

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1332

2007 HOUSE FINANCE AND TAXATION

HB 1332

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1332 A

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 23, 2007

Recorder Job Number: 1654

Committee Clerk Signature *Mickie Schmidt*

Minutes:

Chairman Belter opened the hearing on HB 1332 and asked for support on the Bill.

Rep. Ole Aarsvold: testimony in support of the Bill. The concern that I have is the last time I looked at the list of delinquent properties in my County it was pretty dramatic. I think that part of the problem is as this overdue tax accrues interest, it becomes more and more difficult for those folks to take care of their tax obligation with the interest applied. It seems to me that if we would put a bit of encouragement before those folks and shorten that time and shorten the accruing interest on those overdue taxes, perhaps it would be somewhat minimized. I don't have written testimony but I would encourage the committee to act favorably on 1332.

Rep. Allen Wieland: (See attachment #1) testimony in support.

Representative Kelsh: In section 2, the forgiveness part of the Bill, do you know if that's just a one time thing or is it something that can be utilized time and time again?

Rep. Allen Wieland: No, I believe that this time frame with that date that's on there where it's sunset, it means that they would be a one time.

Terry Traynor, Assistant Director for the North Dakota Association of Counties: (See attachment #2) testified in support.

Michael Montplaisir, Cass County Auditor: (See attachment #3) testimony in support.

Leslie Korgel, McLean County Auditor/Treasurer: (See attachment #4) testified in support.

Claus Lembke, ND Association of Realtors: testified in support. We don't have any objection to this Bill. We did in the previous session; we had some concerns with that but you allowed the real time tables of almost 3 years. On a personal note, in my 20 years of County Commissioner, we never found any body that had any equity in their home that they couldn't dispose of. Or someone else would buy them out.

Chairman Belter: Is there any other testimony in support? Any opposition? Any neutral testimony? If not, we'll close the hearing on HB 1332.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1332 B

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 23, 2007

Recorder Job Number: 1709

Committee Clerk Signature *Mickie Schmidt*

Minutes:

Chairman Belter opened the hearing on HB 1332. This Bill shortens the time on tax abatements, what are the committee's wishes?

Representative Headland: I would move a Do Pass.

Representative Froseth: Second it.

Chairman Belter: Any discussion? Will the clerk read the roll: 12-y, 2-n, 1-absent; Rep.

Owens will carry HB 1332. The hearing was closed on HB 1332.

FISCAL NOTE STATEMENT

House Bill or Resolution No. 1332

This bill or resolution appears to affect revenues, expenditures, or fiscal liability of counties, cities, or school districts. However, no state agency has primary responsibility for compiling and maintaining the information necessary for the proper preparation of a fiscal note regarding this bill or resolution. Pursuant to Joint Rule 502, this statement meets the fiscal note requirement.

John Walstad
Code Revisor

Date: 1-23-07
Roll Call Vote #: 1332

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

Motion Made By Rep. Headland Seconded By Rep. Froseth

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. Weiler	✓				
Rep. Wrangham	✓				

Total (Yes) 12 No 2

Absent 0

Floor Assignment Rep. Owens

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

REPORT OF STANDING COMMITTEE (410)
January 24, 2007 1:20 p.m.

Module No: HR-16-1127
Carrier: Owens
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1332: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO PASS (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1332 was placed on the Eleventh order on the calendar.

2007 SENATE POLITICAL SUBDIVISIONS

HB 1332

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1332

Senate Political Subdivisions Committee

Check here for Conference Committee

Hearing Date: March 1, 2007

Recorder Job Number: 4157

Committee Clerk Signature

Lindsay Borg

Minutes:

Vice Chairman Olafson called the Senate Political Subdivisions committee to order. All members (5) present.

Vice Chairman Olafson opened the hearing on HB 1332 relating to waiver of penalties and interest on delinquent property taxes, relating to the period of property tax delinquency before foreclosure of a tax lien.

Representative Wieland, District 13, West Fargo, ND introduced and testified in support of HB 1332. (Attachment # 1)

Representative Aarsvold, District 20, Trail and parts of Cass, Steel and Barnes County, testified in support of HB 1332. I think that by passing something like this it will encourage delinquent tax payers to deal with their issue in a timely fashion. All too often times we see the accumulation of penalties making it very difficult for those folks to deal with their delinquent tax problem. The counties can deal with this on an individual basis, making a determination of hardship to be applied uniformly.

Terry Traynor, Assistant Director ND Association of Counties, testified in support of HB 1332. (Attachment #2)

Michael Montplaisir, Cass County Auditor, testified in support of HB 1332. (Attachment # 3)

Senator Hacker: If 80% of the delinquent taxes are from habitual users would this make more work for you because they would repeat this process.

Michael Montplaisir: We would like to create a situation to do a marketing type thing to get people caught up so it would increase our work but then decrease it in the future.

Senator Olafson: This five year window has been in effect for years. Can you explain the exemption period that is available after the county does take a piece of property back and put it up for sale?

Michael Montplaisir: What happens is in the first year when you don't pay your property taxes, it is created as a tax lien and the lien is what we are foreclosing on. At the end the fourth year we start serving notices and that is starting the end of your redemption period. We send out a legal notice by the first of June that you have until October 1st to pay your taxes and then we further publish that in the paper. On October 2nd if you have not paid your taxes we then appraise the property and find out what we think the property is worth and then take it to the county commission. They either agree or disagree and if they agree, we send out a notice to the cities and townships as to where those properties are located so they have an opportunity to comment on that value that we set on them. Then the property is advertised for sale and an auction is held on the 3rd Tuesday in November. At any point they can come and redeem their property as long as it is in the counties name but if we sell the property they have no more rights.

No further testimony in support, opposed or neutral to HB 1332.

Chairman Cook closed the hearing on HB 1332

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1332

Senate Political Subdivisions Committee

Check here for Conference Committee

Hearing Date: March 22, 2007

Recorder Job Number: 5445

Committee Clerk Signature

Shirley Borg

Minutes:

Chairman Cook called the Senate Political Subdivisions Committee to order. All members (5) present.

Chairman Cook asked the committee to go to HB 1332 which is the property tax that shortens the time by a couple of years by which the property can be taken for back taxes and it also has a policy in there where the county can in times of hardship forgive the penalty and interest.

Senator Warner: It has to be uniformly too all tax payers. It is not a case by case basis.

Would a drought be the case?

Chairman Cook: We are shortening the time that it takes for the county to take property back.

This can be done until October of 2011.

Senator Warner moved a Do Pass on HB 1332.

Senator Olafson seconded the motion.

Discussion

Roll call vote: Yes 5 No 0 Absent 0

Carrier: **Senator Warner**

Date: 3-22-07
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1332

Senate Political Subdivisions Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Senator Warner Seconded By Senator Olafson

Senators	Yes	No	Senators	Yes	No
Senator Dwight Cook, Chairman	X		Senator Arden G. Anderson	X	
Senator Curtis Olafson, ViceChair	X		Senator John M. Warner	X	
Senator Nicholas P. Hacker	X				

Total Yes 5 No 0

Absent 0

Floor Assignment Senator Warner

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

REPORT OF STANDING COMMITTEE

HB 1332: Political Subdivisions Committee (Sen. Cook, Chairman) recommends DO PASS (5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1332 was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

HB 1332



REPRESENTATIVE
ALON WIELAND
District 13
P.O. Box 412
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awieland@nd.gov

HOUSE OF REPRESENTATIVES
**NORTH DAKOTA
LEGISLATIVE ASSEMBLY**

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



COMMITTEES:
Appropriations - Human
Resources Division

1332 TESTIMONY

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE

**FOR THE RECORD, MY NAME IS ALON WIELAND, REPRESENTATIVE FROM DISTRICT
13 IN WEST FARGO. I AM HERE TODAY TO INTRODUCE HOUSE BILL 1332, WHICH WAS**

ORIGINALLY INTRODUCED IN THE 59TH LEGISLATIVE SESSION BUT DID NOT PASS.

THE BILL CHANGES THE TIME THAT THE PROPERTY TAX COULD REMAIN

DELIQUENT TO BRING THEIR PROPERTY TAXES UP TO DATE. AS YOU KNOW, YOUR

REAL ESTATE TAXES ARE DUE ON JANUARY 1ST OF EACH YEAR. YOU RECEIVE A 5%

DISCOUNT ON YOUR GENERAL TAX IF YOU PAY IT IN FULL BEFORE FEBRUARY 15TH

OF THAT SAME YEAR. THE FIRST HALF OF YOUR GENERAL TAX AND THE SPECIALS

BECOME DELIQUENT ON MARCH 2ND. PENALTIES START ON THE SAME DAY. AS THE

LAW STANDS NOW, ON THE 2ND OF OCTOBER, 4 YEARS AND 9 MONTHS FROM THE

FIRST OF THE YEAR, THE PROPERTY WILL BE TAKEN BY THE COUNTY FOR BACK

TAXES. THAT IS A TOTAL OF 57 MONTHS. THIS BILL WOULD CHANGE THAT TIME TO

2 YEARS AND 9 MONTHS, OR A TOAL OF 33 MONTHS.

SECTION 2 ALLOWS THE BOARD OF COUNTY COMMISSIONERS TO ESTABLISH A

POLICY TO WAIVE ALL OR PART OF PENALTIES AND INTEREST ON DELIQUENT

TAXES IF THE BOARD BELIEVES THE REDUCED PERIOD CREATES A HARDSHIP FOR TAXPAYERS, BUT IT MUST APPLY UNIFORMLY TO ALL TAXPAYERS.

SECTION 3 DEALS WITH NOTICE OF TAX LIEN BY MAIL.

SECTION 4 DEALS WITH NOTICE OF FORCLOSURE OF TAX LIENS FOR WHICH 2 OR MORE YEARS HAVE PASSED SINCE THAT TAX BECOMES DUE.

SECTION 5 SETS THE EFFETIVE DATE OF 31 DECEMBER 2006 AND ELIMINATES SECTION 2 AFTER 1 OCTOBER 2011.

I SUPPORT THIS BILL, AND OTHERS ARE HERE TO TESTIFY ON THE BILL AND TO PROVIDE ADDITIONAL INFORMATION.

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE. THANK YOU FOR ALLOWING ME TO TESTIFY, AND I WILL ANSWER ANY QUESTIONS THAT I CAN.

#2 1-23-07
HB 1332-A

**Testimony To The
THE HOUSE FINANCE & TAXATION COMMITTEE
Prepared January 23, 2007 by
Terry Traynor, Assistant Director
North Dakota Association of Counties**

REGARDING HOUSE BILL 1332

Chairman Belter and committee members, on behalf of the State's 53 counties and 500 county officials, I want to present the support of our Association for House Bill 1332. County officials, with much greater understanding of the mechanics of this issue, are here today to explain address details. I will therefore be brief and outline why the members of our Association acted at our statewide convention to support this legislation.

Current law allows four years from when taxes are due to when the notice of foreclosure is given to the owner of the property. This is the foundation of a process, established over 100 years ago, that actually takes almost five years (57 months) for a parcel to be sold for non-payment of taxes. This abnormally long period causes schools, counties, cities and other political subdivisions to be deprived of the timely use of the tax dollars, and places burdens on the County Auditor and other county officials in the collection of delinquent taxes. Few private businesses could stay in operation if accounts payable were left unpaid for five years, and it seems reasonable to shorten this period for local government to three.

When budgeting each year, local government must now anticipate the revenue that will not be received, from parcels that have not paid taxes for one, two, three, and four years already. Right now, the current 4th & 5th year unpaid taxes (statewide) are estimated at \$9.3 million dollars, \$5 Million of which should be supporting our schools. This forces the boards and commissions to raise taxes for everyone, to offset the revenue that will be uncollected. While it may be appropriate for allowances to be made for the first few years, carrying this out for five years seems excessive. Although local government will many times recapture the taxes and interest owed, through the eventual sale of the property; it seems improper for the financing of this tax bill to be done with other taxpayers' money. We need to update this system to treat all taxpayers, and particularly those that pay their taxes on-time, in a fair and competent manner.

Mr. Chairman and committee members, I hope you can support our efforts to improve this process, and give House Bill 1332 a Do Pass recommendation.

THE HOUSE FINANCE & TAXATION COMMITTEE

Tuesday, January 23, 2007 by

Michael Montplaisir, Auditor

Cass County Government

REGARDING HOUSE BILL 1332

Chairman Belter and committee members, I am Michael Montplaisir, Cass County Auditor and I am here today in support of House Bill 1332.

Mechanics of the Bill:

House Bill 1332 is a very simple bill in that it reduces the amount of time that a property tax bill can go without payment from the current 57 months to 33 months and provides an implementation schedule and waiver of penalties and interest to cushion the effect on taxpayers. The change in due dates for the taxes currently uncollected and those levied under the changed payment schedule are as follows:

<u>Levy Year</u>	<u>Tax levy Date</u>	<u>Final Due Date</u>	<u>Months Outstanding</u>
2002 taxes	Jan 1, 2003	Oct 1, 2007	57
2003 taxes	Jan 1, 2004	Oct 1, 2008	57
2004 taxes	Jan 1, 2005	Oct 1, 2009	57
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2007 taxes	Jan 1, 2008	Oct 1, 2010	33
2008 taxes	Jan 1, 2009	Oct 1, 2011	33

As the schedule shows, in some years two years of tax payments would be due. Section 2 of the bill provides for a waiver of penalties and interest if the County Commission determines that the change in due dates would create a hardship for taxpayers. Any waiver would need to be applied to taxpayers uniformly and this provision would expire in 2011 when the bill is fully implemented.

Why the Change?

There are really three reasons. The first reason Mr. Traynor has already addressed. The local units of government levy property taxes to pay for current operations. By delaying the payment for an extended period of time, this delays when the revenues are available for the

local governments. For cities with special assessment districts, delaying the payment of taxes for an extended period can cause them to levy ^a city wide special assessment deficiency levy to make the bond payments.

The second reason is the increasing difficulty in serving notices and collecting the tax the older the bill becomes. We have problems locating owners; we may have unrecorded deeds or interests in a property; and the owner may have let the property deteriorate to the point where the only solution is for the county to go in and rehab or destroy the property once they take possession.

The third and probably most important reason is the problems the debt causes the property owner and the effect on the neighborhood. We see some of the same owners on the list year after year. In some cases these are people who got into trouble a long time ago – a house that Cass County took last October had been on the five year list since 1991 – the owner has paid the oldest year of taxes every year since 1991. A couple of other properties were houses that had been abandoned by their owners; these houses sat vacant for the past 5 years with no maintenance, lawns not mowed and sidewalks not shoveled. Houses like these have a negative effect on the adjoining houses and the neighborhood as a whole.

As a whole, the people of North Dakota take paying their taxes very seriously. Our delinquency rate is very small, at the end of any given year we have collected about 98% of the taxes levied at the beginning of the year with about 3% of the 55,000 remaining unpaid at year end. Taking into account the 40 counties that answered our survey on delinquent taxes, less than 1% of the taxes levied for the 2002 and 2003 year remains unpaid – however this small percentage of the overall tax levy requires the most resources to collect.

Mr. Chairman and committee members, I hope you can support our efforts to improve and shorten up this process.

HB 1332-A
#4 1-23-07 AM

**Testimony To
THE HOUSE FINANCE & TAXATION COMMITTEE
Tuesday, January 23, 2007 by
Leslie Korgel, Auditor
McLean County**

REGARDING HOUSE BILL 1332

Good morning Chairman Belter and committee members, I am Leslie Korgel, McLean County Auditor/Treasurer and I am here today in support of House Bill 1332.

House Bill 1332 addresses a problem with delinquent taxes by reducing from 57 months to 33 months the time that a property tax bill can go without being paid. These unpaid taxes result in two problems. The first problem is that the taxing districts do not get the funds they need on a timely basis. This is especially critical in regards to bond payments or other debt issues. A burden is placed on other taxpayers because a deficiency levy is then put on all of the property to make up for the shortage. The other problem that occurs is that quite often the property is abandoned for three or four years. This creates a large liability for the county when the property comes back for nonpayment of taxes. Cleanup can be very expensive and in many cases the buildings are so damaged they become unsalvageable.

In McLean County, the tax collections are historically very good usually ending up at 98% collected the first year. On the other hand the 2% uncollected still amounts to over \$150,000.00. To give you an idea of what this means. The largest delinquent taxpayer in McLean County owes over \$53,000.00 (4 years) of which about 60% belongs to two school districts. This is all rural property. The second largest delinquent taxpayer owes over \$43,000.00 (5 years) all in one city. These two taxpayers have quite an effect on the other taxpayers in those taxing districts.

Mr. Chairman and committee members, I strongly urge you to support this bill and I would be happy to answer any questions.

(att . #1)



HOUSE OF REPRESENTATIVES
**NORTH DAKOTA
LEGISLATIVE ASSEMBLY**



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COMMITTEES:
Appropriations - Human
Resources Division

TESTIMONY

HB 1332

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

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COMMITTEES:
Appropriations - Human
Resources Division

CHANGE THAT TIME TO 2 YEARS AND 9 MONTHS, OR A TOAL OF 33 MONTHS.

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Testimony To The
THE SENATE POLITICAL SUBDIVISIONS COMMITTEE
Prepared March 1, 2007 by
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**Testimony To
THE SENATE POLITICAL SUBDIVISION COMMITTEE
Thursday, March 1, 2007 by
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Cass County Government**

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