

MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

1335

2007 HOUSE FINANCE AND TAXATION

HB 1335

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1335

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 01-23-2007

Recorder Job Number: 1653

Committee Clerk Signature

Lisa M Thomas

Minutes:

Chairman Belter opened the hearing on HB 1335. HB 1335 relates to the property tax exemption for farm residences and valuation of property for property tax purposes and to provide and effective date.

Rep. Owens: In the interest of time, I will run things over quickly. See written testimony.

There were no questions from the committee.

There was no further support to the bill.

Opposition was heard at this time.

Arvid Winkler, Engineer from Colorado, spoke in opposition to the bill. See written testimony.

There were no questions from the committee.

Woody Barth, ND Farmers Union, spoke in opposition to the bill.

Barth: We are opposed to this bill. Section three removes the farm residence exemption. Our policy calls for leaving that exemption as is. There is a time that would be four years to remove that but we would be in favor of leaving it where it is. Overall the bill is complicated and we would be in favor of tax relief for rural citizens but we think there is a more equitable way to do it than this.

There were no questions from the committee for Barth.

Sandy Clark, ND Farm Bureau, spoke in opposition to the bill.

Clark: We would be opposed to this bill and have the same feeling to maintain the farmstead exemption would question the ability to sustain this kind of a nightmare with forty percent reduction across the board on all property tax. That would be wonderful. The fiscal note indicated that on agricultural land and that was the change we were trying to develop and also currently we are at nine percent and ag at ten percent and commercial at ten percent and this would put it an ten percent across the board. We recognize that nine percent for residential property owners and we haven't had a problem with that understanding under that scenario agricultural because of that component agricultural more than residential on that particular matter. But ag commercial property is also a revenue generating home or not, so we have never had a problem with that.

Ken Yantes, ND Township Office Association, spoke in opposition to the bill.

Yantes: I would like to say that our association has policy for many years opposing a homestead exemption and I would like to elaborate, but time is of the essence.

Kevin Ternes, City Assessor in Minot, spoke in opposition to the bill. See written testimony.

There was no questions from the committee.

There was no further testimony. The hearing was closed and no action was taken at this time.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1335

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 30, 2007

Recorder Job Number: 2277

Committee Clerk Signature *Micki Schmidt*

Minutes:

Chairman Belter opened the hearing on HB 1335 and asked what the committee's wishes were.

Representative Brandenburg: I move a Do Not Pass.

Representative Headland: Second it.

Chairman Belter: Is there any discussion? Hearing none, will the clerk read the roll; 12-y, 1-n, 1-absent; Rep. Brandenburg will carry HB 1335. The hearing was closed on HB1335.

FISCAL NOTE

Requested by Legislative Council

01/12/2007

Bill/Resolution No.: HB 1335

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
Revenues						
Expenditures				\$101,998,000		
Appropriations			\$101,998,000			

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 1335 establishes a homestead property tax relief credit, creates a property tax relief trust fund, and repeals the farm residency exemption.

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 the bill offers two alternatives to calculating the available property tax relief credit. The credits are estimated to total approx. \$101.998 million in the 2007-09 biennium.

Section 2 creates a property tax relief fund that will receive an appropriation sufficient to reimburse school districts for the amount of the relief.

Section 3 of the bill repeals the farm residency exemption, which will shift an indeterminant amount of property taxes onto agricultural property and away from other classifications of property. The amount of this shift cannot be determined because farm residences are not valued at the present time.

Section 4 increases the percentage of taxable value for residential property beginning in 2009. This will cause a shift among property classifications, and increase by an unknown amount the revenue generated by the one mill for the state medical center.

Section 5 creates property tax increase limitations for residential and commercial property, but may have no net effect to political subdivisions because they can levy the same amount of dollars. It could shift a portion of the tax burden onto agricultural and centrally assessed property.

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

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

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

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

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/22/2007

Date: 1-30-07
Roll Call Vote #: 1335

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 Not Pass

Motion Made By Rep. Brandenburg 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. Weiler		✓			
Rep. Wrangham	✓				

Total (Yes) 12 No 1

Absent 1

Floor Assignment Rep. Brandenburg

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

REPORT OF STANDING COMMITTEE (410)
January 30, 2007 4:27 p.m.

Module No: HR-20-1579
Carrier: Brandenburg
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1335: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (12 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). HB 1335 was placed on the Eleventh order on the calendar.

2007 TESTIMONY

HB 1335

#1 HB 1335-A
1-23-07
AM

2007 North Dakota Pioneer Homestead Act

Mr. Chairman, Committee members, for the record I am Representative Mark S. Owens, District 18 compassing both urban and rural Grand Forks, ND.

The 2007 North Dakota Pioneer Homestead Act is major tax reform and as such changes a number of tax codes. HB 1335 is divided into 6 sections. At this point I like to provide the committee with a quick review or cliff notes if you will of each section.

Section 1. Creates the homestead property relief credit by establishing 10% credit against current property taxes for residents of North Dakota and grows by 10% each year for 4 years until a maximum of 40% is reached to the maximum of educational levied property tax. In other words, as long as the total of educational levied property tax of a taxpayer's property tax bill is equal to 40% or greater; the taxpayer would realize a 40% exemption as long as they were residents of the state of North Dakota. Homestead includes any land owned by a resident of North Dakota in agricultural, resident, or commercial.

This section provides property tax relief to only ND residents. This population represents the people that live, work and raise families here in the state day in and day out. They pay all the other taxes that non-residents don't pay, gas tax, sales tax, income tax, assorted fees, etc. and as such to equalize the tax landscape non-residents are not entitled to this credit.

Section 2. Establishes the Property Tax Relief Trust Fund. This fund is to be appropriated by the legislature each biennium with funds necessary to facilitate the reimbursement by the state treasurer to each school district for the state supported property tax credit. Any unexpended funds at the end of the biennium maybe transferred to the general fund upon the direction of the Governor.

Section 3. Repeals the farm homestead exemption in the fourth year of the establishment of the credit in an effort to further equalize the assessment of property tax across the state.

Section 4. Raises the assessed value percentage for residences to again equalize the assessment of property across the state. During the 3rd and 4th years of the establishment of the credit, the currently assessed percentage of 9% would rise to 9.5% and then 10% respectively equalizing the assessment percentage.

Section 5. Establishes property tax increase limitations to CPI for Midwest urban plus .75% or 5% whichever is less annually. This limitation maybe exceeded upon approval by a vote of 60% or more of the qualified electors of the taxing district.

Section 6. Establishes effective dates for the above sections.

2007 North Dakota Pioneer Homestead Act

Cornerstones and Rules

Four Cornerstones for Property Tax Relief and Education Funding

1. Cornerstone 1 - Property Tax Relief
2. Cornerstone 2 - Controls
3. Cornerstone 3 - Tax Law Reconstruction
4. Cornerstone 4 - Educational K-12 Funding

6 Rules

1. Ensure property tax reduction is meaningful.
2. No changes to current methods of determining mill levies.
3. No increase in income or sales tax for property tax relief.
4. Begin the Equalization of property tax across state.
5. Provide enhance funding for K-12
6. Leave education policy for the education committee.

2007 North Dakota Pioneer Homestead Act

Cornerstone 1. Property Tax Relief

Residential property tax relief can be divided into three major categories:

1. Homestead exemptions and credits,
2. Circuit breakers, and
3. Property tax deferrals.

Homestead exemption programs - reduce property taxes on residential property by exempting a certain amount of a home's value from taxation. These programs usually are mandated by state law, with local governments either absorbing the revenue loss or shifting the tax burden to other property.

Homestead credit programs are state-financed and may involve direct rebates to taxpayers or, like homestead exemptions, may reduce property tax bills directly. These programs rebate a certain percentage of taxes due or provide a fixed credit to qualifying homeowners. Homestead credit programs avoid local tax shifts because they are state-financed.

The circuit breaker contrasts with exemptions or credits in that the amount of relief depends on both income and the property tax bill. In our case it is income and age for we currently have this in place.

Property tax deferral programs allow low-income elderly homeowners to defer payment of property taxes.

Property Tax Charts for Other States

Property Tax Tables

The tables that follow provide additional insight into property tax relief mechanisms employed by other state as of 2002. These tables are updated as of 2002 and while I am personally aware that LA has recently changed their law, I believe these tables represent the current status.

Table 1 – Property Tax Relief Mechanisms Employed by States, 2002

Table 2 – Homestead Credit and Exemption Programs

2007 North Dakota Pioneer Homestead Act

Current States with Property Tax Homestead Acts

Table 1. Property Tax Relief Mechanisms Employed by States 2002			
State/ Jurisdiction	Homestead Exemption or Credit Programs	Circuit breaker Programs	Deferral Program
Alabama	√		
Alaska	√	√	
Arizona	√	√	√
Arkansas	√		
California	√	√	√
Colorado	√	√	√
Connecticut	*	√	
Delaware	L		
Florida	√		√
Georgia	√		√
Hawaii	√	√	
Idaho	√	√	
Illinois	√	√	√
Indiana	√		
Iowa	√	√	√
Kansas*(state)	√	√	
Kentucky	√		
Louisiana	√		
Maine	√	√	√
Maryland	√	√	L
Massachusetts	√	√	√
Michigan	*	√	√
Minnesota	√	√	√
Mississippi	√		
Missouri		√	
Montana	√	√	
Nebraska	√		
Nevada	*	√	
New Hampshire	√		L
New Jersey	√	√	
New Mexico	√	√	
New York	√	√	
North Carolina	√		
North Dakota		√	√
Ohio	√		
Oklahoma	√	√	
Oregon	*	√	√
Pennsylvania	L	√	L
Rhode Island	*	√	
South Carolina	√		
South Dakota	*	√	√
Tennessee	√		L
Texas	√		√
Utah	√	√	L
Vermont	*	√	
Virginia	√		L
Washington	√	√	√
West Virginia	√	√	
Wisconsin	√	√	√
Wyoming	√	√	√
District of Columbia	√	√	√
Total	49	34	25

Key:

L=Local option program

*=State has a homestead exemption for narrowly defined population groups such as veterans and the disabled.

Source: Commerce Clearing House State Tax Guide 2002; NCSL calls to legislative fiscal offices 2002

2007 North Dakota Pioneer Homestead Act

Table 2. Homestead Credit and Exemption Programs

State/ Jurisdiction	Age Limit	Description of Credits and Exemptions	Income Limits
Alabama (state)	All ages	Exemption of \$4000 assessed value (equivalent of \$40000) on state property taxes.	None
	65 and over	Full exemption from state property taxes.	\$12,000
Alabama (local)	All ages	Exemption up to \$2000 assessed value (equivalent of \$20000) from county taxes. In addition municipalities may exempt another \$2000 (\$20000).	None
	65 and over	Exemption up to \$5000 assessed value (equivalent of \$50000).	\$12,000
	65 and over	Full exemption from local property taxes if federal adjusted gross income is less than \$7500.	\$7,500
Alaska (1)	All ages	Local option exemption of up to \$10000 assessed value.	None
	65 and over	Exemption of up to \$150000 assessed value. Municipalities may provide for an exemption beyond \$150000 in hardship cases.	None
Arizona	All ages	Credit of 35% of school taxes. Maximum tax rebate is \$500.	None
Arkansas	All ages	Credit of \$300.	None
California	All ages	Exemption of up to \$7000.	None
Colorado	65 and over	Exemption applies to 50% of the first \$200000 of actual value if resident has lived in home for at least 10 years.	None
Connecticut	65 and over	Municipalities are authorized to grant homestead tax relief.	None
	All ages	Exemption of up to \$50000 of assessed value.	
District of Columbia	65 and over	Decrease in property tax liability of 50 percent if household adjusted gross income is less than \$100000.	\$100,000
Delaware	65 and over	A credit against school taxes assessed against principal residences is available for 50% of such taxes or \$500 whichever is less if authorized by a majority vote of the whole school board of the local school district.	None
Florida	All ages	Exemption up to \$25000 of assessed value. None.	
	65 and over	Additional \$25000 exemption.	\$20,000
Georgia	All ages	Exemption to the amount of \$2000 assessed value (equivalent of \$5000).	None
	All ages	Homeowners who qualify for the homestead exemption also are qualified to receive the homeowner's tax relief credit of \$8000 in 2002. The credit will be increased by \$2000 per year until the total credit reaches \$18000 (provided funds are available).	
	62 and over	Additional exemption up to \$10000 of assessed value (\$25000 equivalent) of property in an independent school district or county school district.	\$10,000
	62 and over	Exemption equal to the amount of the assessed value of a homestead that exceeds the assessed value of that homestead for the tax year immediately preceding the tax year in which this exemption is first granted. This exemption replaces all other homestead exemptions.	
	65 and over	Additional exemption up to \$4000 (\$10000 equivalent) from state and county taxes.	\$10,000
Hawaii	All ages	Exemption up to \$40000.	None
	55 to 59	Exemption up to \$60000.	None
	60 to 64	Exemption up to \$80000.	None
	65 to 69	Exemption up to \$100000.	None
	70 and over	Exemption up to \$120000.	None
Idaho	All ages	Exemption is lesser of \$50000 or 50 percent of value for residential improvements.	None
Illinois	All ages	Exemption in homesteads limited to a reduction in the equalized assessed value of homestead property equal to the increase in such value for 1978 and subsequent years above the equalized assessed value of such property for 1977 up to a maximum of \$3500 (\$4500 in Cook County). Property is assessed at 33.3% (counties over 200000 inhabitants) and 25% (counties under 200000 inhabitants).	None
	65 and over	Exemption limited to a \$2000 (\$2500 in Cook County) maximum reduction from equalized or assessed value. Property is assessed at 33.3% (counties over 200000 inhabitants) and 25% (counties under 200000 inhabitants).	
Indiana	All ages	A homestead credit is allowed at a rate of 10% through 2003. (Beginning in 2003 the credit is 20%.) The total deduction that may be received for any year is the lesser of one-half the assessed value of the realty or \$6000. A county in which the county option income tax is in effect may increase the percentage credit allowed but not to exceed 8%.	None
	65 and over	Exemption of \$3000 or the lesser of one-half the assessed value. The value of the property may not exceed \$60000.	\$25,000
Iowa	All ages	Credit in an amount equal to the levy on the first \$4850 of actual value.	None
Kansas (state)	All ages	Exemption of \$20000 assessed value for state property tax levy only.	None
Kentucky	65 and over	Exemption up to \$26800.	None
Louisiana	All ages	Exemption up to 7500 of assessed value (\$75000 equivalent). Does not apply to municipal taxes except in Orleans Parish.	None
Maine	All ages	Exemption of up to \$7000 assessed value.	None
Maryland	All ages	State credit applies against the tax due on the portion of reassessment that exceeds 10%. Local governments set a limit of 10% or less.	None
Massachusetts	70 and over	Exemption of \$2000 assessed value or \$175 whichever is greater provided value of the estate is not greater than \$20000 (local option to increase benefits).	None

2007 North Dakota Pioneer Homestead Act

Minnesota	All ages	A homestead credit is allowed up to 4.4% of market value of the property up to a maximum of \$304. The credit begins phasing out for properties valued at \$76,000 and above.	None
Mississippi	All ages	Exemption for the first \$7500 assessed value (\$75000 equivalent). This also translates to a \$300 credit.	None
Montana	All ages	All residential properties receive a 31 percent exemption.	None
Nebraska (2)	65 and over	Exemption is the taxable value of the homestead up to \$40000 or 80% of the average value of homes in the county whichever is greater. Exemption varies with income.	Varies
New Hampshire	65 and over	Exemption of at least \$5000 if income is below \$13,400 single or \$20,400 married and asset value is below \$35000.	\$13,400-\$20,400
New Jersey (3)	All ages	New Jersey SAVER program provides homeowners a homestead exemption rebate equal to the property value amount which is the lesser of \$45000 or the highest equalized value of the homestead for 1997 or subsequent years multiplied by the school tax rate for the municipality in which the homestead is located.	None
	65 and over	Credit of up to \$250.	\$10,000
	65 and over	Homestead property tax reimbursement is provided for the portion of property tax for the current year that exceeds the property tax paid in base year (the year the claimant became eligible for the program).	\$38,475-\$47,177
New Mexico	All ages	Exemption up to \$2000 assessed value (\$6000 equivalent).	
New York	All ages	Up to \$30000 assessed value is exempt from school taxes.	None
	65 and over	Up to \$50000 assessed value is exempt from school taxes.	None
	65 and over	Local option exemption up to 50 percent assessed value. The law allows each county city town village or school district to set the maximum income limit at any figure between \$3000 and \$20500. Localities have the further option of granting an exemption of less than 50% to senior citizens whose incomes exceed the local income limit up to \$28	900 Varies
North Carolina	65 and over	Exemption on the greater of \$20000 or 50% of appraised value.	\$18,000
Ohio	All ages	Real property taxes on homesteads are reduced by 12.5 percent.	None
	65 and over	Reduction in assessed value by the lesser of a percentage (up to 75%) or flat amount up to \$5000 (equivalent to \$14,285) depending on income.	\$24,100 (for 2002) adjusted annually
Oklahoma	All ages	Exemption of \$1000 of assessed value (has higher equivalent value).	
	All ages	Additional exemption of \$1000 assessed value.	\$20,000
Pennsylvania		Local option homestead exemption may be no larger than one-half of the median assessed value of homestead property.	
Rhode Island		Local governments may provide exemptions.	
South Carolina	All ages	Residential property is exempt from property taxes levied for school operations.	
	65 and over	Exemption of \$50000 of fair market value.	None
Tennessee	65 and over	Exemption on first 18000 of full market value.	\$12000
Texas	All ages	Exemption of \$3000 appraised value for county purposes and exemption of \$15000 appraised value for school districts. Taxing units may exempt a percentage of the appraised value of a residence (minimum exemption \$5000) but not to exceed 20%.	
	65 and over	Exemption of \$25000 appraised value for school district purposes and a minimum exemption of \$3000 appraised value by local governments. Taxing units may exempt a percentage of the appraised value of a residence (minimum exemption \$5000), not to exceed 20%.	None
Utah	All ages	45 percent of market value of primary residence is exempt.	None
Virginia	65 and over	Local option to exempt up to 100% assessed value provided net worth is not more than \$240000.	\$62,000
Washington	61 and over	Exemptions vary with income. A full exemption may be granted if combined disposable income is less than \$30000.	Varies
West Virginia	65 and over	Exemption of up to \$20000 (\$33,300 equivalent) assessed value.	None
Wisconsin	All ages	The lottery and gaming credit against property tax is allocated to every property used as the owner's principal dwelling in an amount determined by multiplying the school tax rate by the credit base or fair market value of the property whichever is less.	None
	All ages	The school levy tax credit against property tax is distributed by the state to municipalities based on their share of statewide levies for school purposes during the three preceding years. Within municipalities credits are allocated according to each property's percentage share of the municipality's total taxable value (4).	
Wyoming (5)	All ages	Credit varies according to tax rate and assessed value.	None

Notes: This table does not include programs restricted to special groups such as veterans and the disabled. Most states have these programs.

1. Alaska—Renters age 65 and over are eligible for a renter relief program calculated according to rent paid and the property tax rate.
2. Nebraska—To be eligible the homestead maximum value may not exceed \$95000 or 150 percent of the average value of single family residential property in the county whichever is greater plus \$20000.
3. New Jersey—Homeowners may not receive both the New Jersey SAVER exemption and the Homestead Property Tax Rebate (circuit breaker program). They will receive whichever one is larger.
4. Wisconsin—All taxable property (including a primary residence) is eligible for the school levy tax credit.
5. Wyoming—The credit is in effect only if the Legislature appropriates fund to reimburse local taxing entities for the lost revenues. It has not been funded for several years.

Source: NCSL, updated using Commerce Clearing House 'State Tax Guide 2002; NCSL calls to state legislative fiscal offices 2002

2007 North Dakota Pioneer Homestead Act

Property Tax Relief Proposal

The ND Pioneer Homestead Act provides for a homestead property tax exemption of 40% not to exceed the total amount of levied property tax for education to residents of the state excluding:

1. Non residents;
2. leased land (except owner occupied agricultural property)
3. railroad land; and
4. centrally assessed property.

Requirements for Homestead Exemption

1. Owner Occupied Residents
2. Owner Operated Farms or Ranches
3. Family owned and operated Farm LLCs, Corps, or S Corps where all shareholders are ND residents and have a common kinship. Mother, Father, Brother, Sister, Uncle, Aunt, Grandparents, Great Grandparents, Cousins, etc.

This plan provides for real property to be separated into resident and non-resident property for tax purposes. Homestead property is property that a taxpayer declares as his or her primary residence and any property that is owned by a resident of North Dakota.

Let's look at what this 40% would do to county taxes based on the information provided by the Tax Departments Red Book for 2004.

2007 North Dakota Pioneer Homestead Act

40% Reduction

The results to county property taxes after the 4th year.

County	Ad Valorem and Special Taxes	School Districts 2100	40% Property Tax Reduction	School Districts 2100 After Reduction	Tax After Reduction	School Districts Taxes Levied	School Districts Taxes Levied After Reduction
Adams	\$2,802,045	\$1,397,533	\$1,120,818	\$276,715	\$1,681,227	49.88%	16.46%
Barnes	\$12,456,274	\$6,663,645	\$4,982,510	\$1,681,135	\$7,473,765	53.50%	22.49%
Benson	\$4,122,360	\$2,279,872	\$1,648,944	\$630,928	\$2,473,416	55.31%	25.51%
Billings	\$776,757	\$223,353	\$553,404	\$0	\$553,404	28.75%	0.00%
Bottineau	\$7,480,761	\$4,010,425	\$2,992,304	\$1,018,121	\$4,488,456	53.61%	22.68%
Bowman	\$2,336,092	\$1,485,425	\$934,437	\$550,988	\$1,365,106	63.59%	40.36%
Burke	\$2,510,493	\$1,497,455	\$1,004,197	\$493,258	\$1,506,296	59.65%	32.75%
Burleigh	\$71,462,700	\$40,804,792	\$28,585,080	\$12,219,712	\$42,877,620	57.10%	28.50%
Cass	\$148,035,886	\$94,504,910	\$59,214,354	\$35,290,556	\$88,821,531	63.84%	39.73%
Cavaller	\$6,353,735	\$3,312,551	\$2,541,494	\$771,057	\$3,812,241	52.14%	20.23%
Dickey	\$5,708,458	\$3,204,492	\$2,283,383	\$921,109	\$3,425,075	56.14%	26.89%
Divide	\$2,862,120	\$1,510,167	\$1,144,848	\$365,319	\$1,717,272	52.76%	21.27%
Dunn	\$4,206,075	\$2,303,879	\$1,682,430	\$621,449	\$2,523,645	54.78%	24.63%
Eddy	\$2,619,212	\$1,226,424	\$1,047,685	\$178,740	\$1,571,527	46.82%	11.37%
Emmons	\$4,112,491	\$2,265,702	\$1,644,996	\$620,705	\$2,467,495	55.09%	25.16%
Foster	\$4,111,792	\$2,188,481	\$1,644,717	\$543,764	\$2,467,075	53.22%	22.04%
Golden Valley	\$1,735,049	\$882,775	\$694,020	\$188,755	\$1,041,029	50.88%	18.13%
Grand Forks	\$64,303,640	\$31,263,867	\$25,721,456	\$5,542,411	\$38,582,184	48.62%	14.37%
Grant	\$2,830,646	\$1,570,926	\$1,132,258	\$438,668	\$1,698,387	55.50%	25.83%
Griggs	\$3,445,963	\$1,899,180	\$1,378,385	\$520,795	\$2,067,578	55.11%	25.19%
Hettinger	\$2,997,572	\$1,454,135	\$1,199,029	\$255,107	\$1,798,543	48.51%	14.18%
Kidder	\$3,192,481	\$1,937,223	\$1,276,993	\$660,231	\$1,915,489	60.68%	34.47%
LaMoure	\$5,284,728	\$2,887,156	\$2,113,891	\$773,265	\$3,163,276	54.63%	24.45%
Logan	\$2,082,002	\$1,101,437	\$832,801	\$268,636	\$1,249,201	52.90%	21.50%
McHenry	\$5,662,164	\$3,301,338	\$2,264,866	\$1,036,473	\$3,397,298	58.31%	30.51%
McIntosh	\$3,140,690	\$1,618,158	\$1,256,276	\$361,882	\$1,884,414	51.52%	19.20%
McKenzie	\$3,910,244	\$2,510,049	\$1,564,098	\$945,951	\$2,346,147	64.19%	40.32%
McLean	\$6,848,657	\$4,334,268	\$2,739,463	\$1,594,805	\$4,109,194	63.29%	38.81%
Mercer	\$6,334,868	\$3,791,181	\$2,533,947	\$1,257,233	\$3,800,921	59.85%	33.08%
Morton	\$24,545,586	\$11,397,006	\$9,818,235	\$1,578,772	\$14,727,352	46.43%	10.72%
Mountrail	\$5,305,059	\$2,895,364	\$2,122,024	\$773,340	\$3,183,036	54.58%	24.30%
Nelson	\$4,370,965	\$2,132,885	\$1,748,386	\$384,498	\$2,622,579	48.80%	14.66%
Oliver	\$1,604,152	\$976,927	\$641,661	\$335,266	\$962,491	60.90%	34.83%
Pembina	\$10,056,477	\$5,958,372	\$4,022,591	\$1,935,781	\$6,033,886	59.25%	32.08%
Pierce	\$4,897,118	\$2,627,601	\$1,958,847	\$668,754	\$2,938,271	53.66%	22.76%
Ramsey	\$10,433,285	\$5,053,457	\$4,173,314	\$880,143	\$6,259,971	48.44%	14.06%
Ransom	\$6,517,253	\$3,580,414	\$2,606,901	\$973,513	\$3,910,352	54.94%	24.90%
Renville	\$3,109,255	\$1,713,678	\$1,243,702	\$469,976	\$1,865,553	55.12%	25.19%
Richland	\$19,794,416	\$10,422,346	\$7,917,767	\$2,504,579	\$11,876,650	52.65%	21.09%
Rolette	\$3,677,620	\$1,968,653	\$1,471,048	\$497,605	\$2,206,572	53.53%	22.55%
Sergeant	\$5,746,188	\$2,909,856	\$2,298,475	\$611,381	\$3,447,713	50.64%	17.73%
Sheridan	\$2,038,113	\$1,188,234	\$815,245	\$372,989	\$1,222,868	58.30%	30.50%
Sioux	\$798,011	\$411,592	\$319,205	\$92,388	\$478,807	51.58%	19.30%
Slope	\$1,137,494	\$707,736	\$454,998	\$252,738	\$682,497	62.22%	37.03%
Stark	\$16,366,973	\$7,646,880	\$6,546,789	\$1,100,091	\$9,820,184	46.72%	11.20%
Steele	\$3,675,138	\$2,081,742	\$1,470,055	\$611,687	\$2,205,083	56.64%	27.74%
Stutsman	\$20,301,447	\$10,111,603	\$8,120,579	\$1,991,024	\$12,180,868	49.81%	16.35%
Towner	\$3,785,496	\$2,185,310	\$1,514,198	\$671,112	\$2,271,297	57.73%	29.55%
Trail	\$9,249,165	\$5,025,880	\$3,699,666	\$1,326,214	\$5,549,499	54.34%	23.90%
Walsh	\$12,263,445	\$6,749,931	\$4,905,378	\$1,844,553	\$7,358,067	55.04%	25.07%
Ward	\$42,710,451	\$22,135,163	\$17,084,180	\$5,050,983	\$25,626,271	51.83%	19.71%
Wells	\$5,708,277	\$3,029,773	\$2,283,311	\$746,462	\$3,424,966	53.08%	21.79%
Williams	\$15,887,006	\$8,174,911	\$6,354,802	\$1,820,109	\$9,432,203	51.46%	19.09%
	\$627,704,345	\$348,516,115	\$251,081,738	\$97,521,727	\$376,665,848	55.52%	25.89%
	100.00%	55.52%		25.89%			

2007 North Dakota Pioneer Homestead Act

Effects of the current tax rate on housing costs. You want to grow the state, then let's reduce the cost of home ownership.

\$100,000 Home @ 6% for 30 Years							
City	P&I	Total Payment	Taxes	% of increase	New Rate	Tax Rate	
Bismarck	\$599.55	\$768.22	\$2,024	28.13%	\$1,214.40	16.88%	
Devils Lake	\$599.55	\$779.55	\$2,160	30.02%	\$1,296.00	18.01%	
Dickinson	\$599.55	\$765.47	\$1,991	27.67%	\$1,194.60	16.60%	
Fargo	\$599.55	\$772.88	\$2,080	28.91%	\$1,248.00	17.35%	
Grand Forks	\$599.55	\$784.22	\$2,216	30.80%	\$1,329.60	18.48%	
Jamestown	\$599.55	\$787.13	\$2,251	31.29%	\$1,350.60	18.77%	
Mandan	\$599.55	\$778.72	\$2,150	29.88%	\$1,290.00	17.93%	
Minot	\$599.55	\$768.38	\$2,026	28.16%	\$1,215.60	16.90%	
Valley City	\$599.55	\$776.30	\$2,121	29.48%	\$1,272.60	17.69%	
Wahpeton	\$599.55	\$781.63	\$2,185	30.37%	\$1,311.00	18.22%	
West Fargo	\$599.55	\$756.55	\$1,884	26.19%	\$1,130.40	15.71%	
Williston	\$599.55	\$787.05	\$2,250	31.27%	\$1,350.00	18.76%	

The results are a 28% to 31% increase in monthly housing costs due to property tax alone. A 40% reduction in education levied property tax would reduce the increase to 15% to 19% of housing payments.

It maybe assumed that as the value of the home increases the related increase associated with property tax decreases as a percentage, it does not. Both increase equally. This effect continues as the cost of housing increases. Same percent increase in payments.

\$160,000 Home @ 6% for 30 Years							
City	P&I	Total Payment	Taxes	% of increase	New Rate	Tax Rate	
Bismarck	\$959.28	\$1,229.15	\$3,238	28.13%	\$1,943.04	16.88%	
Devils Lake	\$959.28	\$1,247.28	\$3,456	30.02%	\$2,073.60	18.01%	
Dickinson	\$959.28	\$1,224.75	\$3,186	27.67%	\$1,911.36	16.60%	
Fargo	\$959.28	\$1,236.61	\$3,328	28.91%	\$1,996.80	17.35%	
Grand Forks	\$959.28	\$1,254.75	\$3,546	30.80%	\$2,127.36	18.48%	
Jamestown	\$959.28	\$1,259.41	\$3,602	31.29%	\$2,160.96	18.77%	
Mandan	\$959.28	\$1,245.95	\$3,440	29.88%	\$2,064.00	17.93%	
Minot	\$959.28	\$1,229.41	\$3,242	28.16%	\$1,944.96	16.90%	
Valley City	\$959.28	\$1,242.08	\$3,394	29.48%	\$2,036.16	17.69%	
Wahpeton	\$959.28	\$1,250.61	\$3,496	30.37%	\$2,097.60	18.22%	
West Fargo	\$959.28	\$1,210.48	\$3,014	26.19%	\$1,808.64	15.71%	
Williston	\$959.28	\$1,259.28	\$3,600	31.27%	\$2,160.00	18.76%	

It was suggested during last session that a reduction in the property tax would result in a tax increase because of the lower property tax deduction on federal income tax. The following tables demonstrate that this is not true. In order to create a tax increase, the taxpayer would have to spend an additional amount of income equal to 95% of the savings realized before increasing their total tax payments. The final table below illustrates the amount needed to breakeven.

Individual Income Tax Effect						
Income Tax Change	TFV	Old Fed Tax	New Fed Tax	Old State Tax	New State Tax	Adjusted Tax Change
Single	\$60,000.00	\$2,151.00	\$2,226.00	\$352.00	\$363.00	\$86.00
Head of Household	\$100,000.00	\$109.00	\$229.00	\$346.00	\$363.00	\$137.00
Married	\$160,000.00	\$1,046.00	\$1,241.00	\$697.00	\$724.00	\$222.00
Property Tax Change						
Property Tax Deduction	TFV	Old Property Tax	w/40% Reduction	Gross Savings	New Income Taxes	Net Savings
Single	\$60,000.00	\$1,214.40	\$728.64	\$485.76	\$86.00	\$399.76
Head of Household	\$100,000.00	\$2,024.00	\$1,214.40	\$809.60	\$137.00	\$672.60
Married	\$160,000.00	\$3,238.40	\$1,942.80	\$1,295.60	\$222.00	\$1,073.60
Household Savings vs. Required New Spending to Create a Tax Increase						
Household	Savings	Required New Spending to Create a Tax Increase				
Single	\$399.76	\$7,995.20				
Head of Household	\$672.60	\$13,452.00				
Married	\$1,073.60	\$21,472.00				

2007 North Dakota Pioneer Homestead Act

Cornerstone 2 – Controls

A new law to limit the allowable growth of government through property tax both with and without the people's consent.

This law would require that at the beginning of 2007, the taxable value of a residence cannot exceed 5% in any one year or the rate of inflation plus .75 percent, whichever is less excluding the value of new construction or improvements. Upon the subject property being sold, a new taxable value base is established for the purposes of taxation.

For example: The True and Full Value of a resident increases by 8%, which in turn increases the assessed value, but the taxable value would only increase under this bill by 5% or the rate of inflation as determined by Midwest small urban CPI plus .75 percent. When a property is sold, the tax base reverts to the current True and Full Value for determining the taxable value base and the subsequent annual growth is capped once again. This limit maybe exceeded by a 60% vote of people authorized to vote within the political subdivision or district.

Over time this will result in a widening between TFV and taxable value resulting in substantial savings. This gap will be reset each time the property is sold.

2007 North Dakota Pioneer Homestead Act

CPI History

12 Months Percent Change				
	US City Avg	Midwest Urban	5%	CPI + .75
Year	Annual	Annual	Annual	Annual
1981	10.3	9.3	5.0	10.05
1982	6.2	7.1	5.0	7.85
1983	3.2	3.5	5.0	4.25
1984	4.3	3.7	5.0	4.45
1985	3.6	3.1	5.0	3.85
1986	1.9	1.1	5.0	1.85
1987	3.6	3.6	5.0	4.35
1988	4.1	3.8	5.0	4.55
1989	4.8	4.7	5.0	5.45
1990	5.4	4.9	5.0	5.65
1991	4.2	3.9	5.0	4.65
1992	3.0	2.8	5.0	3.55
1993	3.0	2.9	5.0	3.65
1994	2.6	2.9	5.0	3.65
1995	2.8	3.1	5.0	3.85
1996	3.0	3.1	5.0	3.85
1997	2.3	2.4	5.0	3.15
1998	1.6	1.7	5.0	2.45
1999	2.2	2.1	5.0	2.85
2000	3.4	3.4	5.0	4.15
2001	2.8	2.7	5.0	3.45
2002	1.6	1.2	5.0	1.95
2003	2.3	1.9	5.0	2.65
2004	2.7	2.4	5.0	3.15
2005	3.4	3.2	5.0	3.95

2007 North Dakota Pioneer Homestead Act

Cornerstone 3 Tax Law Reconstruction

1. Farming Homestead Act Repeal
2. Real Estate Assessed Value Level

Farming Homestead Law Repealed. With all the Ag land property taxes reduced this law is no longer needed. Property tax law is then applied to all residents equally, if you own a home you pay property tax and if you are ND resident you get a state funded property tax credit. The results of this will add property tax revenue to each county; however since property tax value is not tracked for exempted property the total benefit to the counties is unknown at this time.

Real Property Assessed Value Level. To further equalize the taxed assess rate across the state, resident assessed value is raised from 9% to 10% resulting is an equal assessed value for the purposes of taxation across all properties. This of course is done over the course of the final two years of the exemption growth.

2007 North Dakota Pioneer Homestead Act

Cornerstone 4 Educational K-12 Funding

With the limit of the exemption placed on the educational levy property tax only, the result by default is an increase in state funding of K-12 education. Plus, as property tax increases in the future, whenever the educational levied property tax equals 40% or more of the total property tax for that district the state under this bill is establishing a 40% subsidy of education further growing state educational funding in the future.

Final

I believe the issues reach far pass simply reducing property tax, increasing state funding of and enhancement to education funding. Actions taken across these issues will create change across other areas as well. Some of these areas I believe include Economic Development, population growth, the creation of jobs, personal economic development of the citizens as well as a larger tax base for the state enabling us to hold down taxes in the future.

What does a company look for, be it large or small; when considering the development of a present within a given area? Economic incentives only, tax breaks perhaps? While this provides some initial interest in a given area, transportation, education systems, life styles, and workforce availability are also considered when moving or starting a business. We have a highly efficient and quality transportation system in North Dakota, the education system is amazing with our teachers recognized each year for outstanding accomplishments through national programs, and our life style provides a relaxed environment for personal growth while maintaining a work ethic second to none in the U.S. All these things are recognized at some level by interested industry across the country. However, our low unemployment rate is a double edged sword. While low unemployment appears to indicate a healthy economy, it also tells new employers that the workforce pool is very shallow and finding qualified workers may present a problem. A problem that could hold back the growth of their company.

What I have presented today for your consideration and review is a vision. A vision that I believe will not only help to change the way education is funding in this state, but assist in the growth and development of the state as a whole.

This Vision provides for changes within the property tax law to establish economic development both commercially and personally.

You want our young people to stay in this state; then give them the opportunity to buy a house where the taxes don't equal one-fourth or more of the house payment each month. This is the personal economic development of which I speak.

Mr. Chairman, this ends my testimony on HB 1335. I will be happy to attempt to answer any questions you or the committee my have and I thank you and the committee for your time.

1-23-07

#2

HB 1335-A

House Finance & Taxation Committee
January 23, 2007
HB 1335 Homestead Property Tax Relief

My name is Arvid Winkler. I am educated as a civil engineer and am a Registered Professional Engineer in the state of Colorado. I am a farmer, reside in a farm exempt residence, and have been the assessor for Cuba Township of Barnes County since 1977.

Since Thursday evening when the hearing schedule became available, my opposition to this bill has changed from a gentle simmer to more of an all out boil, and a bad taste towards rebates. The use of the term Homestead creates confusion with another Homestead Credit related to income for a reduction in property valuation.

In my township there are 11 residences taxed on small acreage residential parcels. These residences tend to demand more services while paying proportionally smaller amounts of taxes.

Another two residences are assessed for farming operations which have off farm income problems.

Two residences are exempt as retired farmers.

Some 15 residences are currently exempt as active farmers.

This means that 13 residential properties will directly benefit from this bill on a combined acreage of roughly one quarter section of land. The bill seems to direct benefits to people rather than property.

This also means that 17 residences will be added to the assessment rolls and then receive a credit resulting in a net increase in property taxes.

As there are 144 quarters in the township, the 143 quarters scattered over these 17 farmsteads represents some 8 quarters per farmstead which receive no benefit from this rebate scheme. Their only direct connection to a school is to provide and maintain the roads on which the school buses operate.

What I hear about property taxes is mostly from these landowners, particularly from the Valley City school district.

With all the effort we go through as assessors to treat everyone fairly and equally, I have a real problem with the rebate distribution scheme of this bill.

SB 2208 addresses this same area of the century code. HB 1335 removes from the century code the farm residence exemption that SB 2208 is attempting to adjust. I do not see how both bills can be passed into law at the same time.

My personal philosophy is that if we are going to remove the farm residence exemption, then we should generate school property taxes from the residences, and then use property taxes from the land to build infrastructure such as roads.

Put another way, it would seem appropriate to grant parcels with no structures a credit, by whatever name, because these parcels demand less services from the entire system. Income taxes are being collected from these areas already.

If this bill moves forward, there are some administrative aspects which I think need clarification. The one acre amount on page 2, line 5, would appear to attempt to describe a structure, drain field, water supply, and access. I currently have no descriptions of residential tracts at less than one acre.

Would financial institutions be comfortable with such a limited description?

Who makes the description to perfect the legality?

Would the description, once established, transfer with a sale of the property, or would each succeeding ownership describe their own homestead?

Is this yet another class of property?

The farm description on page 2, line 11, seems to apply to the entire parcel. Is more than one acre of land involved in this credit?

Is the residence sitting on agricultural land?

Page 5, line 19, removes the phrase, "residence situated on agricultural land" from the century code. I have used this phrase to assess farm residences not meeting the various income requirements for farm exemption. We are currently receiving conflicting instructions. This appears to be a result of modifications to this part of the century code while not making appropriate changes to 57-02-01 and 57-02-39. I have copied an e-mail message, and parts of the century code, which would be as current as my assessor manual, an effort to describe the problem.

Parts of this bill are to become effective for taxable years beginning after December 31, 2006. In real terms this is 2007. The assessment date for 2007 is February 1, 2007. You would have the opportunity to kill this bill by that date. It is more likely that we will be holding township equalization meetings on April 9, 2007 before this matter is even resolved.

The problem boils down to whether or not I can assess a residence on agricultural land.

Over the years I have assessed residences on agricultural land. I have also had to remove some of them as income or occupants changed.

Normally in time the previous farmstead gets sold in about a 10 acre parcel and becomes residential property in land and structures. The property has then been surveyed and described as per 57-02-39 in a nice neat legal package.

In the 30 years that I have been an assessor, I am now on my fourth county director of tax equalization. It was not until January of 2006 that the interpretation contained in the Bismarck e-mail came forward. The language of 57-02-01 being cited has been around since the early eighties when the productivity formula for agricultural land came into law. At least 3 of these directors received training in Bismarck after the inception of this century code. None of these recalls instruction with such an interpretation in class. Either we have a lot of people sleeping in class or the interpretation was just plain not covered.

My understanding of 57-02-01 is that in agricultural land we will have cropland and non cropland, terms which are used in 57-02-27. 57-02-01 does not even seem to provide for the feeding of animals in winter months.

At some point in time old farmsteads enter a transition phase, eventually to be sold off or obliterated. If a decision is made to obliterate a farmstead, it normally reverts back to agricultural land in the form of cropland. I have used the phrase "residence situated on agricultural land" to assess residences on agricultural land. The residence is always there until physically removed. It is a matter of whether or not it gets assessed.

The use of detailed soil surveys in agricultural land complicates matters. To create residential land you need to undo the soil survey material in a paper shuffle. When a parcel is sold as a small acreage the change is rather permanent and done once and for all.

57-02-39 would appear to require some "competent surveyor" to describe what actually exists on the ground rather than some arbitrary paper description of limited value which could cause other problems at a later date.

At this point it appears to be a matter for lawyers and legislators. We need to clean house in some manner.



"Dahme, LuElla J."
 <ldahme@state.nd.us>
 01/30/2006 08:24 AM

To "Edwardson, B. J." <bedwardson@co.barnes.nd.us>
 cc
 bcc
 Subject RE: res land

Hi BJ,

The classes of property for assessment purposes are as follows:

- Agricultural property
- Air carrier transportation property
- Centrally assessed property
- Commercial property
- Railroad property
- Residential property

Assessors deal with agricultural, commercial and residential property. Agricultural property is land used to grow crops or graze animals. One can't do that if there's a building located on it. The only statute that allows consideration of a residential structure located on agricultural land is 57-02-08(15) for exemption of farm residences and farm buildings. Those buildings must be located on agland to qualify for exemption. If buildings are not eligible for exemption according to 57-02-08(15), the buildings used as dwellings should be assessed as residential property.

NDCC 57-02-01(12) specifies "all property or portions of property used as a dwelling" shall be considered residential. One must have sufficient land to support the residential structure used as a dwelling. The statutes implies that the land underneath the residential structure must also be classified as residential. The fact that it specifically includes land under a mobile home used as a residence reinforces the concept that land under a residential structure must be classified as residential.

I will go a step further to say that a vacant parcel cannot be classified as residential property, even though the zoning requires only residential development. If land is vacant and isn't used to grow crops or graze farm animals, it must be classified as commercial because it doesn't fit any other classification.

I hope this information is helpful. Good luck with your seminar.

Lu

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CHAPTER 57-02

GENERAL PROPERTY ASSESSMENT

57-02-01. Definitions. As used in this title, unless the context or subject matter otherwise requires:

1. "Agricultural property" means platted or unplatted lands used for raising agricultural crops or grazing farm animals, except lands platted and assessed as agricultural property prior to March 30, 1981, shall continue to be assessed as agricultural property until put to a use other than raising agricultural crops or grazing farm animals. Agricultural property includes land on which a greenhouse or other building is located if the land is used for a nursery or other purpose associated with the operation of the greenhouse. The time limitations contained in this section may not be construed to prevent property that was assessed as other than agricultural property from being assessed as agricultural property if the property otherwise qualifies under this subsection. Property platted on or after March 30, 1981, is not agricultural property when any four of the following conditions exist:
 - a. The land is platted by the owner.
 - b. Public improvements including sewer, water, or streets are in place.
 - c. Topsoil is removed or topography is disturbed to the extent that the property cannot be used to raise crops or graze farm animals.
 - d. Property is zoned other than agricultural.
 - e. Property has assumed an urban atmosphere because of adjacent residential or commercial development on three or more sides.
 - f. The parcel is less than ten acres [4.05 hectares] and not contiguous to agricultural property.
 - g. The property sells for more than four times the county average true and full agricultural value.
 2. "Air carrier transportation property" means the operative property of each airline whose property is assessed for taxation purposes pursuant to chapters 57-06 and 57-32.
 3. "Assessed valuation" means fifty percent of the true and full value of property.
 4. "Centrally assessed property" means all property which is assessed by the state board of equalization under chapters 57-05, 57-06, and 57-32.
 5. "Commercial property" means all property, or portions of property, not included in the classes of property defined in subsections 1, 4, 11, and 12.
-
11. "Railroad property" means the operating property, including franchises, of each railroad operated in this state including any electric or other street or interurban railway.
 12. "Residential property" means all property, or portions of property, used by an individual or group of individuals as a dwelling, including property upon which a mobile home is located but not including hotel and motel accommodations required to be licensed under chapter 23-09 nor structures providing living accommodations for four or more separate family units nor any tract of land upon which four or more mobile homes are located.

(4) When exemption is claimed under this subdivision for a residence, the assessor may require that the occupant of the residence who it is claimed is a farmer provide to the assessor for the year or years specified by the assessor a written statement in which it is stated that fifty percent or more of the net income of that occupant, and spouse if married and both spouses occupy the residence, was, or was not, net income from farming activities.

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2208 P 3 L 9 →

(5) In addition to any of the provisions of this subsection or any other provision of law, a residence situated on agricultural land is not exempt for the year if it is occupied by an individual engaged in farming who had nonfarm income, including that of a spouse if married, of more than forty thousand dollars during each of the three preceding calendar years. This paragraph does not apply to a retired farmer or a beginning farmer as defined in paragraph 2.

(6) For purposes of this section, "livestock" includes "nontraditional livestock" as defined in section 36-01-00.1.

(7) A farmer operating a bed and breakfast facility in the farm residence occupied by that farmer is entitled to the exemption under this section for that residence if the farmer and the residence would qualify for exemption under this section except for the use of the residence as a bed and breakfast facility.

57-02-39. Irregularities of land to be platted into lots if required. If any tract or lot of land is divided into irregular shapes which can be described only by metes and bounds, or if any addition or subdivision which already has been platted into blocks and lots and subsequently sold into parts of blocks or lots which can be described only by metes and bounds, or if the courses, distances, and sizes of each lot or fractional lot are not given or marked upon the plat so that the precise location of each lot and fractional lot can be ascertained accurately, surveyed, or laid out, the owner of such tract or tracts, upon the request of the county auditor, shall have such land platted or replatted, as the case may be, into lots or blocks according to deeds on record. If such plat cannot be made without an actual survey of the land, the same must be surveyed and platted and the plat thereof recorded. If the owners of any

such tract refuse or neglect to cause such plat and survey, when necessary, to be made and recorded within thirty days after such request, the county surveyor, or some other competent surveyor, upon the request of the county auditor, shall make out such plat from the records of the recorder if practicable, but if it cannot be made from such records, then the surveyor shall make the necessary survey and plat thereof, and the county auditor shall have the same recorded, but no such plat may be recorded until approved by the city engineer of the city affected thereby, and if there is no city engineer, then by the county surveyor. A certificate of the approval of such plat must be made by the officer making the same endorsed on the plat or map. Such certificate also must be recorded and forms a part of the record. When such plat has been duly certified and recorded, any description of the property in accordance with the number and description set forth in such plat must be deemed a good and valid description of the lots or parcels of land so described. No such plat or description may bear the name or number which already has been applied to any plat or description previously made and recorded as a part of any such city. When the owner of such land fails to comply with the provisions of this section, the cost of surveying, platting, and recording must be paid by the county, upon allowance by the board of county commissioners, and the amount thereof must be added to the taxes upon such tracts or lots the ensuing year. Such taxes, when collected, must be credited to the county general fund. The surveyor making such survey or plat is entitled to receive for services in making the same the compensation allowed by law for doing other county surveying or platting, and such fees become a legal charge upon such tracts of land.

1-23-07 Am

#3

HB 1335-A

Testimony to the House Finance & Taxation Committee
Chairman Wesley R. Belter
Prepared January 19, 2007 by
Kevin Ternes, City Assessor
City of Minot

House Bill No. 1335

Mr. Chairman, my name is Kevin Ternes and I am the City Assessor in Minot.

I do have some concerns with HB 1335 that I would like to share with this committee.

Section 5 would not allow the fair and equitable distribution of the property tax levy among the citizens of a jurisdiction in my opinion.

For example: In Minot, we review about 15% of the city's parcel count about every 7 years. If the appraiser from the assessor's office would discover that one home should be assessed at something greater than 5% to reflect actual market value as compared to the neighbor's home, it appears this proposed bill would expect that True and Full Value adjustment to be made. This is as it should be because the current statute orders the assessor to assess at market value. However, under this proposed bill, even if the True and Full Value of the home is 10% greater, the tax levy can only change by the limitation listed in this bill which could be no more than 5% or the CPI index. That would mean that even though homes may differ in market value by 10% for example, they would have no more than a 5% difference in property tax. If the goal of the 2007 legislature is to provide property tax relief, to allow homes with a 10% greater market value to be taxed at a 5% difference or something less will give citizens concern. With most public data on the web now, citizens often look at their assessment and taxes and compare what their neighbors and friends are assessed at and what they are paying in property taxes. Under the current system, if the assessment is 10% different for example, so is the property tax owed.

Section 5, Subsection 1 indicates that "improvements" to the property which were not taxable in the previous taxable year can be included in the new True and Full Value. The term "improvements" is going to mean different things to different people. Especially when it can be the reason for a property assessment increase. I believe there is no satisfactory definition of improvements in this proposed bill. To some it may only mean additional components of the home that were not there before such as sun rooms, basements that are finished, or extra garages. Too appraisers and realtors, improvements can mean new kitchens, all new floor covering throughout the home and new siding and windows. This bill does not explain the definition of improvements or give examples and it will probably be interpreted differently by different people. This will be the cause of inequity and will raise the question of fairness among citizens.

Finally, I have visited with several tax directors, assessors, and county auditors, and collectively we are not sure how we would attempt to separate and calculate those properties that have a valuation change that would be exempt from this law and those that would not be when transferring the True and Full Value from the Assessor to the County Treasurer for billing. In addition to that, with all the various mill levy calculations that are applied to a parcel, we don't know if most counties right now, or any for that matter, have the software capability to administer and calculate all the taxable valuation changes and yet keep the dollars levied by each taxing authority to the appropriate cap. To summarize my concern, if the value changes more than the levy cap allows, the technical aspect of billing the property tax does not seem possible under most county software. Because of these immediate concerns, I would ask you to not pass this bill in its current form.