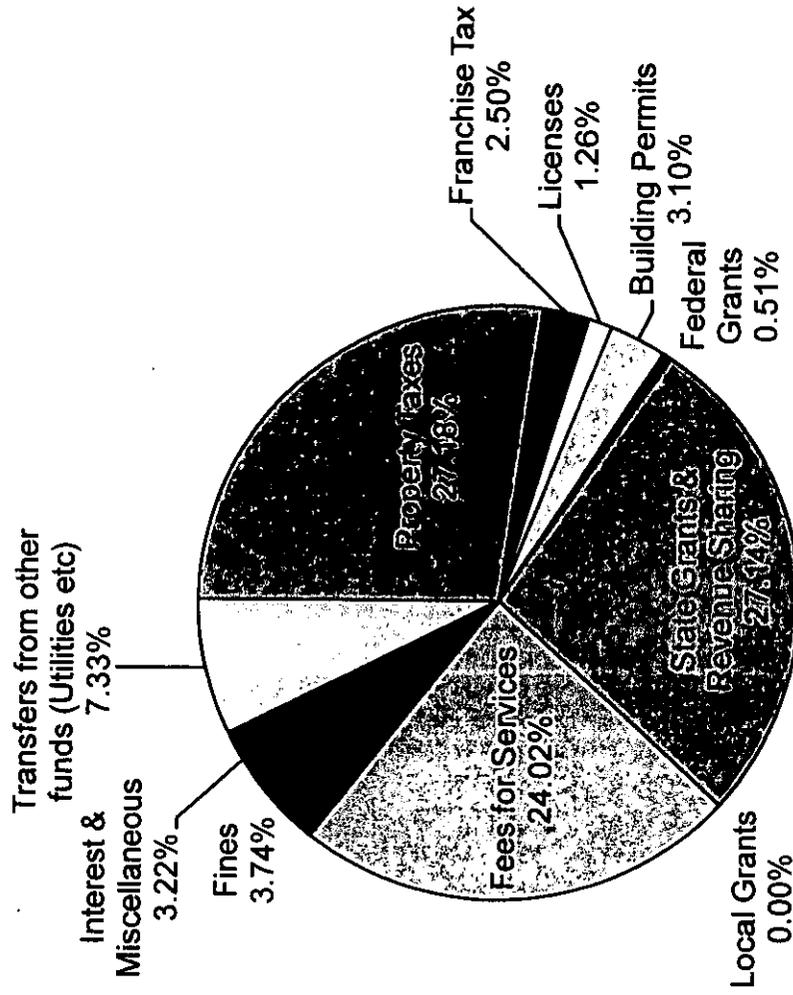
**City of Grand Forks, ND  
2006 Budgeted General Fund Revenue**



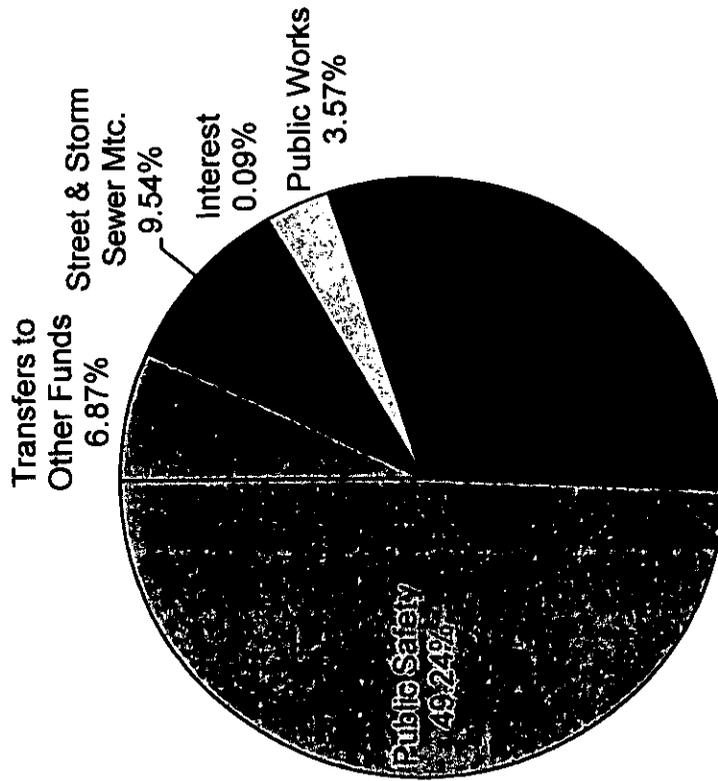
**City of Grand Forks, ND  
2006 Budgeted General Fund  
Expenditures**



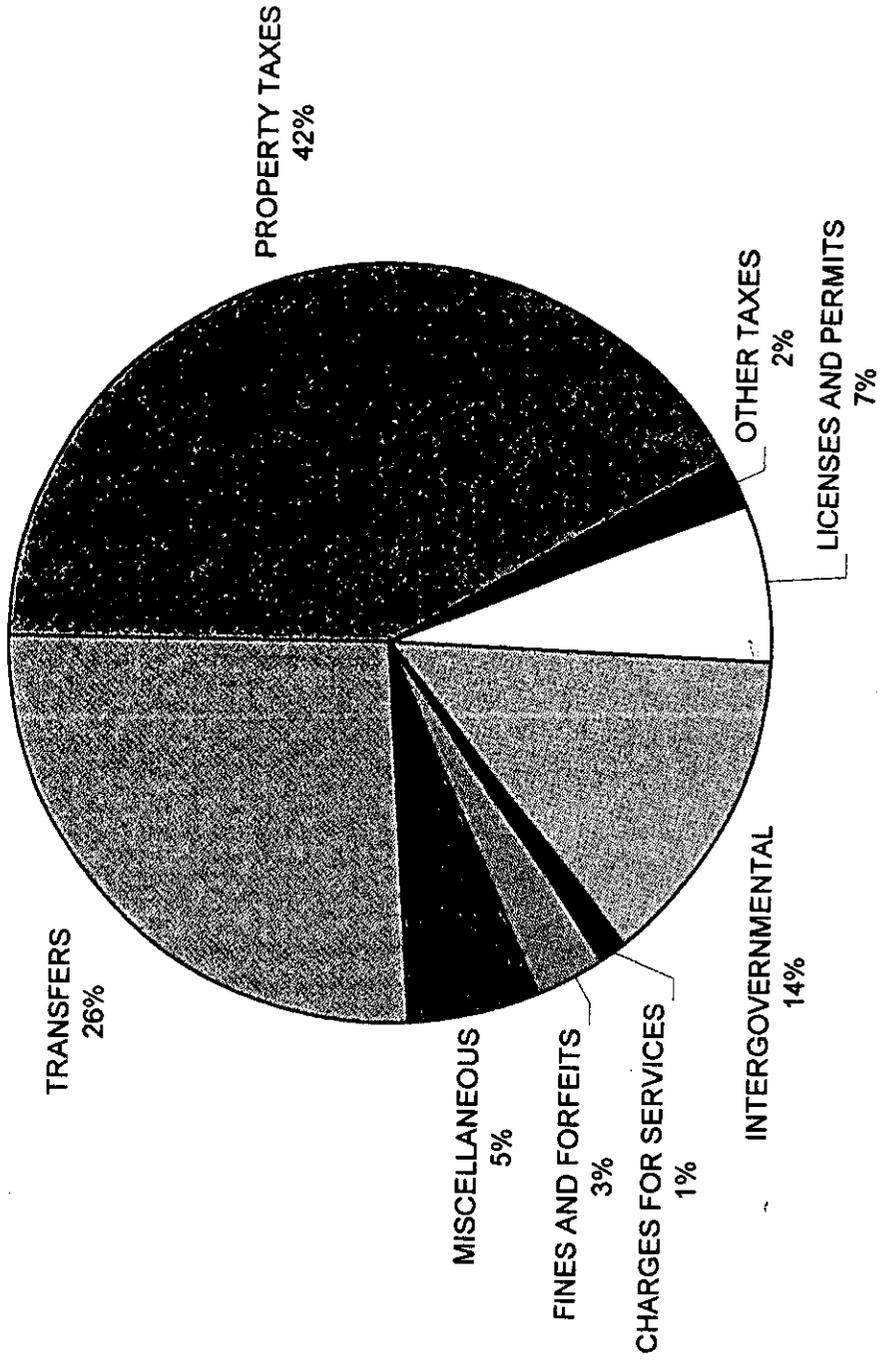
**CITY OF MINOT, ND**  
**2005 ACUTAL GENERAL FUND REVENUES**



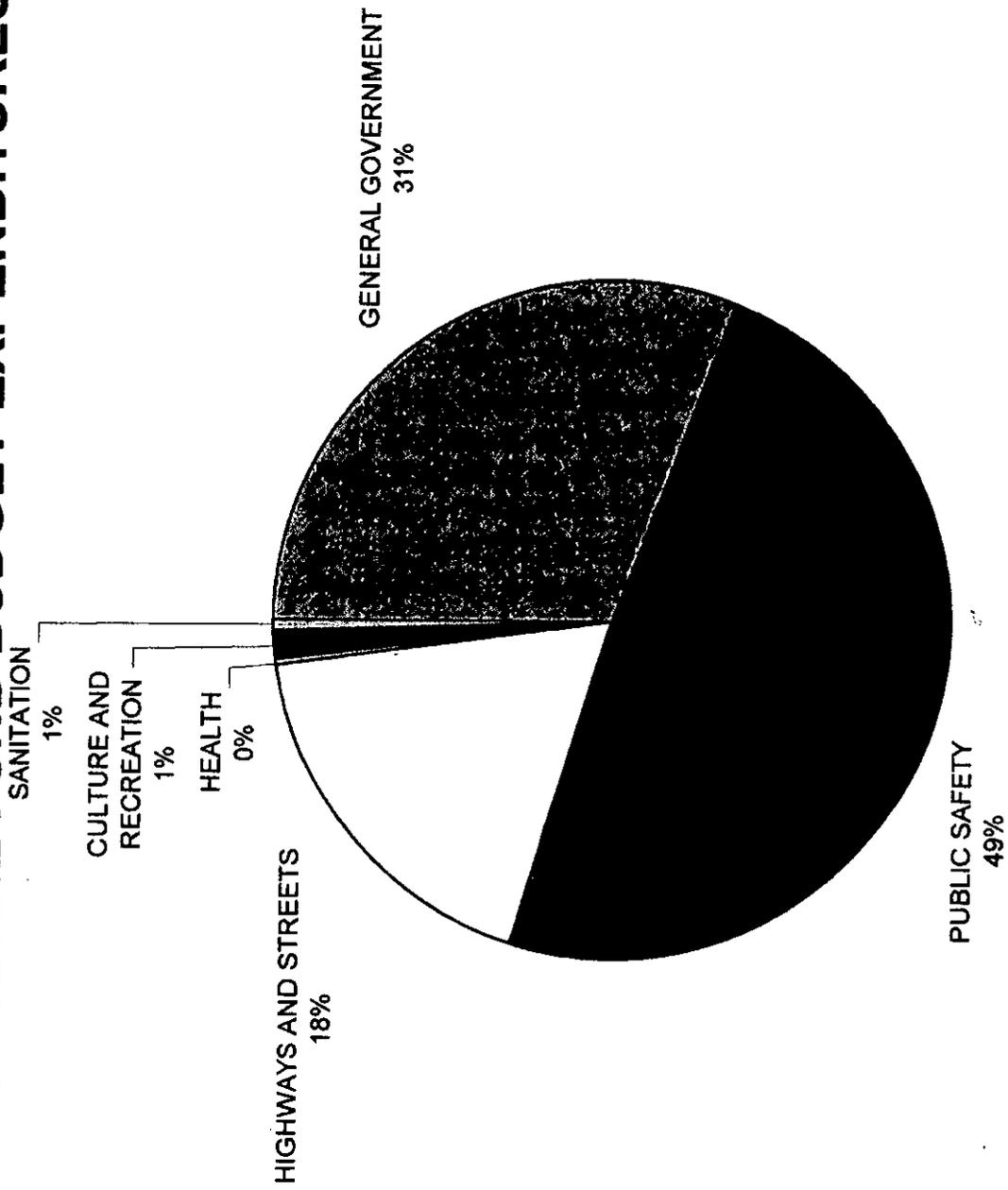
CITY OF MINOT, ND  
2005 ACUTAL GENERAL FUND EXPENDITURES BY FUNCTION

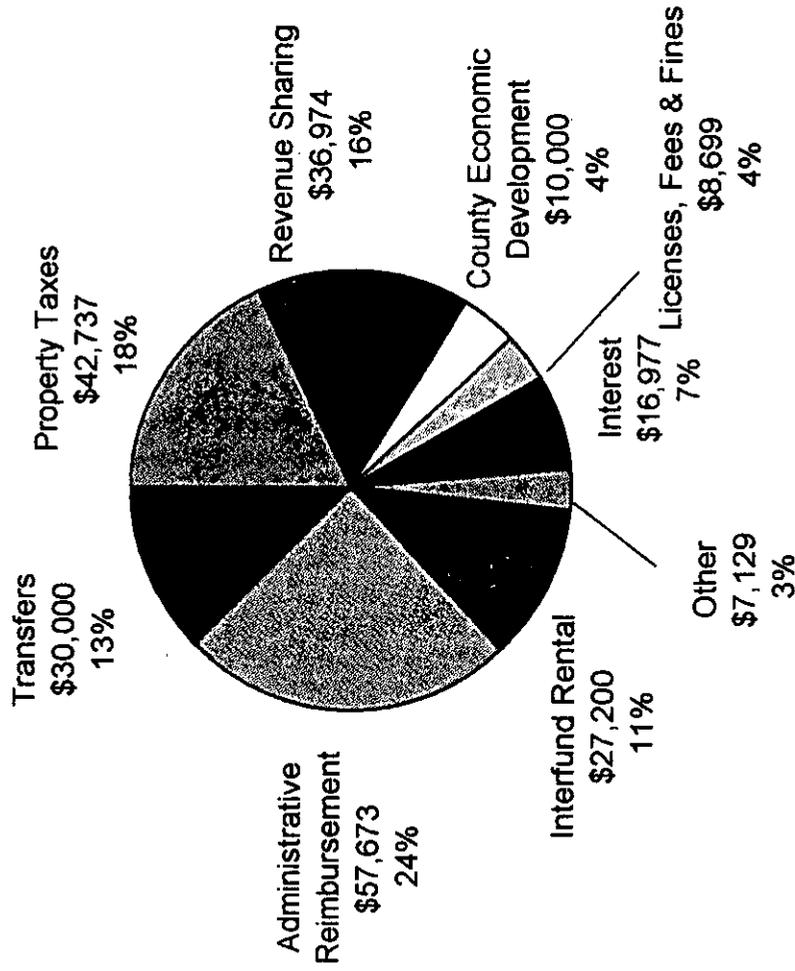


# CITY OF MANDAN 2005 GENERAL FUND BUDGET REVENUES



# CITY OF MANDAN 2005 GENERAL FUND BUDGET EXPENDITURES





■ Property Taxes

■ Revenue Sharing

□ County Economic Development

■ Licenses, Fees & Fines

■ Interest

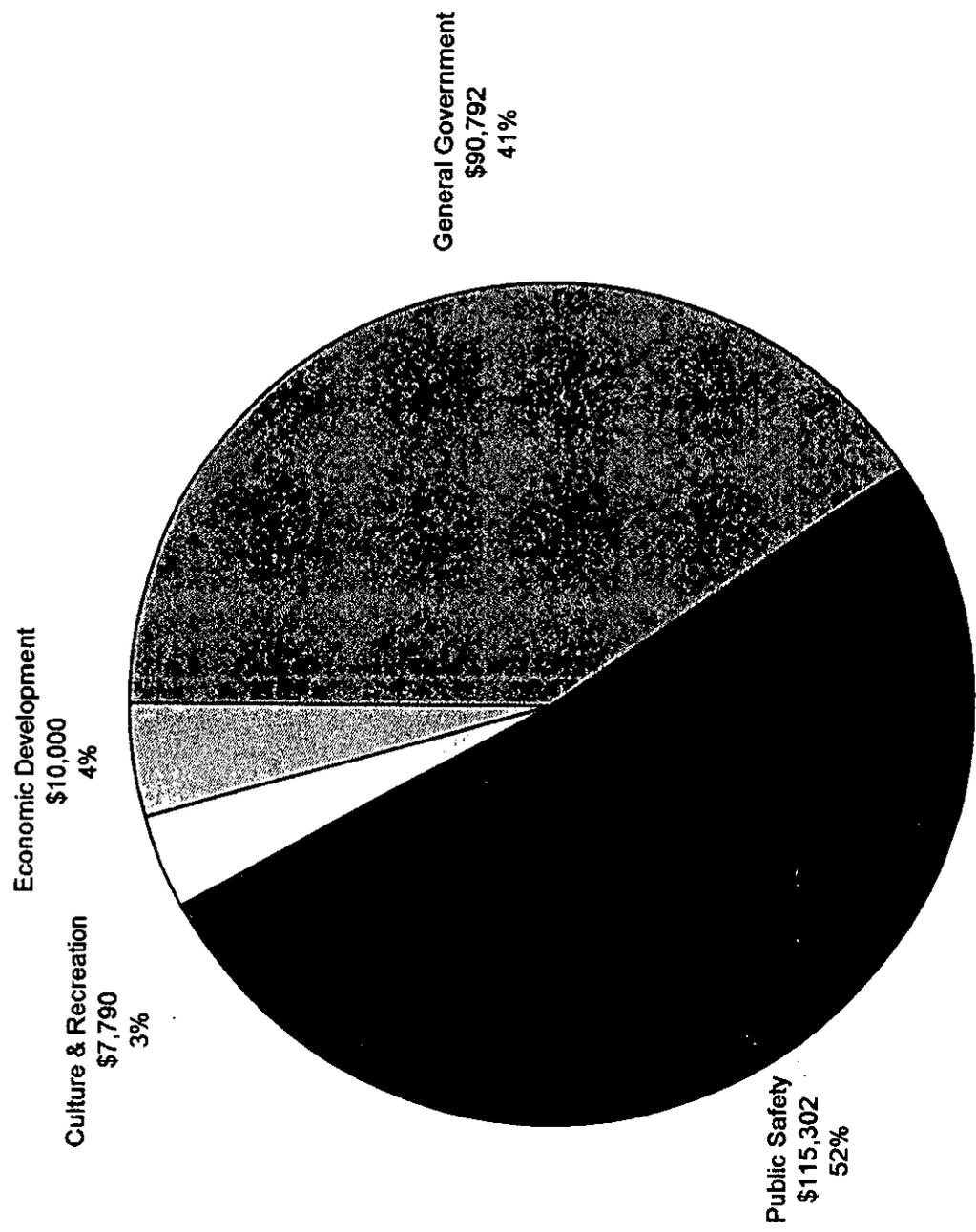
■ Other Revenue

■ Interfund Rental

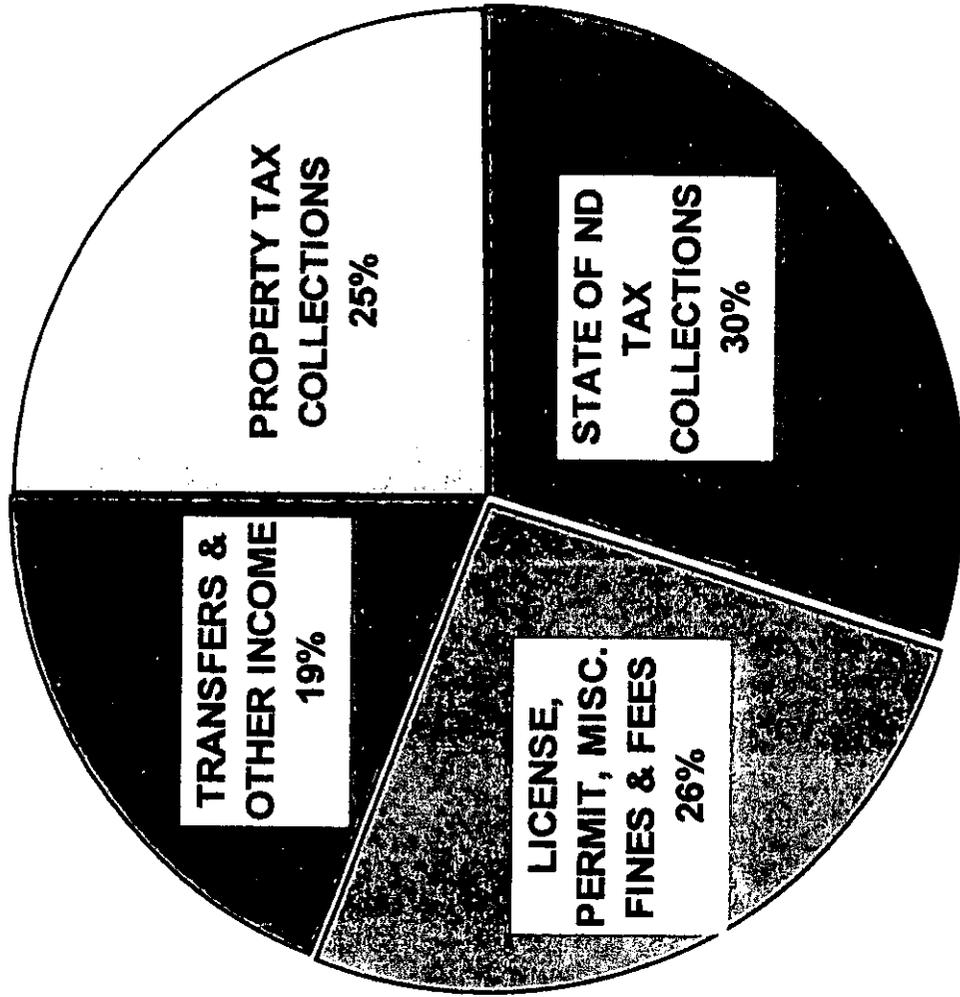
■ Administrative Reimbursement

■ Transfers from other funds

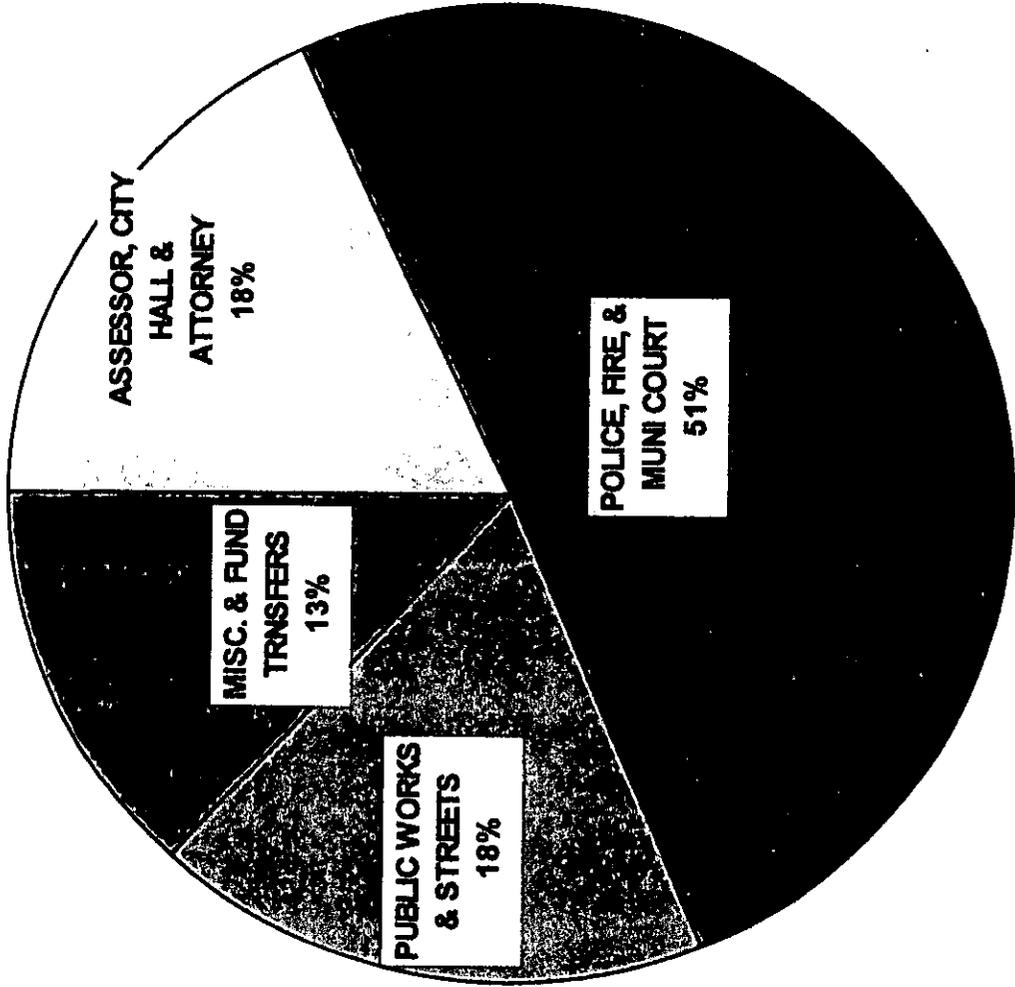
Northwood



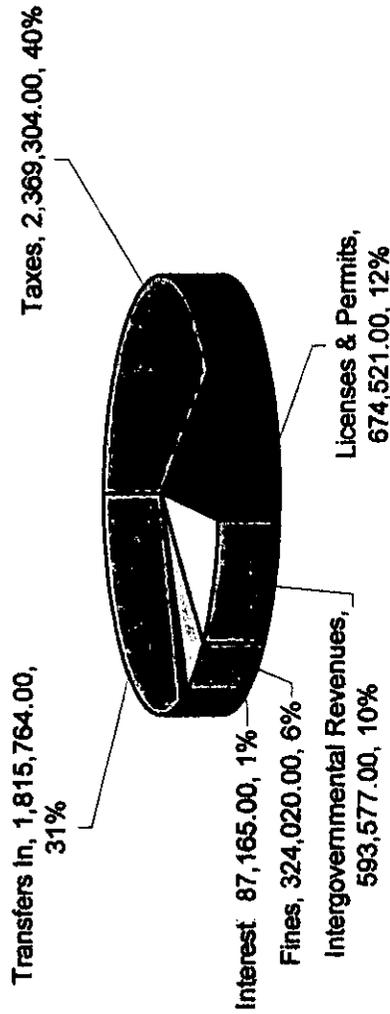
# Wahpeton General Fund Revenue 2007



# Wahpeton General Fund Expense 2007

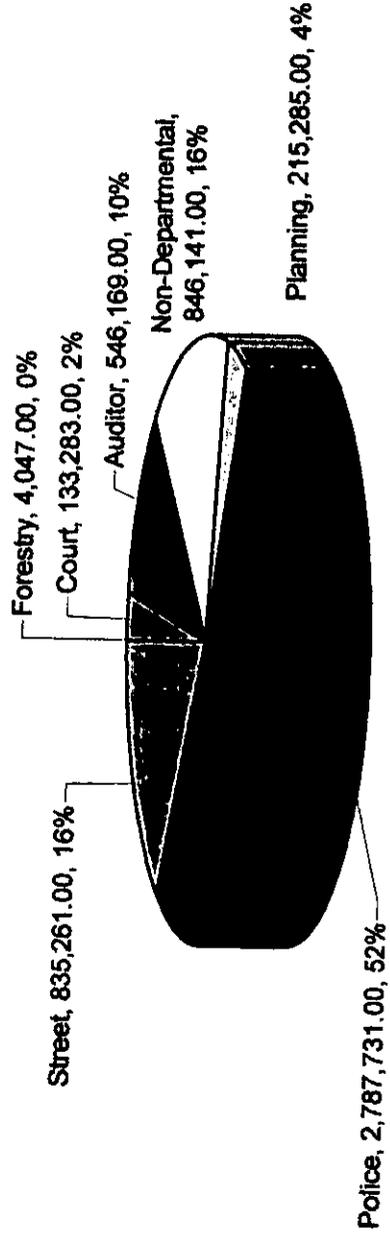


**CITY OF WEST FARGO  
GENERAL FUND REVENUES  
FOR THE YEAR ENDED 12-31-2005**



- Taxes
- Licenses & Permits
- Intergovernmental Revenues
- Fines
- Interest
- Transfers In

**CITY OF WEST FARGO  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED 12-31-2005**



- Court
- Auditor
- Non-Departmental
- Planning
- Police
- Street
- Forestry

# 2006 TAXABLE VALUATION AND TAX LEVIES IN NORTH DAKOTA CITIES

## January, 2007

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Cities levying 200 mills+	2	2	2	3	2
Cities levying 150-199 mills	15	15	15	15	17
Cities levying 100-149 mills	84	89	91	88	95
Cities levying 90-99 mills	29	27	26	25	19
Cities levying 80-89 mills	27	32	32	24	30
Cities levying 70-79 mills	34	30	30	32	29
Cities levying 60-69 mills	31	33	36	46	45
Cities levying 50-59 mills	36	34	31	28	25
Cities levying 40-49 mills	37	42	41	47	50
Cities levying 30-39 mills	36	27	30	25	22
Cities levying 20-29 mills	4	8	3	4	4
Cities levying 10-19 mills	4	1	2	2	4
Cities levying under 10 mills	5	5	4	5	4
Cities with no levy	13	12	14	13	12
Total number of Cities	<u>357</u>	<u>357</u>	<u>357</u>	<u>357</u>	<u>358</u>

	<u>High</u>	<u>Average</u>	<u>Low</u>
County Levy	175.53	104.36	47.55
School Levy	309.02	187.74	34.02
City Levy	210.21	78.41	none
Park District	58.22	10.52	none

**NORTH DAKOTA LEAGUE OF CITIES**  
 410 E. FRONT AVE.  
 BISMARCK, NORTH DAKOTA 58504  
[www.ndlc.org](http://www.ndlc.org)

2006 Taxable Valuations

City	Taxable Valuation	State/County	School	City	Park	Other*	Total Levies
ADAMS CO.	\$ 7,507,345						
Bucyrus	\$ 20,785	151.55	196.40	-	-	5.00	352.95
Haynes	\$ 17,262	151.55	196.40	87.32	-	4.14	439.41
Hettinger	\$ 1,484,297	151.55	196.40	67.92	32.15	4.14	452.16
Reeder	\$ 157,094	151.55	147.47	82.76	14.48	5.00	401.26
BARNES CO.	\$ 37,449,678						
Dazey	\$ 54,049	112.53	172.40	26.49	-	5.00	316.42
Fingal	\$ 96,775	112.53	175.81	62.46	4.87	4.88	360.55
Kathryn	\$ 59,550	112.53	241.11	44.75	2.52	5.00	405.91
Leal	\$ 47,876	112.53	172.40	38.69	-	5.03	328.65
Litchville	\$ 124,403	111.53	150.48	52.96	7.62	-	322.59
Nome	\$ 25,757	111.53	226.41	49.24	4.21	5.00	396.39
Oriska	\$ 108,571	112.53	175.81	42.61	-	-	330.95
Pillsbury	\$ 31,721	111.53	192.17	73.78	-	6.48	383.96
Rogers	\$ 181,433	112.53	172.40	43.94	-	-	328.87
Sanborn	\$ 169,190	112.53	172.40	85.65	3.55	7.22	381.35
Sibley	\$ 90,162	112.53	172.40	38.00	-	-	322.93
Tower City**	\$ 18,744	112.53	175.81	39.00	-	-	327.34
Valley City	\$ 9,436,204	109.53	241.11	102.47	39.48	-	492.59
Wimbledon	\$ 314,150	110.48	181.09	80.29	-	5.00	376.86
BENSON CO.	\$ 13,794,209						
Brinsmade	\$ 12,720	114.40	171.39	-	-	-	285.79
Esmond	\$ 119,094	114.40	186.75	78.16	7.61	3.34	390.26
Knox	\$ 25,896	114.40	193.52	57.97	-	5.00	370.89
Leeds	\$ 448,752	113.40	171.39	98.26	14.37	5.00	402.42
Maddock	\$ 419,195	113.40	186.75	88.33	14.24	2.08	404.80
Minnewaukan	\$ 227,575	114.40	188.93	93.79	15.66	-	412.78
Oberon	\$ 62,715	114.40	162.79	54.08	8.02	-	339.29
Warwick	\$ 37,992	114.40	149.16	135.22	-	6.68	405.46
York	\$ 41,722	114.40	171.39	66.56	6.24	5.00	363.59
BILLINGS CO.	\$ 5,143,741						
Medora	\$ 635,764	71.24	34.02	37.75	-	-	143.01
BOTTINEAU CO.	\$ 25,974,500						
Antler	\$ 31,164	100.78	157.42	87.08	1.00	7.22	353.50
Bottineau	\$ 2,632,514	100.78	169.49	120.10	26.67	9.80	426.84
Gardena	\$ 15,695	100.78	169.49	-	1.00	15.66	286.93
Kramer	\$ 63,847	100.78	162.26	93.69	1.00	10.41	368.14
Landa	\$ 22,744	100.78	177.70	57.81	1.00	6.46	343.75
Lansford	\$ 247,648	100.78	157.42	55.30	3.97	9.22	326.69
Maxbass	\$ 45,498	100.78	162.26	40.00	4.00	9.22	316.26
Newburg	\$ 171,161	100.78	162.26	56.09	1.00	9.08	329.21
Overly	\$ 32,871	100.78	169.49	-	1.00	9.15	280.42
Souris	\$ 43,968	100.78	169.49	129.45	4.00	14.41	418.13
Westhope	\$ 334,427	100.78	177.70	91.11	18.69	11.36	399.64
Willow City	\$ 137,858	100.78	158.51	147.18	4.00	9.15	419.62
BOWMAN CO.	\$ 9,984,978						
Bowman	\$ 2,116,348	68.03	161.63	87.04	27.70	6.94	351.34
Gascoyne	\$ 29,301	68.03	147.47	37.99	-	5.00	258.49
Rhame	\$ 185,694	68.03	161.63	59.31	12.98	5.00	306.95
Scranton	\$ 543,816	68.03	147.47	51.20	6.12	5.00	277.82
BURKE CO.	\$ 8,674,873						
Bowbells	\$ 458,749	89.61	176.11	72.00	16.28	5.00	359.00
Columbus	\$ 81,456	89.61	179.20	76.11	35.32	5.00	385.24

2006 Taxable Valuations

City	Taxable Valuation	State/County	School	City	Park	Other*	Total Levies
Flaxton	\$ 47,677	89.61	179.20	93.22	-	9.07	371.10
Larson	dissolved, 6/2003						
Lignite	\$ 146,978	89.61	179.20	65.13	12.51	10.00	356.45
Portal	\$ 139,699	89.61	179.20	78.53	3.58	5.00	355.92
Powers Lake	\$ 243,086	89.61	193.95	58.40	26.74	4.47	373.17
<b>BURLEIGH CO.</b>							
Bismarck	\$ 149,966,086	58.17	248.40	94.37	39.46	-	440.40
Lincoln	\$ 2,774,602	58.17	248.40	74.01	8.29	19.90	408.77
Regan	\$ 31,422	58.17	164.48	90.06	-	22.02	334.73
Wilton**	\$ 186,510	58.17	164.48	61.12	15.88	21.33	320.98
Wing	\$ 91,290	58.17	148.87	119.72	-	11.68	338.44
<b>CASS CO.</b>							
Alice	\$ 56,833	62.00	226.41	64.00	-	15.26	367.67
Amenia	\$ 181,989	62.00	195.99	38.00	-	10.26	306.25
Argusville	\$ 380,358	62.00	222.91	38.69	14.11	15.59	353.30
Arthur	\$ 491,361	62.00	222.91	54.60	9.00	14.26	362.77
Ayr	\$ 63,750	62.00	176.88	39.22	-	15.26	293.36
Briarwood	\$ 471,815	62.00	309.02	19.08	5.66	14.03	409.79
Buffalo	\$ 338,205	62.00	175.81	85.43	13.45	14.76	351.45
Casselton	\$ 4,225,274	62.00	195.99	77.94	26.03	9.76	371.72
Davenport	\$ 405,465	62.00	199.32	34.92	7.25	14.76	318.25
Enderlin**	\$ 2,974	62.00	226.41	210.21	16.14	17.82	532.58
Fargo	\$ 268,544,513	62.00	309.02	57.25	32.07	6.91	467.25
Frontier	\$ 737,604	62.00	309.02	10.85	-	14.53	396.40
Gardner	\$ 166,725	62.00	222.91	38.00	10.87	14.76	348.54
Grandin**	\$ 366,001	62.00	222.91	44.77	3.45	14.76	347.89
Harwood	\$ 1,508,274	62.00	254.02	71.96	6.54	9.76	404.28
Horace	\$ 4,695,825	62.00	254.02	71.96	6.54	9.76	404.28
Hunter	\$ 560	62.00	222.91	98.60	6.98	14.61	405.10
Kindred	\$ 1,106,647	62.00	199.32	63.32	21.00	14.76	360.40
Leonard	\$ 314,847	62.00	199.32	27.28	3.97	16.21	308.78
Mapleton	\$ 1,231,694	62.00	252.74	60.39	14.48	9.76	399.37
North River	\$ 188,054	62.00	309.02	37.46	-	9.76	418.24
Oxbow	\$ 1,429,597	62.00	199.32	41.72	7.70	14.03	324.77
Page	\$ 241,827	62.00	176.88	79.72	12.38	14.76	345.74
Prairie Rose	\$ 168,451	62.00	309.02	37.46	-	9.76	418.24
Reile's Acres	\$ 1,140,648	62.00	254.02	43.57	-	9.76	369.35
Tower City**	\$ 364,570	62.00	175.81	39.00	-	12.25	289.06
West Fargo	\$ 55,387,303	62.00	254.02	88.69	36.02	9.26	449.99
<b>CAVALIER CO.</b>							
Alsen	\$ 396,062	120.35	156.83	38.00	-		315.18
Calio	\$ 118,020	120.35	156.83	38.00	-	3.00	318.18
Calvin	\$ 52,300	120.35	156.83	71.00	0.96	2.30	351.44
Hannah	\$ 38,246	120.35	160.03	72.16	-	3.00	355.54
Hove Mobile Park	dissolved, 7/2002						
Langdon	\$ 2,669,266	120.35	160.03	118.47	24.64	2.03	425.52
Loma	\$ 313,580	120.35	160.03	8.46	-	1.00	289.84
Milton	\$ 258,298	120.35	160.03	36.78	4.70	-	321.86
Munich	\$ 250,481	120.35	156.83	56.00	15.00	3.00	351.18
Nekoma	\$ 163,509	120.35	160.03	50.00	-	3.70	334.08
Osnabrock	\$ 136,907	120.35	160.03	58.45	-	-	338.83
Sarles**	\$ 60,334	120.35	156.82	69.00	8.12	5.00	359.29
Wales	\$ 34,798	120.35	160.03	83.28	8.84	-	372.50
<b>DICKEY CO.</b>							
Ellendale	\$ 984,153	125.39	207.17	177.11	-	3.00	512.67

2006 Taxable Valuations

City	Taxable Valuation	State/County	School	City	Park	Other*	Total Levies
Forbes	\$ 39,627	125.39	207.17	99.20	-	2.00	433.76
Fullerton	\$ 110,829	125.39	207.17	130.06	-	-	462.62
Ludden	\$ 33,533	125.39	201.76	50.53	-	2.00	379.68
Monango	\$ 16,955	125.39	207.17	208.38	-	5.00	545.94
Oakes	\$ 2,764,114	125.39	201.76	98.08	-	-	425.23
DIVIDE CO.							
	\$ 3,068,247						
Ambrose	\$ 29,079	99.72	145.36	43.00	-	8.27	296.35
Crosby	\$ 1,011,825	99.05	145.36	106.57	37.10	8.27	396.35
Fortuna	\$ 45,522	99.72	145.36	44.58	-	12.35	302.01
Noonan	\$ 81,309	99.72	145.36	108.79	23.67	8.27	385.81
DUNN CO.							
	\$ 12,876,596						
Dodge	\$ 60,491	104.63	204.96	43.46	-	5.00	358.05
Dunn Center	\$ 73,188	104.63	168.78	71.05	6.83	9.00	360.29
Halliday	\$ 181,126	104.63	181.31	80.05	5.25	5.00	376.24
Killdeer	\$ 668,683	104.64	168.78	194.27	27.43	8.21	503.33
EDDY CO.							
	\$ 6,503,775						
New Rockford	\$ 1,185,334	176.53	180.00	105.70	41.04	-	503.27
Sheyenne	\$ 147,320	176.53	180.00	139.78	34.39	-	530.70
EMMONS CO.							
	\$ 14,303,609						
Braddock	\$ 21,902	101.32	184.66	91.06	4.57	4.94	386.55
Hague	\$ 46,932	101.32	142.50	44.09	3.20	10.00	301.11
Hazelton	\$ 206,173	101.32	184.66	127.99	4.00	5.00	422.97
Linton	\$ 1,183,145	101.32	171.43	106.52	22.70	5.11	407.08
Strasburg	\$ 432,453	101.32	142.50	117.34	11.32	5.16	377.64
FOSTER CO.							
	\$ 12,888,340						
Carrington	\$ 2,932,001	101.57	165.02	130.02	33.27	-	429.88
Glenfield	\$ 64,989	102.57	185.00	76.76	-	3.00	367.33
Grace City	\$ 95,699	102.57	185.00	70.19	20.06	-	377.82
McHenry	\$ 32,768	102.57	185.00	113.72	-	-	401.29
GOLDEN VALLEY							
	\$ 5,597,101						
Beach	\$ 1,038,887	104.21	145.42	99.75	28.43	3.00	380.81
Golva	\$ 64,152	104.21	215.74	64.86	7.53	10.50	402.84
Sentinel Butte	\$ 45,173	104.21	145.42	39.10	5.25	9.83	303.81
GRAND FORKS							
	\$ 161,756,077						
Emerado	\$ 386,091	107.03	285.85	69.31	9.67	-	471.86
Gilby	\$ 268,627	110.90	205.97	3.52	-	5.00	325.39
Grand Forks	\$ 121,056,846	101.45	224.11	115.55	42.36	-	483.47
Inkster	\$ 52,988	110.90	205.97	45.28	-	5.00	367.15
Larimore	\$ 1,497,987	107.03	207.88	132.44	21.50	-	468.85
Manvel	\$ 621,327	110.90	190.49	39.00	8.90	5.00	354.29
Niagara	\$ 61,124	110.90	189.69	69.93	-	4.82	375.34
Northwood	\$ 1,393,207	107.03	229.70	77.09	31.31	5.00	450.13
Reynolds**	\$ 172,212	110.90	177.17	49.03	4.88	5.00	346.98
Thompson	\$ 2,039,755	110.90	198.46	47.57	9.04	5.00	370.97
GRANT CO.							
	\$ 8,921,504						
Carson	\$ 235,019	115.98	177.07	125.04	9.76	5.68	433.53
Elgin	\$ 475,641	115.80	188.24	145.04	31.93	6.63	487.64
Leith	\$ 15,768	120.82	192.14	-	-	6.13	319.09
New Leipzig	\$ 215,935	115.98	188.24	114.90	6.15	5.00	430.27

2006 Taxable Valuations

City	Taxable Valuation	State/County	School	City	Park	Other*	Total Levies
GRIGGS CO.	\$ 9,365,897						
Binford	\$ 130,323	135.29	185.00	75.29	6.09	2.00	403.67
Cooperstown	\$ 1,177,140	135.29	230.66	135.59	24.30	-	525.84
Hannaford	\$ 108,186	135.29	230.66	64.91	7.15	-	438.01
HETTINGER CO.	\$ 9,812,881						
Mott	\$ 558,730	128.14	154.25	181.94	53.21	5.00	522.54
New England	\$ 435,531	128.14	175.55	158.32	51.97	-	513.98
Regent	\$ 155,887	128.14	154.25	139.47	36.20	5.00	463.06
KIDDER CO.	\$ 10,223,053						
Dawson	\$ 72,633	107.92	201.25	44.62	4.00	4.00	361.79
Pettibone	\$ 44,342	107.92	187.48	44.13	-	2.00	341.53
Robinson	\$ 53,548	107.92	223.28	81.04	-	5.00	417.24
Steele	\$ 887,368	107.92	201.25	61.50	35.00	18.77	424.44
Tappen	\$ 135,161	107.92	201.12	61.76	-	29.50	400.30
Tuttle	\$ 92,234	107.92	171.40	80.99	-	5.00	365.31
LAMOURE CO.	\$ 18,657,111						
Berlin	\$ 51,229	103.78	187.62	38.00	-	-	329.40
Dickey	\$ 28,578	102.83	150.48	50.09	6.30	-	309.70
Edgeley	\$ 749,787	100.83	187.62	95.45	24.49	-	408.39
Jud	\$ 53,755	102.83	179.73	80.39	15.00	5.00	382.95
Kulm	\$ 480,973	100.83	179.73	140.75	22.15	-	443.46
LaMoure	\$ 954,546	100.83	158.21	178.76	30.52	-	468.32
Marion	\$ 146,706	102.83	150.48	60.35	9.70	-	323.36
Verona	\$ 57,833	103.83	145.01	147.22	-	-	396.06
LOGAN CO.	\$ 7,120,074						
Fredonia	\$ 52,317	110.71	179.73	107.03	-	3.98	401.45
Gackle	\$ 266,919	110.71	142.37	140.16	23.29	5.77	422.30
Lehr**	\$ 23,007	110.71	155.27	78.36	-	-	344.34
Napoleon	\$ 752,382	110.71	176.01	109.80	25.78	4.32	426.62
MCHENRY CO.	\$ 22,827,004						
Anamoose	\$ 223,901	82.13	193.13	48.24	10.93	4.32	338.75
Balfour	\$ 22,188	82.13	174.79	40.12	-	4.32	301.36
Bantry	\$ 4,505	82.13	158.51	-	-	7.37	248.01
Bergen	\$ 19,142	82.13	162.61	57.00	-	5.81	307.55
Deering	\$ 81,883	82.13	176.91	37.93	-	7.37	304.34
Drake	\$ 254,456	82.13	174.79	79.78	11.03	11.44	359.17
Granville	\$ 166,887	82.13	158.51	99.76	-	6.32	346.72
Karlsruhe	\$ 92,110	82.13	162.61	49.43	-	1.92	296.09
Kief	\$ 19,638	82.13	174.79	50.00	-	4.32	311.24
Towner	\$ 516,672	82.13	158.51	107.16	-	2.37	350.17
Upham	\$ 85,240	82.13	158.51	95.56	-	7.37	343.57
Velva	\$ 1,343,139	82.13	162.61	103.57	31.48	1.92	381.71
Voltaire	\$ 134,398	82.13	162.61	38.50	-	5.81	289.05
MCINTOSH CO.	\$ 10,182,452						
Ashley	\$ 852,705	120.43	163.98	109.56	29.84	-	423.81
Lehr**	\$ 118,326	120.43	155.27	78.36	-	1.00	355.06
Venturia	\$ 20,534	120.43	163.98	44.39	-	1.00	329.80
Wishek	\$ 936,740	120.43	155.27	104.06	26.54	6.62	412.92
Zeeland	\$ 111,413	120.43	162.30	135.64	-	4.41	422.78
MCKENZIE CO.	\$ 15,527,685						
Alexander	\$ 143,540	48.55	146.95	84.05	8.04	2.56	290.15
Arnegard	\$ 62,326	48.55	149.09	37.46	4.48	7.00	246.58

2006 Taxable Valuations

City	Taxable Valuation	State/County	School	City	Park	Other*	Total Levies
Rawson	dissolved, 1/2002						
Watford City	\$ 1,439,471	48.55	149.09	112.16	44.94	2.00	356.74
MCLEAN CO.	\$ 28,574,201						
Benedict	\$ 52,787	51.77	186.39	38.00	-	9.65	285.81
Butte	\$ 52,193	51.77	162.61	-	-	5.92	220.30
Coleharbor	\$ 59,350	51.77	183.70	1.68	-	15.72	252.87
Garrison	\$ 1,655,262	51.77	171.98	68.81	23.84	4.53	320.93
Max	\$ 254,581	51.77	186.39	89.37	11.76	10.26	349.55
Mercer	\$ 53,723	51.77	163.93	38.00	-	15.90	269.60
Riverdale	\$ 481,624	51.77	183.70	116.34	17.90	0.92	370.63
Ruso	\$ 5,560	51.77	174.62	-	-	5.92	232.31
Turtle Lake	\$ 514,549	51.77	163.93	51.22	14.72	12.75	294.39
Underwood	\$ 679,337	51.77	183.70	91.30	28.92	15.72	371.41
Washburn	\$ 1,976,322	51.77	157.79	75.55	24.45	5.92	315.48
Wilton**	\$ 705,738	51.77	163.48	61.12	15.88	16.26	308.51
MERCER CO.	\$ 18,897,105						
Beulah	\$ 3,761,431	93.39	218.77	76.00	27.73	-	415.89
Golden Valley	\$ 139,702	97.39	189.59	87.30	-	-	374.28
Hazen	\$ 2,989,182	97.39	202.50	94.67	25.40	-	419.96
Pick City	\$ 183,215	97.39	183.70	89.81	-	-	370.90
Stanton	\$ 286,733	97.39	184.98	125.43	16.74	-	424.54
Zap	\$ 127,026	97.39	218.77	90.94	22.44	-	429.54
MORTON CO.	\$ 61,505,206						
Almont	\$ 60,213	139.35	186.56	89.22	-	9.00	424.13
Flasher	\$ 190,913	137.35	191.55	168.56	22.00	9.00	528.46
Glen Ullin	\$ 589,847	137.35	162.42	98.38	11.86	8.61	418.62
Hebron	\$ 654,898	137.35	173.71	121.11	46.62	9.65	488.44
Mandan	\$ 30,561,697	128.85	236.56	111.05	40.05	5.00	521.51
New Salem	\$ 1,127,924	139.35	171.04	78.34	24.88	9.84	423.45
MOUNTRAIL CO.	\$ 16,308,796						
New Town	\$ 1,544,602	125.85	178.45	128.61	6.27	3.13	442.31
Palermo	\$ 53,776	130.82	208.00	18.20	-	5.73	362.75
Parshall	\$ 699,129	128.32	178.08	102.23	17.14	9.20	434.97
Plaza	\$ 133,177	128.32	174.62	51.62	4.59	-	364.34
Ross	\$ 69,011	130.82	208.00	46.16	-	5.73	390.71
Stanley	\$ 1,380,279	125.85	208.00	135.87	23.12	0.83	493.67
White Earth	\$ 45,205	130.82	188.96	39.73	-	0.83	360.34
NELSON CO.	\$ 11,233,880						
Aneta	\$ 206,349	144.47	189.69	72.19	9.02	4.61	419.98
Lakota	\$ 603,174	144.47	201.27	156.72	25.19	7.25	534.90
McVille	\$ 344,596	144.47	189.69	178.86	36.76	10.00	559.78
Michigan	\$ 258,177	144.47	189.69	85.97	17.29	14.84	452.26
Pekin	\$ 52,391	144.47	189.69	67.20	-	5.00	406.36
Petersburg	\$ 162,568	140.47	189.69	70.65	7.70	11.83	420.34
Tolna	\$ 143,642	144.47	189.69	68.73	5.97	5.00	413.86
OLIVER CO.	\$ 5,843,990						
Center	\$ 663,425	93.12	184.98	56.11	5.98	5.00	345.19
PEMBINA CO.	\$ 31,175,622						
Bathgate	\$ 34,396	100.19	199.77	49.37	-	-	349.33
Canton	\$ 59,062	100.19	202.00	41.07	-	-	343.26
Cavalier	\$ 2,241,147	98.19	202.00	84.31	4.91	-	389.41
Crystal	\$ 208,767	100.19	202.27	57.57	8.38	5.00	373.41

## 2006 Taxable Valuations

City	Taxable Valuation	State/County	School	City	Park	Other*	Total Levies
Drayton	\$ 856,918	98.19	198.88	79.98	17.24	-	394.29
Hamilton	\$ 57,969	100.19	202.00	32.08	-	-	334.27
Mountain	\$ 50,941	100.19	189.44	44.93	-	5.00	339.56
Neche	\$ 312,384	100.19	199.77	41.06	20.79	5.00	366.81
Pembina	\$ 992,947	98.19	205.77	114.98	-	-	418.94
St. Thomas	\$ 426,118	98.19	217.85	52.56	6.57	4.27	379.44
Walhalla	\$ 1,340,480	98.19	199.77	92.64	13.13	-	403.73
PIERCE CO.	\$ 14,505,868						
Balta	\$ 32,653	99.48	193.52	-	-	-	293.00
Rugby	\$ 3,810,050	99.48	193.52	129.81	19.53	-	442.34
Wolford	\$ 25,422	99.48	199.95	38.72	-	-	338.15
RAMSEY CO.	\$ 26,565,997						
Brocket	\$ 33,622	137.34	201.27	-	-	5.00	343.61
Churchs Ferry	\$ 20,070	137.34	171.39	56.86	-	-	365.59
Crary	\$ 87,766	137.34	225.16	21.75	-	-	384.25
Devils Lake	\$ 9,548,269	127.92	225.16	127.53	58.22	-	538.83
Edmore	\$ 200,145	137.34	153.00	105.24	15.36	-	410.94
Hampden	\$ 61,995	137.34	183.62	57.38	-	-	378.34
Lawton	\$ 32,879	137.34	153.00	130.09	-	5.00	425.43
Starkweather	\$ 51,477	137.34	183.62	68.28	-	5.00	394.24
RANSOM CO.	\$ 16,977,377						
Elliott	\$ 27,265	108.44	215.80	59.31	-	3.70	387.25
Enderlin**	\$ 1,566,147	108.44	226.41	210.21	16.14	8.06	569.26
Fort Ransom	\$ 137,574	108.44	229.47	35.73	-	7.11	380.75
Lisbon	\$ 2,642,024	108.44	215.80	152.75	16.26	-	493.25
Sheldon	\$ 106,156	108.44	253.91	39.66	-	8.06	410.07
RENVILLE CO.	\$ 10,369,902						
Glenburn	\$ 369,308	88.28	167.71	80.05	8.62	5.47	350.13
Grano	\$ 7,580	91.28	157.42	52.77	-	5.00	306.47
Loraine	\$ 21,344	91.28	157.42	38.00	-	2.76	289.46
Mohall	\$ 756,847	88.28	157.42	165.73	32.20	2.76	446.39
Sherwood	\$ 172,989	84.28	157.42	79.78	10.98	4.28	336.74
Tolley	\$ 62,132	91.28	157.42	59.23	-	2.76	310.69
RICHLAND CO.	\$ 51,433,575						
Abercrombie	\$ 328,311	125.00	239.85	40.18	4.00	5.00	414.03
Barney	\$ 78,220	125.00	168.01	49.04	-	7.41	349.46
Christine	\$ 209,407	125.00	239.85	38.00	4.00	13.00	419.85
Colfax	\$ 216,437	125.00	239.85	38.00	7.41	9.64	419.90
Dwight	\$ 96,633	125.00	216.64	49.28	10.70	13.00	414.62
Fairmount	\$ 345,840	125.00	209.92	119.42	7.57	7.92	469.83
Great Bend	\$ 91,154	125.00	216.64	38.89	31.48	16.14	428.15
Hankinson	\$ 926,660	125.00	225.50	105.00	11.89	15.00	482.39
Lidgerwood	\$ 643,162	125.00	226.38	95.16	14.86	27.18	488.58
Mantador	\$ 80,124	125.00	225.50	44.20	4.57	10.00	409.27
Mooreton	\$ 269,529	125.00	216.64	38.00	4.00	5.33	388.97
Wahpeton	\$ 12,339,366	119.00	216.64	108.19	36.70	9.75	490.28
Walcott	\$ 284,148	125.00	199.32	27.40	2.57	9.64	363.93
Wyndmere	\$ 539,474	125.00	168.01	63.37	6.87	8.92	372.17
ROLETTE CO.	\$ 10,208,574						
Dunseith	\$ 330,667	120.58	154.02	118.00	6.74	-	399.34
Mylo	\$ 21,131	121.58	200.00	39.33	-	-	360.91
Rolette	\$ 451,344	118.89	200.00	139.23	19.14	-	477.26
Rolla	\$ 1,456,757	118.89	255.19	137.98	19.34	-	531.40

## 2006 Taxable Valuations

City	Taxable Valuation	State/County	School	City	Park	Other*	Total Levies
St. John	\$ 149,817	121.58	163.33	100.03	-	5.00	389.94
SARGENT CO.	\$ 15,915,726						
Cayuga	\$ 45,271	122.83	199.52	74.46	6.72	5.28	408.81
Cogswell	\$ 66,696	122.83	199.52	103.57	-	3.51	429.43
Forman	\$ 637,948	122.83	199.52	105.63	20.46	6.11	454.55
Gwinner	\$ 1,180,407	122.33	205.17	129.29	28.51	5.28	490.58
Havana	\$ 78,433	122.83	199.52	67.14	-	5.00	394.49
Milnor	\$ 723,566	120.33	205.11	142.85	22.10	5.00	495.39
Rutland	\$ 147,066	122.83	199.52	88.77	4.91	5.28	421.31
SHERIDAN CO.	\$ 6,582,473						
Goodrich	\$ 106,657	104.04	195.69	80.14	9.43	-	389.30
Martin	\$ 86,537	104.04	185.76	54.70	-	1.64	346.14
McClusky	\$ 315,578	104.04	184.14	85.83	36.67	5.00	415.68
SIOUX CO.	\$ 2,070,569						
Fort Yates	\$ 52,590	142.18	185.00	31.84	-	-	359.02
Selfridge	\$ 53,572	142.18	192.74	92.01	-	-	426.93
Solen	\$ 29,416	142.18	185.00	80.41	-	7.10	414.69
SLOPE CO.	\$ 5,186,728						
Amidon	\$ 17,600	53.03	47.06	-	-	6.00	106.09
Marmarth	\$ 66,061	53.03	62.93	42.34	4.92	4.16	167.38
STARK CO.	\$ 44,569,096						
Belfield	\$ 623,495	118.60	208.79	95.46	26.11	-	448.96
Dickinson	\$ 28,290,649	110.10	206.98	109.49	30.64	-	457.21
Gladstone	\$ 127,445	118.71	206.98	96.66	-	8.39	430.74
Richardton	\$ 509,878	118.71	200.00	65.74	12.90	5.00	402.35
South Heart	\$ 298,069	118.60	149.76	87.14	9.35	3.81	368.66
Taylor	\$ 116,080	118.71	200.00	77.48	5.31	5.00	406.50
STEELE CO.	\$ 11,065,016						
Finley	\$ 582,902	111.67	200.00	116.71	44.37	5.00	477.75
Hope	\$ 253,737	111.67	192.17	197.52	17.97	6.48	525.81
Luverne	\$ 45,702	112.67	192.17	70.13	-	6.48	381.45
Sharon	\$ 64,109	112.67	200.00	183.58	-	-	496.25
STUTSMAN CO.	\$ 53,706,579						
Buchanan	\$ 64,823	111.73	174.92	75.13	-	4.64	366.42
Cleveland	\$ 108,676	111.73	189.06	59.66	-	5.00	365.45
Courtenay	\$ 60,765	111.73	181.09	123.90	-	2.62	419.34
Jamestown	\$ 24,231,610	106.73	237.40	133.85	43.62	-	521.60
Kensal	\$ 131,568	110.28	180.00	59.82	4.82	5.00	359.92
Medina	\$ 261,286	110.28	189.06	126.83	8.24	7.90	442.31
Montpelier	\$ 51,209	111.73	195.00	70.07	-	-	376.80
Pingree	\$ 35,023	111.73	174.92	106.85	-	4.64	398.14
Spiritwood Lake	\$ 271,754	111.73	181.09	30.86	-	4.64	328.32
Streeter	\$ 120,129	110.28	142.37	165.25	14.16	5.00	437.06
Woodworth	\$ 79,089	111.73	165.02	115.36	-	-	392.11
TOWNER CO.	\$ 11,608,241						
Bisbee	\$ 75,611	106.27	181.49	198.30	-	6.16	492.22
Cando	\$ 1,045,887	105.27	191.56	134.97	58.10	-	489.90
Egeland	\$ 29,625	106.27	181.49	106.37	-	5.19	399.32
Hansboro	\$ 7,956	104.01	255.26	-	-	5.72	364.99
Maza	dissolved, 6/2002						
Perth	\$ 19,073	106.27	181.49	198.42	-	6.16	492.34

## 2006 Taxable Valuations

City	Taxable Valuation	State/County	School	City	Park	Other*	Total Levies
Rock Lake	\$ 76,829	104.01	156.82	101.75	-	5.72	368.30
Sarles**	\$ 2,901	104.01	156.82	69.00	8.12	5.00	342.95
TRAILL CO.	\$ 26,942,089						
Buxton	\$ 458,007	140.05	177.17	51.31	15.05	4.75	388.33
Clifford	\$ 60,758	140.05	211.00	59.81	3.23	5.00	419.09
Galesburg	\$ 205,099	140.05	211.00	58.32	5.51	3.17	418.05
Grandin**	\$ 11,684	140.05	222.91	44.77	3.45	5.00	416.18
Hatton	\$ 901,036	140.05	239.48	113.99	10.55	5.00	509.07
Hillsboro	\$ 2,048,288	139.75	207.69	66.67	17.70	-	431.81
Mayville	\$ 2,117,804	139.75	211.00	109.12	43.73	-	503.60
Portland	\$ 905,638	140.05	211.00	63.39	17.44	5.00	436.88
Reynolds**	\$ 338,946	140.05	177.17	48.03	4.88	5.00	375.13
WALSH CO.	\$ 32,422,949						
Adams	\$ 153,469	130.49	179.41	144.73	6.96	6.65	468.24
Ardoch	\$ 38,072	130.49	205.97	6.00	-	6.01	348.47
Conway	\$ 7,940	130.49	165.34	6.00	-	5.69	307.52
Edinburg	\$ 237,033	130.49	233.60	103.33	10.19	5.33	482.94
Fairdale	\$ 71,441	130.49	153.00	54.42	4.20	2.86	344.97
Fordville	\$ 220,137	130.49	165.34	67.72	5.74	5.69	374.98
Forest River	\$ 104,776	130.49	205.97	73.61	8.93	0.69	419.69
Grafton	\$ 5,153,758	130.49	242.95	114.79	33.46	0.69	522.38
Hoople	\$ 284,091	130.49	202.27	62.79	6.85	5.69	408.09
Lankin	\$ 134,214	130.49	165.34	76.39	8.23	0.69	381.14
Minto	\$ 609,015	130.49	190.83	100.06	15.54	6.01	442.93
Park River	\$ 1,378,861	130.49	240.97	104.95	32.35	0.69	509.45
Pisek	\$ 60,053	130.49	240.97	44.55	4.50	5.35	425.86
WARD CO.	\$ 127,555,976						
Berthold	\$ 728,181	83.28	174.62	43.35	2.16	2.74	306.15
Burlington	\$ 1,461,007	84.27	210.41	78.94	-	-	373.62
Carpio	\$ 212,615	83.28	210.41	45.33	2.47	4.76	346.25
Des Lacs	\$ 232,412	83.28	210.41	15.06	1.88	6.29	316.92
Donnybrook	\$ 61,507	83.28	192.89	59.52	5.83	-	341.52
Douglas	\$ 29,222	84.27	186.39	96.50	-	4.86	372.02
Kenmare	\$ 1,337,674	83.28	192.89	96.23	13.44	-	385.84
Makoti	\$ 150,842	83.28	174.62	48.96	5.30	9.10	321.26
Minot	\$ 82,554,824	79.75	208.42	122.74	30.83	-	441.74
Ryder	\$ 94,694	83.28	174.62	44.60	4.70	9.10	316.30
Sawyer	\$ 387,117	84.27	195.00	44.50	-	4.17	327.94
Surrey	\$ 1,409,949	83.28	176.91	62.92	16.08	4.02	343.21
WELLS CO.	\$ 18,849,951						
Bowdon	\$ 80,081	113.40	142.53	106.29	9.68	-	371.90
Cathay	\$ 27,213	113.40	142.53	100.52	-	4.73	361.18
Fessenden	\$ 549,939	113.40	142.53	95.78	30.07	3.38	385.16
Hamburg	\$ 23,016	113.40	142.53	68.65	-	3.38	327.96
Harvey	\$ 2,109,935	113.40	185.76	117.14	32.81	-	449.11
Hurdsfield	\$ 56,484	113.40	179.13	100.25	9.48	-	402.26
Sykeston	\$ 81,635	113.40	165.02	67.37	5.51	1.95	353.25
WILLIAMS CO.	\$ 41,410,103						
Alamo	\$ 33,484	117.58	148.07	114.50	1.09	18.10	399.34
Epping	\$ 64,058	117.58	200.96	65.80	1.09	16.68	402.11
Grenora	\$ 153,587	117.58	192.30	123.36	40.37	12.84	486.45
Ray	\$ 528,435	117.58	200.96	145.81	31.11	17.18	512.64
Springbrook	\$ 20,880	117.58	200.96	-	1.09	13.40	333.03
Tioga	\$ 970,119	117.58	188.07	149.50	48.30	2.53	505.98

2006 Taxable Valuations

City	Taxable Valuation	State/County	School	City	Park	Other*	Total Levies
Wildrose	\$ 80,285	117.58	148.07	93.48	27.28	16.03	402.44
Williston	\$ 17,729,539	117.58	248.41	92.59	41.60	2.01	502.19
State Averages		105.35	187.74	78.41	10.52	5.61	387.52

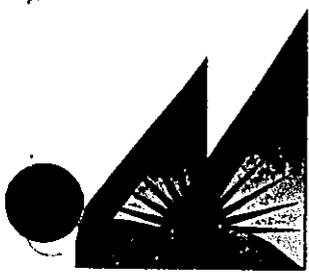
\* Other includes districts such as: fire, ambulance, airport, water management, county park, county library, recreation, soil conservation, weed control, vector control, etc.

\*\* Enderlin is in Cass and Ransom Counties.  
 Grandin is in Cass and Traill Counties.  
 Lehr is in Logan and McIntosh Counties.  
 Reynolds is in Grand Forks and Traill Counties.  
 Sarles is in Cavalier and Towner Counties.  
 Tower City is in Barnes and Cass Counties.  
 Wilton is in Burleigh and McLean Counties.

Rawson in McKenzie County, Maza in Towner County, and Hove Mobile Park in Cavalier County dissolved in 2002.  
 Larson in Burke County dissolved in 2003.

TO CALCULATE WHAT ONE MILL RAISES IN REVENUE FOR A CITY,  
 DIVIDE THE CITY'S TAXABLE VALUATION BY 1,000.

*The information in this publication was received from county auditors. We thank all county auditors for taking the time to compile and submit the data necessary to publish this bulletin.*



## BISMARCK-MANDAN DEVELOPMENT ASSOCIATION

701-222-5530 • fax 701-222-3843 • 1-888-222-5497 [info@bmda.org](mailto:info@bmda.org) • [www.bmda.org](http://www.bmda.org)

TO: Senate Finance and Taxation Committee  
Senator Herb Urlacher - Chairman  
March 7, 2007, 10:30 AM  
Brynhild Haugland Room, State Capitol

FROM: Russell Staiger, President  
Bismarck-Mandan Development Association

RE: Testimony in opposition to Section Two - HB 1051

Mr. Chairman and Members of the Senate Finance and Taxation Committee, the following testimony is offered in opposition to Section Two of HB 1051.

The following are the reasons I offer for this opposition:

- 1) For those Cities like Bismarck-Mandan whose citizens voted to put in place a Home Rule Charter to offer a more efficient form of government, Section Two of HB 1051 effectively displaces the locally elected choice of governance. This includes the right of self determination on matters of taxation.
- 2) By the action proposed in Section Two of HB 1051, the State Legislature would be doing to local units of Government, both those with Home Rule Charters and those that don't, the very thing that the State Legislature has long lamented about the mandates handed down to the States by the Federal Government.
- 3) Section Two would substantially limit or eliminate local government's ability to respond to economic changes, inflation and the specific needs of individual communities.
- 4) Section Two suggests local governments' have lost control of their taxing and budgeting processes which is in complete opposition to the actual evidence provided by the North Dakota League of Cities that shows local government has in fact acted very responsibly.
- 5) In its original language HB 1051 was intended to offer local property owners a ten percent write-off when paying their local property taxes. A five percent write-off would be available for commercial or agricultural property. This original language should be approved without any of the punitive additions of Section Two.
- 6) Section Two may well be the stake in the heart of the smaller rural communities who are already in a daily fight to survive. With the restrictions that would be imposed by

Section Two their only choice would be to begin eliminating services critical to the citizens of their respective communities.

7) Section Two will now limit the growth in those large cities that have had positive growth. That growth has come from existing businesses that are expanding and new businesses that have located in those respective cities. The result has been the creation of quality new jobs, new wealth and expanded tax base for the community and the State. Under Section Two that growth will be limited and future tax revenue to both the community and the State will be lost.

8) The original intent of HB 1051 -- property tax relief -- would be negated with the passage of Section 2. The long term value of the property tax would be cancelled out by crippling the ability of cities and counties to grow, and in turn would reduce future tax revenue to the State of North Dakota. This is especially ironic when the benefit of the positive economic growth over the past several years is intended to provide property tax relief becomes a vehicle for choking future economic growth and consequently reverts the State back to the years of lean economies and limited state resources to grow that economy.

**PLEASE VOTE NO ON SECTION TWO OF HOUSE BILL 1051.**

Thank you for your consideration.

# Testimony on House Bill 1051

## Senate Finance and Taxation Committee

Provided by: Sheila Hillman, Director of Finance  
City of Bismarck  
Wednesday, March 7, 2007

### Mr. Chairman and Members of the Senate Finance and Taxation Committee:

My name is Sheila Hillman. I serve as Director of Finance for the City Bismarck. I am writing to you today to explain my concern for what may happen as a consequence of the Section 2 amendment in House Bill 1051.

Each year the City of Bismarck issues bonds to finance the special assessments infrastructure improvements in the City. As a part of the process, bonds are rated and this determines the interest rate the benefiting property owners will pay for the bonds. The ratings for the bonds are dependent upon several key factors, several of which may be impacted by House Bill 1051.

In 2006 the City of Bismarck received a favorable bond rating of Aa2. Although there are several key financial indicators noted by the rating agency, I will focus my discussion on the following considerations related to economic development in their recent opinion:

- The City has a proactive approach to economic development using tax incentives to attract new business and expand the tax base.
- The Renaissance Zone encourages commercial and retail interests downtown.
- Economic health is evidenced by growth in the sales tax collections.
- Resident wealth indices are above State averages.
- Unemployment is lower than both the State and National levels.

One can see that the ability for the City to provide tax incentives to encourage economic development leads to new businesses and an expanded tax base. This equates to an increase in sales tax revenue not only to the City but also the State. As recently evidenced in Bismarck, new business breeds even more new businesses and new residential developments. This means new jobs in the community creating higher salaries and lower unemployment. These positive impacts are tied to the City's ability to authorize tax incentives.

Section 2 of the House Bill 1051 would limit the City's ability to authorize property tax incentives. Under this section, any increase in property tax base would be limited to property improvements or additional property. With this limitation, the City would be less likely to grant property tax incentives since this would limit the ability to generate additional revenue to fund increased cost of city services.

All the positive impacts of economic development are likely to be reduced and the bond rating potentially be negatively impacted. If the bond rating declined, then the cost for issuing the bonds would increase and the taxpayer would ultimately pay this increased cost.

I understand that intent of Section 2 is to provide property tax relief. I think it is important for you to know; however, that the consequence of this limitation may potentially impact the bond rating for special assessments and lead to higher cost to the benefiting property owners. I think this would be an unintended consequence. Thank you for your consideration.

#3

1051

Testimony on HB 1051  
Mary Sahli  
Bismarck

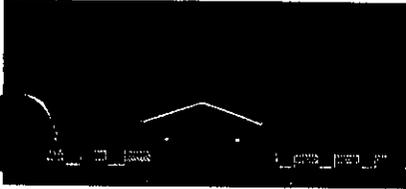
Mr. Chairman, members of the committee, for the record I am Mary Sahli. I am a resident of Bismarck, a home owner and partner in a business. I am here to testify on my own behalf.

I would like to thank the Governor and the sponsoring legislators for their leadership in bringing this bill forward.

I realize that the state does not levy property taxes, but I appreciate that the state is stepping forward to offer relief for the increasing taxes levied by the counties, cities, school districts, and park boards that do.

My taxes are too high. Increasing property taxes are making it more difficult for young people to realize the American dream of home ownership.

Mr. Chairman, members of the committee, pass this bill because the people of North Dakota deserve it. Thank you and I would be happy to respond to any questions.



# City of Carrington

"The Central City"

Donald Frye, Mayor  
Heather Carr, Auditor  
(701)652-2911

103 10<sup>th</sup> Ave N  
PO Box 501  
Carrington, ND 58421

March 7, 2007

House Bill 1051  
Senate Finance Taxation Committee

Mr. Chairman and Committee Members

I have served as Mayor of the City of Carrington for the past 5 years. Hundreds of hours have been spent by those who are elected, to provide the needed services that each person comes to expect in our community. Nearly every community in North Dakota could state this, as we work to attract new businesses and people to our state. HB 1051 will handicap our community in our ability to provide the needed local services and local control that North Dakotans have come to expect.

Without the local control presently provided in The North Dakota Century Code we will be unable to maintain the positive growth and expansion that we have, over the past fifteen years. Those who have chosen our community for their new home, whether it is for business or for personal reasons, expect the locally elected officials to be good stewards of their dollars.

Of every dollar collected in tax revenue in the City of Carrington, only \$0.22 of each dollar goes to the City of Carrington General Fund. These dollars are mainly used to provide Public Services and Law Enforcement to those living in Carrington. Of each dollar collected by the City Mill Levy, \$0.87 goes to providing these services as well.

During the past five years of my administration we have seen a 2% increase in evaluations of the local property. During that same time period we have acted responsively and lowered our mills collect by 1 mill to offset some of this burden. This was done locally with the knowledge that we must maintain budget flexibility to meet the needs of those who live and work in our community. Budget caps ignore the needs of a growing community and the worldwide effects of inflation. Last week gasoline prices increased by \$0.20 or nearly 10%. No one knows what effect this may have on our state and community, let alone the effect on each and every budget in the state.

In closing, local city and county elected officials have acted responsibly and controlled local budgets and expenses, while providing the services the community has come to expect. If we are to attract new North Dakotans to our communities, we must have the local ability to provide the needed services. If not, all the efforts to attract people to North Dakota will be for nothing. All of the dollars provided to the Department of Commerce or other agencies for the purpose of attracting new people to North Dakota will not provide the results that are needed to take our state to the next growth level. I encourage you to continue to let the locally elected officials do what the citizens elected them to do. Allow us to continue to provide responsible local government and make locally controlled decisions the voters have asked of us.

Mayor Donald Frye

A handwritten signature in black ink that reads "Donald Frye". The signature is written in a cursive style with a long horizontal line extending to the right.

City of Carrington



# City of Carrington

'The Central City'

Donald Frye, Mayor  
Heather Carr, Auditor  
(701)652-2911

103 10<sup>th</sup> Ave N  
PO Box 501  
Carrington, ND 58421

March 7, 2007

Senate Finance Taxation Committee

Re: House Bill 1051

Mr. Chairman and Committee Members:

I have been employed with the City of Carrington JDA as their Economic Development Director for 3 ½ years. Although HB 1051 probably has not been thought to have any bearing on economic development, HB 1051 will most definitely have a negative impact on our local community's economic development efforts.

Incentives such as the city's Renaissance Zone (RZ) Program and Tax Increment Financing (TIF) are examples of programs that HB 1051 will impact. If the communities are restricted by a cap such as proposed, the city will be forced to look at cuts in other areas, and economic development will see those repercussions. Our community alone has utilized the RZ program eight times and has seen the economic benefits it has provided. It will be unlikely the local communities will look favorably on offering economic incentives such as RZ and TIF due to their incapability in having the revenues to meet the needs of the community, therefore eliminating programs such as these that provide property tax incentives/exemptions.

The rising costs seen throughout the country will only cause more restriction to the economic development of the city, and what they will be able to provide if this legislation were to take effect. I encourage you to let the locally elected officials continue in their efforts of economically growing our community.

Sincerely,



Nikki Mertz  
Carrington Economic Development Director

City of Devils Lake  
423 6<sup>th</sup> Street NE  
PO Box 1048  
Devils Lake, ND 58301-1048  
Fax: 701.662.7612  
Phone: 701.662.7600  
[www.ci.devils-lake.nd.us](http://www.ci.devils-lake.nd.us)



City Commission:  
Fred Bott, President  
Dick Johnson  
Tim Heisler  
Craig Stromme  
Rick Morse

Chairman Urlacher and Members of the Senate Finance and Taxation Committee.

My name is Fred Bott and I have served as President of the Devils Lake City Commission since April of 1990. This year I am also serving as President of the North Dakota League of Cities. I have a particular concern about section two of Amended HB 1051. I'd like to relate a few experiences I have had as Mayor.

Early in my first term of office, I received a very irate phone call from one of my constituents. He was very upset because of a reduction in a public service; the elimination of twice-a-week garbage collection. The service was reduced because of a reduction in funding.

During one of the numerous blizzards of 1996-97, one of our city's pay loaders dug a path down our street so that the ambulance could get to a resident who was thought to have had a heart attack. During my last few years of teaching, an addition to the high school and middle school was a resource officer. The police officer spends part-time at the high school and part-time at the middle school. School fire drills always involve the fire department and their evaluation of response time and, if necessary, suggestions for improvement. All of these local services fall under the categories of public safety and roads and maintenance.

The City has expenditures of \$1,273,878 (37%) for public safety (police and fire) and \$525,550 (15%) for roads and maintenance as parts of its annual expenses. A reduction in general fund revenues would cause large areas of expenditures such as public safety and roads and maintenance to be carefully examined.

I believe sharing of responsibilities between the state and local governments is a type of federalism. I also believe a division of decision making authority is part of that federalism. For most people, government is only a phone call away and it's a local call. If they don't like the answer, every even-number year they have a chance to make changes.

Thank you Chairman Urlacher for this opportunity to testify in opposition to amended HB 1051.

TERRY L. JOHNSTON  
Administrator/Auditor  
701.662.7600  
[terry\\_j@ci.devils-lake.nd.us](mailto:terry_j@ci.devils-lake.nd.us)

GARY A. MARTINSON  
Assessor/Building Official  
701.662.7607  
[gary\\_m@ci.devils-lake.nd.us](mailto:gary_m@ci.devils-lake.nd.us)

MICHAEL E. GRAFSGAARD  
Engineer  
701.662.7614  
[mike\\_g@ci.devils-lake.nd.us](mailto:mike_g@ci.devils-lake.nd.us)

J. THOMAS TRAYNOR, JR.  
Attorney  
701.662.4077  
[tomtraynor@traynorlaw.com](mailto:tomtraynor@traynorlaw.com)

**NORTH DAKOTA SENATE FINANCE AND TAXATION COMMITTEE  
HOUSE BILL NO. 1051  
MARCH 7, 2007**

Mr. Chairman, my name is Dennis Johnson. I currently serve as the President of the Dickinson City Commission.

I am speaking in opposition to section 2 of this bill because of the 3.5% annual increase limitation to the property tax levy. I oppose this provision for a number of reasons.

1. I believe it infringes on the concept of local control. City commissions answer to the people at regular elections for their taxing actions and are subject to recall.
2. I believe the reaction by city commissions to the 3.5% limitation will be to tax to the maximum allowable amount each year rather than the amount needed.
3. I believe this limitation will encourage city commissions to make greater use of special assessments to make up for revenue shortfalls. Special assessments are just a tax by another name.
4. I believe the 3.5% is not the correct number for every year. What should cities do during years when inflation exceeds 3.5%? Presently, Dickinson and other cities are contending with major costs that are increasing significantly faster than 3.5% annually. I would like to cite four examples. During the past 6 years for the city of Dickinson;
  - a. Family health insurance premiums have grown at an annual compounded rate of just over 6%.
  - b. Pension contributions have grown at an annual compounded rate of 15%.
  - c. Fuel costs have grown at an annual compounded rate of greater than 11%. Energy costs are causing asphalt costs to increase at a rate greater than 3.5% impacting the cost of street maintenance.
  - d. The wage market in Dickinson is growing faster than 3.5% due to the tightness of the labor market and the influence of the energy development. The city must be competitive in the wage market to attract and retain qualified employees.

Mr. Chairman and members of the committee for these and other reasons I urge you to remove section 2 from this bill.

60<sup>th</sup> Legislative Assembly  
of the  
North Dakota Legislature  
State Senate  
Senate Finance and Tax Committee  
House Bill 1051

The allocation to the Fargo School District from the \$116,000,000 appropriation would provide property tax relief to our residents and business owners each year. It also increases the homestead credit thresholds and provides additional relief to eligible homeowners. In addition, our school district has lowered the mill levy by nearly 18 mills over the past five years. We understand and support the efforts to reduce reliance on property tax as a primary funding source for education.

However, the significant expansion of limitations on access to property value growth is a real concern to our district. Our voters have given us authority to levy up to 295.46 mills for the general fund. Under this proposed legislation that authority is now gone. At the present time we are using 278.62 mills of that authority. This language penalizes our district for the fiscal responsibility over the past five years in reducing our levy 18 mills.

In addition, this limitation appears to impact levies, like the special assessment levy, which we need to pay special assessments levied against our properties by city and county governments. When a school district is assessed for street, lights, water, and sewer improvements, or flood mitigation issues by the city, the 3.5% limitations can not apply.

There are levy limitations included in current statutes. Those limits will remain in effect with this legislation. We do not believe those limitations should be expanded. The intent of the legislation to reduce property tax can be accomplished without the expanded limitations. School districts now certify their levy to the county auditor by October like has always been done. The county auditor verifies that the levy is below the current limitations imposed by law. From that certified levy, the county auditor subtracts the state financed property tax relief and the remainder would be levied against the real property in the district. This process would provide the state funded relief and maintain the current limitations included in law.

At the end of the day this district, like every other district in the state, still has to educate our students. The increasing mandates of the state and federal governments and the changing needs of these students still have to be met. As examples;

In 1994-95 we had 407 ELL students testing at level III or lower in English proficiency. Today, in 2006-07, we have 710. That is more non-English speaking students than all but 18 school districts (90%), including Fargo, have for a total k-12 enrollment. In 1994-95 we had nine (9) special needs students with a medical diagnosis of autism. Today we have seventy nine (79). In 1994-95 we had one hundred and thirty six (136) students with a medical diagnosis of ED (emotionally disturbed). Today we have two hundred seventeen. (200).

We need to increase our efforts to improve reading proficiency, increase graduation requirements, address the drop out issue, and work with the state to improve our teacher compensation. These all require financial resources.

In addition, the legislation does not include any provision to remove the new limitations if portions of the state property tax relief would end in future years. At \$116 million dollars the sustainability of the funding is a concern. Property tax relief needs to happen, but the education of our students also needs to be appropriately funded, now and in the future.

This district supports the state funded relief and the improvements in the homestead credit provisions, but does not support the increased limitations contained in this bill. We believe it will seriously impact our ability to provide the quality education our students will need as we prepare them for the future. We ask that those limitations be removed from the bill and the current limitations remain in effect and the future reliance on property tax be part of the complete discussion of adequate funding of education in our state.

Testimony prepared by  
Dan Huffman, Assistant Superintendent  
Fargo Public Schools.

Mr. Chairman and Committee Members,

My name is Dave Anderson, I serve as president and CEO of the Downtown Community Partnership in Fargo. We are an association of property and business owners in downtown with a collective goal of making our downtown a terrific place to live, work, shop, play and learn!

Toward that end, we work cooperatively with the city and the state of North Dakota to expand our tax base via programs such as the very successful Renaissance Zone. Our Zone was created in 1999 shortly after the Legislature approved the program. Seven years, 132 projects and \$62 million later, our downtown is thriving with restaurants, shops, galleries, theatres, offices, homes and a growing relationship with NDSU via Downtown campus facilities. At first conception, we expected to be quite successful if we had seen \$10 to \$15 million in that time frame!

Needless to say ... The Renaissance Zone has been a super charged program.

I'm here today because we are concerned that in your efforts to provide relief to North Dakota property owners, you may eliminate a tool that is doing much to improve the tax base in our community and undoubtedly in many other North Dakota communities. Investments in approved RZ properties is increasing their values by an average factor of 5 ... Our investments are paying back the five years of tax abatement in about eighteen months. Beyond that payback, the revenue literally will run off the top of our chart. (attachment)

But the program may be stalled by proposed language in HB 1051 that would require communities to reduce their budgets by the dollar amount of the RZ incentive. Paragraph c in part 1 of section 2, if approved, proscribes a short but devastating requirement on cities with property tax incentives. It is my hope that you will eliminate this language as you complete your work on the bill.

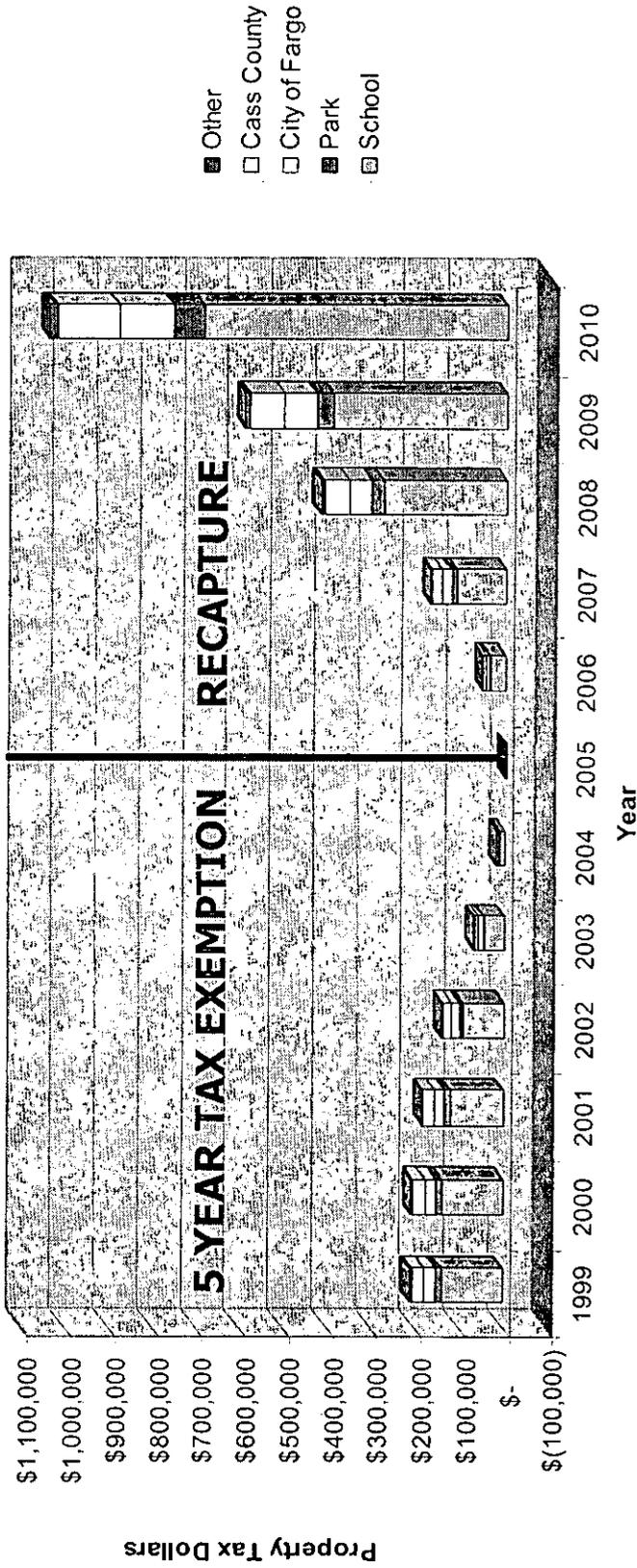
As owners of valuable property in North Dakota, our member businesses appreciate your concern for the tax load we carry.

Somewhat paradoxically, however, we respectfully submit this request so that we might continue to grow the amount of taxes that will be levied on our properties given the growing values and rents that have been made possible by the RZ.

Thank you. I'd be glad to answer any questions you may have.

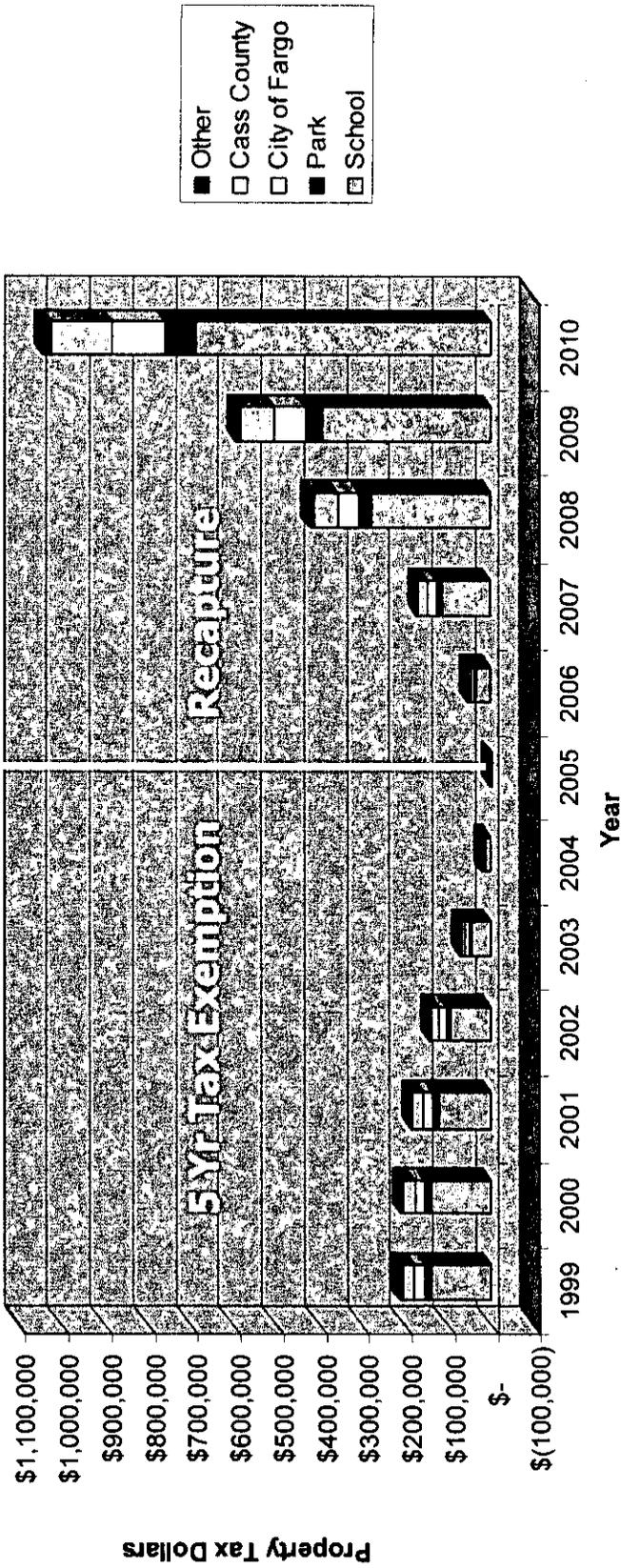
# RZ tax impact

Renaissance Zone Tax Impacts



# R tax impact

Renaissance Zone Tax Impacts

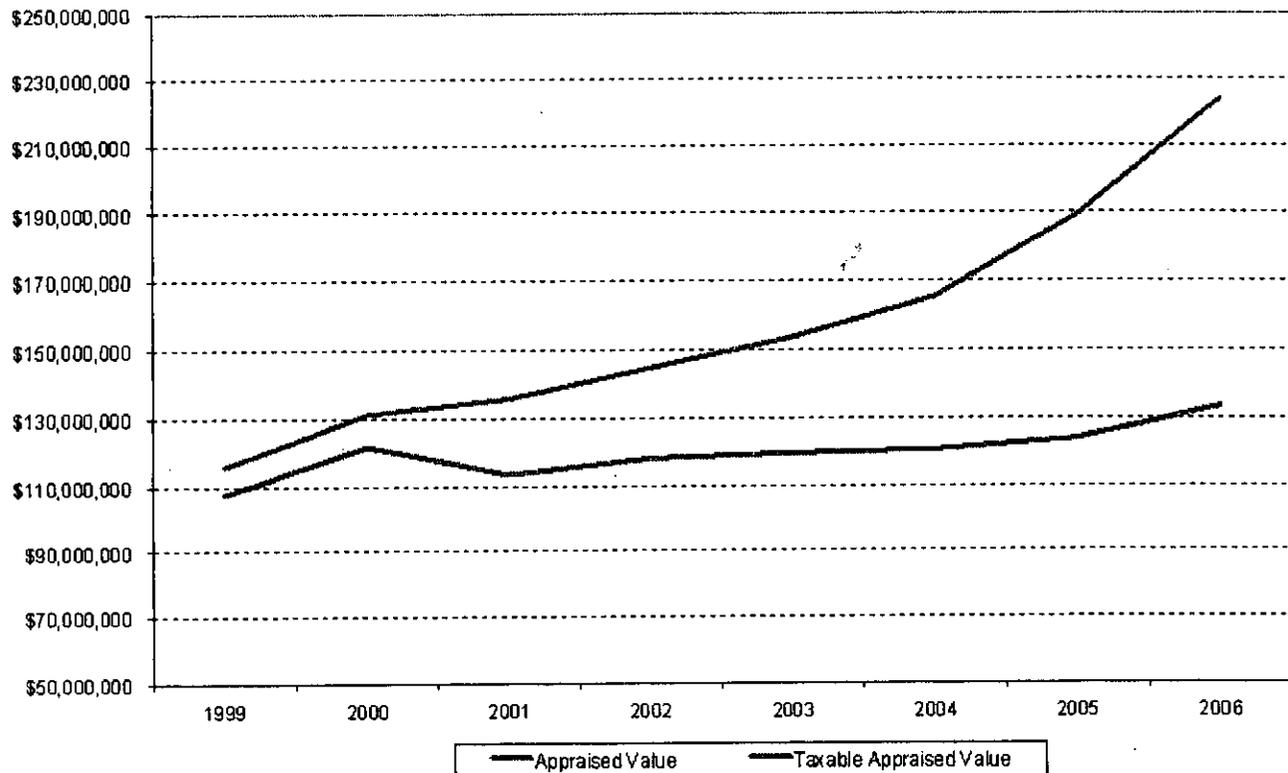


Here's what I have. The total valuation is up pretty good but, of course with the Renaissance exemption, remodeling exemption, & TIF's, it's not all taxable yet.

### RENAISSANCE ZONE TOTAL VALUATION

	Appraised Value			Taxable Appraised Value		
	Total	Residential	Commercial	Total	Residential	Commercial
1999	\$ 115,829,300	\$ 9,491,700	\$ 106,337,600	\$ 107,576,100	\$ 9,441,600	\$ 98,134,500
2000	\$ 131,143,600	\$ 9,768,500	\$ 121,375,100	\$ 121,747,900	\$ 9,685,100	\$ 112,062,800
2001	\$ 135,765,300	\$ 9,866,700	\$ 125,898,600	\$ 113,479,400	\$ 9,832,600	\$ 103,646,800
2002	\$ 144,734,500	\$ 10,434,300	\$ 134,300,200	\$ 118,208,900	\$ 10,397,500	\$ 107,811,400
2003	\$ 153,663,400	\$ 12,724,000	\$ 140,939,400	\$ 119,727,300	\$ 11,345,600	\$ 108,381,700
2004	\$ 165,455,000	\$ 14,728,900	\$ 150,726,100	\$ 120,673,100	\$ 11,920,500	\$ 108,752,600
2005	\$ 189,184,500	\$ 20,979,000	\$ 168,205,500	\$ 123,882,300	\$ 12,940,700	\$ 110,941,600
2006	\$ 223,679,100	\$ 27,272,900	\$ 196,406,200	\$ 133,249,100	\$ 13,296,200	\$ 119,952,900

### Renaissance Zone Total Valuation



#### Ben Hushka

Fargo Assessor  
404 4th Ave. N.  
Fargo, ND 58102  
701.241.1340  
[bhushka@cityoffargo.com](mailto:bhushka@cityoffargo.com)

-----Original Message-----

**From:** David Anderson [mailto:[dave@fmdowntown.com](mailto:dave@fmdowntown.com)]  
**Sent:** Monday, March 19, 2007 3:06 PM  
**To:** Ben Hushka  
**Subject:** Fargo Renaissance Zone area ...

3/20/2007

**TESTIMONY ON HOUSE BILL 1051**

**Senate Finance and Taxation Committee**

**John Schmisek, Finance Director  
City of Grand Forks, ND**

**March 7, 2007**

**Mr. Chairman and members of the committee, my name is John Schmisek and I am the Finance Director for the City of Grand Forks. I want to thank you for the opportunity to testify in support of House Bill 1051 and express my concern and opposition to section two of this legislation and what is, perhaps, an unintended consequence.**

**First and foremost, thank you for addressing this critical issue of property tax relief. Property tax relief needs to be meaningful and sustainable. It also needs to be well thought out and consider all fiduciary implications.**

**I have to express my concern and opposition to section two of this legislation for one very significant reason: The impact on bond rates. Implementing caps does not consider the impacts to our local taxing entities ability to sell debt at the best rates possible for citizens and will result in an unintended and incalculable cost to our citizens.**

**Bond rating agencies and investors consider certain criteria when rating or making a decision to buy our bonds. The result of their decisions affects the rates at which**

our citizens pay back the bonds. As we all know, just the slightest increase in payback rates result in substantial increase in the total bill. Some of the factors considered by bond rating agencies and investors are:

1. **Operating Margin** – This is our current ability to pay for services and the service levels set forth by our citizens and elected officials.
2. **Financial Flexibility** – How much authority do we have to manage our own finances and what type of infringements on this management authority have been put into place?
3. **Ability to Control Costs** – What is our ability to make sound long-term decisions – like replacing capital for maintaining infrastructure - that responsibly control existing and anticipated costs?
4. **Fund Balances** – Are fund balances sufficient to meet emergencies? Do we have the financial ability to react to an emergency or have these safety nets for our citizens and our community been worn away by spending them down?
5. **Economic Development** – What is our ability to assist in the creation and retention of jobs in the community?

I believe placing caps on local entities will have a negative impact on all the above criteria.

The City of Grand Forks generally has a total of about \$120 million dollars of debt outstanding exclusive of our dike and events center debt. If our rating is lowered

and our history of debt continues at present levels, the cost to our taxpayers will be huge. A .25% to .50% increase in rates will cost our citizens \$300,000 to \$600,000 per year. That is going the wrong way on the road to property tax relief.

Can I say absolutely that our bond ratings will decline and interest costs will go up? No, I can't. What I can say is based on 36 years of working in government finance, my best judgment tells me the adoption of section 2 is more likely than not going to cost our taxpayers more when we issue debt. Best case, I can say, this issue needs far more consideration and research before we suffer the unintended consequences of even higher burdens on our residents.

Again, I can't stress enough that we are in favor of House Bill 1051 and the general direction to provide property tax relief for our citizens. When I see a provision that potentially goes contrary to this goal, I feel the duty to do my part and point out the concern. Section two has too many unintended consequences to allow it to proceed and should be amended out of this bill so this bill remains true to the original goal of property tax relief.

It is for these reasons that I would ask for an amendment to remove section two and a DO PASS recommendation of House Bill 1051.

Thank you for your consideration.

**TESTIMONY ON HOUSE BILL 1051**

**Senate Finance and Taxation Committee**

**Rick Duquette, City Administrator  
City of Grand Forks, ND**

**March 7, 2007**

**Mr. Chairman and members of the committee, my name is Rick Duquette and I am the City Administrator for the City of Grand Forks. I want to thank you for the opportunity to testify on House Bill 1051.**

**I would like to testify in support of House Bill 1051 but also ask that you seriously consider removing section 2 of the bill that will adversely affect our ability to manage our budget, provide the services expected by our citizens and responsibly plan for our city government in a way that minimizes costs to taxpayers.**

**Let me begin by saying thank you for addressing the issue of property tax relief and putting so much time and effort into this goal. We support you and are here to be of any assistance we can.**

**We support the direction and the general goals of House Bill 1051 as it provides property tax relief to our citizens in several forms. A direct relief and the reconsideration of existing Homestead Credit provisions are positive actions. However, we believe meaningful and sustained property tax relief should also be the**

result of similar positive actions in regard to K-12 education funding. In this manner, there will be consistent, long-term and sustainable relief to all our citizens.

We also feel that section 2 of House Bill 1051, while perhaps well intended, only serves to weaken local governmental entities. Specifically, it weakens each entities to responsibly manage its budget. I believe the city of Grand Forks has a good track record on budget management. Under the leadership of Mayor Brown and our City Council, we have kept the average annual increase to our General Fund to under 3% over the last 8 years. Not including the \$1,420,422 our citizens are paying for our essential flood protection project, our total increase in tax dollars over the last 8 years has only been 3.65%. This is a responsible budget and it is the result of the local ability to manage it.

Without the local ability to manage our budget, our city government loses the ability to provide the services our citizens expect and demand. You know as well as I do there is an expectation of service level by our residents. It is our job to meet that expectation until such time it changes. With artificial caps, as suggested in section 2, we lose some of our ability to meet those expectations and do our job.

Finally, and perhaps most importantly, as the City Administrator I feel it is not only my job to manage the resources for today but to help the organization and its elected officials plan for the future provision of services. This is only possible if we have the ability to look at long-range planning of resources to account for capital

replacement, infrastructure repair and management, growth in service areas and the resulting resources needed to provide for this growth. This includes working with the Police and Fire Chiefs, the City Engineers, the Public Works and Health Directors and all our city staff to plan for things such as fire stations, police response times, wastewater treatment facilities, street cleaning equipment, road rehabilitation and so much more. In short, local governments have the responsibility to plan for these costs and to provide for them that have the most minimal impact on our citizens. To do that, administrators and local officials alike need the proper budgetary flexibility.

I respectfully ask that you do proceed with meaningful and sustained property tax relief. I ask that you continue to consider the best option of funding education to meet this goal. And I ask that you do not tie our local entities' hands to manage our budgets, provide expected services and plan for the future of our communities.

It is for these reasons that I ask that you amend House Bill 1051 to remove section 2 and then give it a DO PASS recommendation.

Thank you for your consideration.

**TESTIMONY ON HOUSE BILL 1051**

**Senate Finance and Taxation Committee**

**Curt Kreun, City Council Member  
City of Grand Forks, ND**

**March 7, 2007**

**Mr. Chairman and members of the committee, my name is Curt Kreun and I am the representative of Ward 7 in the city of City of Grand Forks. On behalf of Mayor Brown, the City Council and the city of Grand Forks, I want to thank you for the opportunity to testify in support of House Bill 1051 and ask you to improve the bill by removing section 2 dealing with caps on local budget management ability.**

**First of all, let me express my appreciation for focusing on the issue of property tax relief. We are in support of your efforts. Property tax relief is one of our citizens' top concerns and we appreciate your time and consideration to tackle this difficult but worthy goal. We would, however, encourage you to continue to explore and discuss options for property tax relief in the form of increased K-12 education funding and not in the form of artificial caps on local government that restricts all local entities' ability to manage their own needs.**

**As an elected official, I get the same phone calls you do. I have the same talks in the grocery store and at the café. They're about one issue: Property tax. Like you, I feel we have the responsibility as elected officials to address this issue. It is why we were elected.**

**ensure local budgets are as efficient and effective as possible. A cap placed at the state level only artificially addresses the issue of property tax but nowhere addresses the issue of ultimately decreasing services to residents.**

**It is for these reasons that I would ask for an amendment to remove section 2 and then a DO PASS recommendation of House Bill 1051.**

**Thank you for your consideration.**

Analysis of Property Tax Dollars Levied and Changes  
February 9, 2007

Summary

	<u>Tax Dollars General Fund</u>	<u>Tax Dollars Total</u>	<u>Tax Dollars W/O Debt/Dike</u>
1999	\$7,370,576	\$9,664,621	\$9,558,993
2007	\$8,774,141	\$13,744,904 *	\$12,353,719
Difference	\$1,403,565	\$4,080,283	\$2,794,726
Percent of change in actual dollars	19.04%	42.22%	29.24%
Per year average over 8 years	2.38%	5.28%	3.65%

\*Includes \$1,420,422 for flood control debt.

CPI Midwest population over 50,000 has averaged 2.7% from 1999 to December 31, 2006

**Testimony to the Senate Finance & Taxation Committee**  
**Chairman Urlacher**  
**Prepared by Cindy K. Hemphill, Finance Director**  
**City of Minot**  
[hemphill@web.ci.minot.nd.us](mailto:hemphill@web.ci.minot.nd.us)

**HOUSE BILL NO. 1051**

Mr. Chairman, my name is Cindy Hemphill and I serve as the City Auditor and Finance Director for the City of Minot. I am representing the City of Minot to encourage an amendment to House Bill No. 1051.

House Bill No. 1051 encompasses a number of tax issues, which cause me great concern due to the impact the bill will have on the City of Minot. Specifically, I would like to address section 2 – limitation on levies by taxing districts, which will no longer allow home rule cities to govern based on their home rule charters as voted on by their citizens.

House Bill No. 1051 states, “[p]roperty taxes in dollars levied by a taxing district may not exceed by more than three and one-half percent the highest amount levied in dollars by that taxing district against taxable property in that taxing district in the three preceding taxable years except: . . .” The law goes on to include a number of exceptions.

I have applied the City’s interpretation of the bill to the City of Minot finances. Taking into consideration the exception for new growth and improvements, I have calculated the impact to the City as follows:

	2006	2007	2008	Increase (Decrease)	Percentage Change
Mill in Dollars	\$ 9,442,637	\$ 10,132,408		\$ 689,771	7.30%
Estimated Growth at 2%		\$ 202,648.16			
Mill Cap at 3.5%		\$ 354,634.28			
Mill Dollars			\$ 10,689,690	\$ 557,282	5.50%

To be conservative, we calculated the estimated growth and mill cap as mutually exclusive with an estimated increase for 2008 of 5.5 %.

Looking back, the City's growth from 2000 through 2007 has varied considerably with growth as little as 1.10% from 2001 to 2002 and as high as 9.09 % from 2005 to 2006.

A serious impact to the mill dollars will occur when growth becomes limited or there is no growth and mill dollars are allowed to only increase 3.5%. A review of the General Fund disclosed that our expenditures have been increasing at approximately 4.71% over the past several years.

**City of Minot  
Legislative Effect of HB 1051**

	2007	2008	2009
Revenues @3.5%	14,885,969	15,406,978	15,946,222
Expenditures @ 4.71%	14,885,969	15,587,098	16,321,250
Deficit Spending	-	(180,120)	(375,028)
Fund Balance	2,847,996	2,667,876	2,292,848
Fund Balance %	19%	17%	14%

As the numbers above show, it only takes one year for our General Fund to start having a deficit and drawing down our reserves. By 2014 our reserves will be completely depleted. As soon as the reserves begin declining it will impact the City's ability to borrow money. As the reserves decline it will affect our bond ratings. The City will have to borrow at a higher interest rate, which will ultimately be passed on to the property tax owners.

HB No. 1051 will have a negative effect on our ability to borrow money for highway projects. The majority of our highway projects are financed through GO bonds, which are serviced by property taxes. With a cap of 3.5% it will not allow us much latitude to participate in highway projects.

When reviewing our General Fund expenses 49.24 % are for public safety to include police, fire, communications, and the municipal court. It will be difficult to continue to provide services for public safety at the level we now maintain and we will not be able to respond to growth adequately.

Again, we encourage amending section two from House Bill No. 1051.

**City of Wahpeton**  
Council President Alisa Mitskog  
City Coordinator Shawn Kessel

Mayor James Sturdevant  
Finance Director Darcie Huwe  
City Attorney Steve Lies

**Written  
Testimony  
HB 1051**

Chairman Urlacher and committee members, the City of Wahpeton would like to go on the record supporting HB 1051. Property taxes are an important revenue stream for the City of Wahpeton and City's in general. Property taxes are a concern for all property owners and we appreciate the legislature addressing this issue and providing a venue for citizens to express their opinions. We (the City) recognize the importance of operating as efficiently and effectively as possible to minimize the tax burden of property owners in our community. As evidence to this point I would like to mention that in the last five years the taxes levied by the City of Wahpeton have grown less than 1% in total dollars.

While we support the concept and original intent of HB 1051, we stand opposed to Section 2, an amendment to this bill. Section 2 places limits on property tax revenue. Property tax collections are part of the City's General Fund revenue stream. Essential services such as police protection and fire response are funded through general fund accounts. In 2006 the projected revenue in the City of Wahpeton's General Fund is expected to be just over \$620,000.00, the budget for the Police Department in the same fiscal year is over \$1 million.

This amendment also places restrictions on home rule authority. Home rule Authority is voted upon by local citizens to exercise local control. If this bill is passed without further amendment you will be restricting the very choices local citizens have been able to make in the past if they so chose..

An unintended consequence of this bill is the effect it may have on a City's bond rating. By exercising good financial controls a City benefits by having a favorable bond rating which lowers the cost of borrowing money for needed infrastructure and other items and in turn lowers the direct costs to property owners. Placing caps on property taxation may result in lower bond ratings, higher borrowing costs and more expense to property owners.

Caps will also have a negative impact on Economic Development. The City of Wahpeton has many tools to entice businesses to locate in and around our area. Included in these Economic Development tools are Tax Increment Financing (TIF) and Renaissance Zone incentives. Both of these economic development tools are negatively impacted by placing caps on property tax revenues.

Lastly, this amendment may achieve its intent in the very short term but after the initial year it actually incents Cities to maximize the allowed 3.5% increase annually. If a City is limited to a 3.5% increase of the highest period within the last three years you are incensing Cities to increase tax collections to maintain the 3.5% growth maximum to ensure the last three year period allows the flexibility for a City to cover expenses that may be unforeseen such as a response to natural disasters.

In summary, the City of Wahpeton support HB 1051 but stand opposed to Section 2. This position is supported by a City Council 8-0 vote taken Monday March 5, 2007.

Testimony on House Bill 1051  
Presented by Mark Lemer, Business Manager, West Fargo Schools  
March 7, 2007

Senator Urlacher and members of the Senate Finance and Taxation Committee, I am here today to testify in opposition to the mill levy limitations currently included House Bill 1051.

The original premise of the bill, to reduce the reliance on local property taxes and increase the state appropriations to fund schools, is a significant and positive move to reduce the inequities that exist in school funding. However, the provisions of the bill that limit a school district's ability to tax will have long-term, negative impacts on school districts.

Under the current provisions, our district would be allowed to increase its levy by 3.5% on existing properties and levy against any new properties added in the district. Based on estimates of the impact of these provisions, it would appear that our school district would see an increase of approximately \$2,200,000 from local property taxes next year. Our estimated increase in state aid through the school funding formula in Senate Bill 2200 is approximately \$1,100,000.

While the sum of \$3,300,000 in new money is substantial, please note that our school district will be opening 2 new schools in the fall of 2007 to accommodate our growing enrollment. Our increased staff cost to operate these schools is anticipated to exceed \$2,000,000 and the energy costs to heat and light the buildings will be another \$155,000.

In addition to the costs associated with the new schools, we will have ongoing costs for existing programs. Each 1% raise to our existing staff costs \$335,000. An overall raise of 4% would cost a total of \$1,340,000, which is necessary to meet the objective of our school board and the legislative assembly to increase the compensation of teachers. Health insurance increases could amount to \$500,000 and the cost of additional school buses due to more students will be \$330,000. These are only a few examples of increases that our budget will incur. Beyond opening the new school, these examples alone result in costs of \$2,170,000.

Without adding any new initiatives in our school district and without any significant other revenue source, we could be faced with a situation where our annual expenditures exceed our annual revenues, resulting in a deficit of over \$1,000,000.

There are also new initiatives that our district would like to consider. If we implement full-day kindergarten, the cost for teachers would be \$500,000. Under the proposed per-pupil funding formulas, we would have to fully fund this program in the first year. Once the program was offered for one full year, the state would begin to reimburse a portion of the costs through the state aid distribution formula.

As a school district, we would like to provide programs that result in reduced class size, increased English and math proficiency, decreased dropout rates, and improved and enhanced skills of graduates to prepare them for work or continued education. Many of these initiatives cost money. The property tax limitations in this bill make many of these changes impossible.

Another area of significant concern related to this bill is the limitation placed on special assessment levies. Since there is no specific exclusion listed, my assumption is that a levy limitation exists for special assessments. Cities, counties and park districts can create special assessment districts and assess costs to school districts. At a new elementary school in our school district, the cost of special assessments was in excess of \$600,000. It is unreasonable to assume that we can absorb a new assessment of this magnitude within our existing mill levy structure. Special assessment debt and the associated mill levy should be excluded from any mill levy limitation provisions.

The dollar-for-dollar replacement of property taxes with state aid included in sections 1 and 2 of this bill can exist on their own. This process would still work if school districts were allowed to access the resources that are needed to continue to improve our system of education.

Please reconsider the current restrictions on property tax increases that have been placed in House Bill 1051. The long-term financial health of our school district and the education of our students are in jeopardy.

Thank you for your time and attention.

Testimony To  
SENATE FINANCE AND TAXATION COMMITTEE  
March 7, 2007 by  
James Brownlee, City Administrator  
City of West Fargo

I would like to take this opportunity to express the City of West Fargo's opposition to House Bill 1051 as amended. The amendments in section two that cap the city's budget growth a 3.5% would have a very damaging effect on our city.

West Fargo has grown by over 60% in the last 6 years and with that growth there is the need for more services. A 3.5% growth in the budget even after taking in the effect of the new growth would not allow West Fargo to provide the level of service that we currently provide our citizens. As the police department is approximately 51% of the general fund budget, this is were the city would need to make any budget cuts.

Along with the growth the City of West Fargo has need to bond out municipal improvements. Our municipal bonds are rated by Moody's Investor Service and one of the question that is always asked is does the city have the ability to raise taxes to cover bonded debt if needed. With a cap on the budget we would have to answer no and the rating will be affected.

As a Home Rule City, the citizens of West Fargo wanted the ability to keep city finances local. The very reason for this is that there is no way for the State Legislature to know the city's unique circumstances. This is something for the locally elected official to know and respond to. Our city needs the flexibility to respond to growing needs for capital expenditures and other services that our citizens want.

Over the past several years West Fargo has spend considerable resources in attracting new business into our city. This has been a successful venture using the tools such as Renaissance Zones and property tax exceptions. With the effect of taking property valuation off the tax rolls these type of incentives will become a thing of the past. As we are a boarder community with Moorhead, this will drive economic development into Moorhead and away from Fargo and West Fargo.

In Conclusion, House Bill 1051, without the amendments in Section 2 that cap budget growth, is a fine bill and we support the passage. We urge you to reconsider and remove Section 2 of Amended House Bill 1051.



POST OFFICE BOX 1306  
WILLISTON, NORTH DAKOTA 58802-1306  
PHONE (701) 577-8100  
FAX (701) 577-8880  
TDD (800) 366-6888  
(State Relay)

CITY OF *Williston* NORTH DAKOTA

March 2, 2007

Senate Finance and Taxation Committee  
State Capitol  
Bismarck, North Dakota

RE: HB 1051

Dear Senator Urlacher and Committee Members:

The City of Williston opposes the amendment to HB 1051 which imposes a cap on property taxes. This severely impacts Cities, which rely upon property tax dollars to fund police, fire, code enforcement, street maintenance and repair, economic development and numerous other public services. If property tax is limited, there will necessarily be reductions in services. Local officials faced with rising costs will have to choose to eliminate or drastically reduce the services that voters expect to be provided.

The City of Williston's property tax levy was over \$2,000,000 prior to 1991 when voters approved a one percent city sales tax and the Board of City Commissioners was able to reduce the levy to \$1,447,272. With conservative budgeting the Williston Board of City Commissioners has been able to deal with rising costs and respond to citizen requests for increased services, yet only increase the levy amount over fifteen years to \$1,792,080. City Commissioners are accountable to the voters and need to be responsive to their needs. The legislature does not need to tie the hands of the local governing body in its efforts to provide the public services demanded by its constituents.

A limitation of three and one-half percent will not keep up with inflation. We urge the legislature to study the revenue sources for services that Cities provide, and the effect that such a limitation will have on those services before enacting this limitation.

Sincerely,

E. Ward Koeser  
President  
Board of City Commissioners