

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER
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DESCRIPTION

2324

2007 SENATE FINANCE AND TAXATION

2324

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2324**

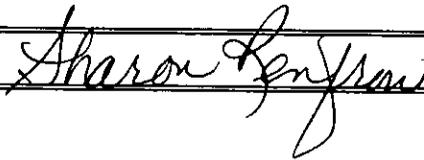
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 24, 2007

Recorder Job Number: # 1820

Committee Clerk Signature



Minutes:

**Sen. Urlacher** called the committee to order and opened the hearing on SB 2324.

**Sen. Nething** appeared as the prime sponsor stating SB 2324 changes the eligibility for the homestead property tax and credit. First change is to reduce the age to be 62 instead of 65 and secondly we change the amount of a person's income as it relates to the percent of a taxable value that an individual can have. I wanted to have a bill relating to the homestead property tax exemption as part of the mix to be considered. This would replace the personal property tax bill that the governor has proposed which is within the area of about 160 million and that would leave us some money available for some other tweaking.

**Marcy Dickerson** of the Tax Dept appeared to bring attention to a couple of things. First of all the fiscal note excludes renters, if we change the income requirements for home owners that will also apply to renters, that would make a lot more renters eligible.

**Sen. Oehlke:** what determines the person's income is it net income, gross income or other or do they just use their 1014 or what?

Marcy: there is a requirement that its income from all sources minus any medical expenses that they paid out of their own pocket to which they were not reimbursed. Any income except gifts and the things by federal law are not considered income; we have to follow the federal

law. Wages, we look at their gross wages just like for income tax. If they have business income or farm income, we look at the net income from any type of business, gross receipts minus expenses. Some people do have farm income where they have property tax to pay that's deducted from their rental income. Our income level we're working with up to \$14,500.

**Sen. Anderson:** I do understand the individual home owners sequence pretty well, the renters kind of and you mentioned the number of \$240 is that a year, month?

**Marcy:** that is the maximum refund and that is an annual refund.

**Sen. Cook:** if we did one thing and that's to leave it at 65, that would probably indicate that you could be a little bit closer to accurate in your fiscal note.

**Answer:** a little more accurate yes.

**Leon Samuel:** Tax Director for Morton County appeared neutral on the bill stating he has no problem with the bill but would suggest the effective date change. If this bill goes the way it is, we have to go back and rework those we've just done so we ask that the effective date be changed so that it reflects one year later for all mobile homes.

No further testimony adjourned the meeting and opened for further discussion.

**Sen. Cook:** I think there may be some merit for this committee to look at the homestead tax credit for the elderly and disabled and low income people.

**Sen. Anderson:** this indeed is property tax relief and it's geared towards the people that need it most and maybe we're going a little over board, I'm not sure. I don't have a whole lot of trouble with C1 because the people who are making the least need the most help.

**Sen. Cook:** we ought to put the age back up to 65 so we can have a more accurate fiscal note to know what we're doing.

**Sen. Triplett:** if you open it up so that what ever it is multiplied the number of people eligible by 10, it still is a burden on the office that has to administer it.

**Sen. Cook:** it's going to be debate on who gets the property tax relief and debated on how much, the other option that we might consider would be a second homestead credit. We have the one existing homestead tax credit in ND right now for the elderly and the disabled and low income and have a second homestead credit that is available to all property owners, you could limit it to the first \$200,000 of home value so that somebody with a \$200,000 home could get the same tax credit as someone with a million dollar home. It might eliminate some out of state property owners that do not pay ND income tax and I thinks its being done successfully in MN.

**Sen. Urlacher:** concerns with constitutionality.

**Sen. Tollefson:** looking at both the age and income could both be addressed to a certain extent and reduce that fiscal note considerably.

**Sen. Urlacher:** I think the tax relief is going to be there, it's just the method that we use to get to the people. My theory is to broaden it to as many people as possible and I like addressing the education portion of it where it addresses everyone.

Adjourned the discussion.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2324

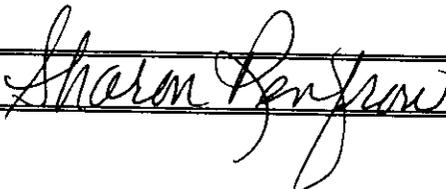
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 31, 2007

Recorder Job Number: #2472

Committee Clerk Signature



Minutes:

**Sen. Urlacher** called the committee to order for discussion and action on SB 2324.

**Sen. Cook:** I have requested some amendments be drawn up and will explain. The bill expands who is eligible for the homestead tax credit considerably, what I would like to do is present amendments that make the appropriation for the next biennium for the homestead tax credit program 6 million dollars instead of 4 ½. There's an extra 1 ½ million dollars. Leave the age of 65 and my thought is to adjust only the income brackets to the level available to stay within that 5 million dollar appropriation so that will allow more people to qualify for the homestead tax credit. That extra 1 ½ million dollars would reach out for more people and then an amendment on the end that changes that effects the mobile homes the way their different taxing years are.

**Sen. Triplett:** you're talking about leaving the numbers the same but expanding the pool?

**Sen. Cook:** there are 2 ways you can address this homestead credit. One is you can raise the income brackets so that you bring more people into it and the other is you can raise the relief.

Further discussion on applying this to rent and if in current law.

**Sen. Cook**: Made a Motion to move the amendment, change the appropriation to 6 million dollars for the biennium, total dollar spent for the homestead tax credit and the only other change we make to the existing to the homestead credit law is to adjust the income brackets accordingly to fit that 6 million dollar appropriation and retain the 65 age bracket and the later date for mobile homes. Seconded by Sen. Triplett.

**Sen. Cook**: the fiscal note addresses the changes in the Governor's budget.

Voice vote: 7-0-0

**Sen. Oehlke** Made a Motion for DO PASS amended and referred to Appropriations, seconded by Sen. Horne.

Roll call: 7-0-0      Sen. Triplett will carry the bill.

# FISCAL NOTE

Requested by Legislative Council

02/05/2007

Amendment to: SB 2324

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			\$1,993,000			
Appropriations						

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. SB 2324 changes the eligibility requirements for the homestead property tax credit program by modifying the allowable income thresholds.

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.*

Eng. SB 2324 is expected to increase the homestead credit program to \$6.493 million for the 2007-09 biennium. This would require a state general fund appropriation increase of \$1.993 million; currently the Tax Commissioner's budget includes a homestead credit appropriation of \$4.5 million for the 2007-09 biennium.

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.*

A \$4.5 million appropriation for the Homestead Credit program 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>	02/12/2007

# FISCAL NOTE

Requested by Legislative Council

01/17/2007

Bill/Resolution No.: SB 2324

**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>			\$30,000,000			
<b>Appropriations</b>			\$30,000,000			

**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).*

SB 2324 changes the eligibility requirements for the homestead property tax credit program. The bill reduces the minimum age requirement from 65 to 62 and increases the allowable income thresholds.

**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.*

SB 2324 is expected to increase the homestead credit program by \$30 million for the 2007-09 biennium. This would require a state general fund appropriation increase of \$30 million as well.

**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.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	01/23/2007

February 1, 2007

JF  
2-1-7

PROPOSED AMENDMENTS TO SENATE BILL NO. 2324

Page 1, line 7, remove the overstrike over "~~sixty-five~~" and remove "sixty-two"

Page 1, line 18, replace "fourteen" with "nine" and overstrike "five"

Page 1, line 19, overstrike "hundred"

Page 1, line 22, replace "fourteen" with "nine" and overstrike "five"

Page 1, line 23, overstrike "hundred", remove the overstrike over "~~ten~~", and remove "eighteen"

Page 2, line 3, remove the overstrike over "~~ten~~" and remove "eighteen"

Page 2, line 4, replace "twenty-two" with "twelve" and overstrike "five"

Page 2, line 5, overstrike "hundred"

Page 2, line 8, replace "twenty-two" with "twelve" and overstrike "five"

Page 2, line 9, overstrike "hundred", remove the overstrike over "~~thirteen~~", and remove "twenty-six"

Page 2, line 13, remove the overstrike over "~~thirteen~~" and remove "twenty-six"

Page 2, line 14, replace "thirty" with "fifteen" and overstrike "five"

Page 2, line 15, overstrike "hundred"

Page 5, line 4, after "2006" insert ", for ad valorem property taxes and for taxable years beginning after December 31, 2007, for mobile home taxes"

Renumber accordingly



**REPORT OF STANDING COMMITTEE**

**SB 2324: 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 (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2324 was placed on the Sixth order on the calendar.**

Page 1, line 7, remove the overstrike over "~~sixty-five~~" and remove "sixty-two"

Page 1, line 18, replace "fourteen" with "nine" and overstrike "five"

Page 1, line 19, overstrike "hundred"

Page 1, line 22, replace "fourteen" with "nine" and overstrike "five"

Page 1, line 23, overstrike "hundred", remove the overstrike over "~~ten~~", and remove "eighteen"

Page 2, line 3, remove the overstrike over "~~ten~~" and remove "eighteen"

Page 2, line 4, replace "twenty-two" with "twelve" and overstrike "five"

Page 2, line 5, overstrike "hundred"

Page 2, line 8, replace "twenty-two" with "twelve" and overstrike "five"

Page 2, line 9, overstrike "hundred", remove the overstrike over "~~thirteen~~", and remove "twenty-six"

Page 2, line 13, remove the overstrike over "~~thirteen~~" and remove "twenty-six"

Page 2, line 14, replace "thirty" with "fifteen" and overstrike "five"

Page 2, line 15, overstrike "hundred"

Page 5, line 4, after "2006" insert ", for ad valorem property taxes and for taxable years beginning after December 31, 2007, for mobile home taxes"

Renumber accordingly

2007 SENATE APPROPRIATIONS

SB 2324

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2324

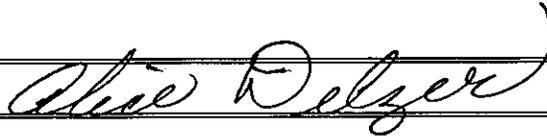
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02-14-07

Recorder Job Number: 3487

Committee Clerk Signature



Minutes:

**Chairman Holmberg** opened the hearing on SB 2324 on February 14, 2007 regarding the Homestead Property Tax Credit Bill.

**Senator Dave Nething, District 12, Jamestown** brought in an amendment to the bill.

**Senator Grindberg moved a DO PASS WITHOUT THE AMENDMENT, Senator Wardner seconded.**

**Senator Holmberg** asked for discussion.

**Senator Wardner** had concerns about the amendment and the big picture concerning the money involved in this amendment.

**Senator Holmberg** we have a DO Pass Without the Amendment. You may have talked to your people in Finance and Tax but our people in Finance and Tax wish that it had been brought to them. It is a massive policy change.

**Senator Wardner** stated we can't afford this and this doesn't really give overall property tax relief, it goes right to the lower income, which is fine but it still doesn't address the big picture.

I am not against adding more to the Homestead Credit but not this much. He stated we are enhancing this and it is a good step in the right direction.

Further discussion followed regarding the dollar amount with and without the amendment.

**Senator Holmberg** stated that Senator Nething brought down the amendment for our consideration, which we did. Also you should be aware that there is a bill coming over from the House HB 1051 which also has some Homestead Tax Credit changes in it so we will have two vehicles. He asked for a roll on a do pass.

**A roll call vote was taken resulting in 13 yeas, 0 nays, 1 absent. The motion carried.**

**Senator Triplett from Finance and Tax will carry the bill.**

The hearing on SB 2324 closed.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2324

Page 1, line 7, overstrike "sixty-five years of age or older or permanently and totally"

Page 1, line 8, overstrike "disabled, in the year in which the tax was levied,"

Page 1, line 19, replace "nine" with "twenty-one"

Page 1, line 23, replace "nine" with "twenty-one"

Page 1, line 24, overstrike "ten" and insert immediately thereafter "twenty-seven" and remove "five hundred"

Page 2, line 4, overstrike "ten" and insert immediately thereafter "twenty-seven" and remove "five hundred"

Page 2, line 5, replace "twelve" with "thirty-three"

Page 2, line 9, replace "twelve" with "thirty-three"

Page 2, line 10, overstrike "thirteen" and insert immediately thereafter "thirty-nine" and remove "five hundred"

Page 2, line 14, overstrike "thirteen" and insert immediately thereafter "thirty-nine" and remove "five hundred"

Page 2, line 15, replace "fifteen" with "forty-five"

Page 2, line 29, overstrike "A person is ineligible for the exemption under this subsection if the value of"

Page 2, overstrike lines 30 and 31

Page 3, overstrike lines 1 through 4

Page 3, line 5, overstrike "h."

Page 3, line 7, overstrike "i." and insert immediately thereafter "h."

Page 4, overstrike lines 29 through 31

Page 5, overstrike lines 1 and 2

Renumber accordingly

Date: 2/14/07  
Roll Call Vote #:

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 23 24

Senate Appropriations Committee

Check here for Conference Committee

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

Action Taken Do pass

Motion Made By Grindberg Seconded By Wardner

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) 13 No 0

Absent \_\_\_\_\_

Floor Assignment triplet for tax

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

REPORT OF STANDING COMMITTEE (410)  
February 14, 2007 10:55 a.m.

Module No: SR-31-3203  
Carrier: Triplett  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

SB 2324, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)  
recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).  
Engrossed SB 2324 was placed on the Eleventh order on the calendar.

2007 HOUSE FINANCE AND TAXATION

SB 2324

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2324A

House Finance & Taxation Committee

Check here for Conference Committee

Hearing Date: 2/28/07

Recorder Job Number: 4100

Committee Clerk Signature

*R. Penrose*

Minutes:

**Rep. Belter:** We will open the hearing on SB 2324. Clerk read title.

**Sen. Dave Nothing:** Sponsor, support. This bill as it sets out, simply extends the Homestead Tax credit and what I want to do, is give you something big. If this amendment that I want to offer and that I've distributed, if these were to be adopted, it would have \$100 million dollar impact. It is considerably more than the impact of the initial bill as it came to you. What the amendments do, is to remove the age limitation of the homestead property tax. It makes every homeowner eligible, which is different from the current law, because we have an age of 65 limitation on that. Then everything else that is in current law, as far as eligibility stays the same, it covers the homeowner, the tenant, you have to be a ND resident, doesn't cover anything on the business or farm, because farmers don't pay anything to start with. That's why they don't qualify under this. That's one part of the bill. The other part of the bill, which I have attached a copy of a bill and put in my own handwriting what the changes would be and it would, the first exemption would come, under current law it's \$8,000, this would raise the person's income to not in excess of \$21,000. Then, from then on, the next category is \$21-27,000, the next is \$27-33,000, up to \$39,000, and then the largest, where they would receive a 20% reduction would be between \$39-45,000. It boils down to this, every homeowner that's

eligible for the homestead tax advantage would be eligible provided their income was \$45,000 or under. That's what brings into this, the \$100 million dollar fiscal impact. That is the bill. I did offer these amendments in the Senate Appropriations and at that time, they wanted to keep the bill alive, because they didn't know where we were going to be with property tax relief and as such, they just increased it to a smaller amount, so the bill stayed alive and that's why the bill is over here. I wanted to bring you this, because this may well be an option that you want to keep alive for some consideration down the line as we've now met half of the days that we're going to be here. From now on, it's downhill. That's good news. That's the genesis for this bill.

**Rep. Froseth:** This bill addresses strictly property homeowners' property. In 1051, it addressed commercial and Ag. Valuation property also. What other vehicle do we have that would address commercial and Ag values.

**Sen. Dave Nothing:** I don't know if there is any other vehicle, other than the one in 1051. I don't know for sure, but I guess.

**Rep. Weiler:** Page 2 of the amendments, if I'm reading this correctly, stop at \$45,000 of income.

**Sen. Dave Nothing:** If you made more than \$45,000 you're not eligible for the Homestead Tax exemption.

**Rep. Weiler:** Do you anticipate this being an alternative to the property tax bill that is currently on each side.

**Sen. Dave Nothing:** As an option, yes.

**Rep. Weiler:** So if you make more than \$45,000 you don't get a credit. The top five property taxed properties in Burleigh County alone, the highest property tax valuation of a residential home in Burleigh County is \$18,900 a year, and it goes down to the fifth highest, is \$15,900 a

year in property taxes. I'm just going to take a guess at this, my guess is that those people make more than \$45,000 a year. Under this current amendment, they would not receive a break at all.

**Sen. Dave Nething:** That's right.

**Rep. Drovdal:** You had estimated that this would be \$100 million dollar impact, is that \$100 million over the current homestead tax credit bill, we have one currently in place that deals with disability and veterans, also. Is this \$100 million over both those costs, or is this imperious.

**Sen. Dave Nething:** What I did, I looked at the \$116 million that was in the Governor's budget for property tax relief, and I asked the legislative council to come up with a number that I wanted to take away the age qualification. I wanted to use \$100 million of that \$116 million as an alternative in this bill. This is where the numbers come up that I presented to you.

**Rep. Pinkerton:** This is a good bill.

**Sen. Dave Nething:** My thought was that as I looked in my mind, where I wanted us to go, I wanted us not to have the problems with non-residents. I wanted to have the broadest coverage that we could in our state with those who are impacted the most, in the sense of economic ability and to include as many of those people as we could. I wanted to keep everything we have in our current homestead tax law. That's where I was coming from. These amendments would accomplish that, I'm told.

**Rep. Wrangham:** Not to be outdone by Rep. Pinkerton, I really like the concept of your bill. There is one question I have. Did you consider some way to ensure that some of this relief get back to those generally truly need it the most, those being the renters who indirectly pay the tax.

**Sen. Dave Nething:** The renters are included in this, because they are included under current law. It's just that there is a different method as they make their application, as I

understand it. Just like the disabled, they are included in this. It is inclusive to them. They do have to meet the qualification of the income. In other words, the \$45,000, if a renter has more income than the \$45,000, then they would not be eligible. Otherwise they will, \$45,000 and under comes under the five categories.

**Rep. Wrangham:** I'm talking about the person paying the rent, living in the apartment. They are covered.

**Sen. Dave Nothing:** Yes, and as I've been told they are eligible under current law, except the amounts are different.

**Rep. Headland:** I realize that your district is completely urban, but the way I see your bill if we put on this amendment, it simply says that rural people shouldn't get any relief. Now I realize that there are probably people that come in from rural areas, that aren't farmers. But I think it is somewhat unfair to leave farmers completely out of the picture.

**Sen. Dave Nothing:** Let me just offer this thought. When you talk about the rural area, I just don't talk about farmers. I talk about that vs. urban. I look at Medina for example, Montpelier, Pingree, all a part of the district I once had. They will be impacted a great deal in here. It's true, but it is also true when you look at property tax relief by itself, as I mentioned earlier, the residents of the farm are not subject to tax now, so there is no way to help them in this method. There are other ways to help them, if you wanted to go with the Governor's proposal, 5%. But yes there is a difference.

**Rep. Headland:** I understand your comment. But I think there are a large percentage of farmers that are paying on their residence.

**Sen. Dave Nothing:** Only based on their income as it comes from different sources. Chances are they would be over the \$45,000.

**Rep. Weiler:** A question on the qualifications for this, page 1, line 19, it says if a person's income, how does this bill or the homestead tax credit account for married people filing jointly. Is it a total household income or is it...

**Sen. Dave Nething:** I can't answer that. I can't differentiate. I've always assumed it was combined income.

**Rep. Weiler:** We'll get that clarification.

**Rep. Belter:** Thank you. Further testimony in support. Testimony in opposition. Neutral.

**Marcy Dickerson, Tax Department:** As far as the income goes, income from all sources of husband and wife, if they are a married couple, and there is no differentiation in the benefit either for the homeowner or the renter depending on whether they are one single person, or a person with dependents. If a person has dependents, whether they have a spouse or not, the dependent's income also qualifies. Something that I have brought up in previous sessions, if you're married you have to count and income of husband and wife; if you're shackled up you only count the income of the applicant.

**Rep. Weiler:** If I can read through this, there are reasons not to get married, then.

**Marcy Dickerson:** Absolutely, I can give you a whole list of them.

**Rep. Froelich:** So if I have a couple living in rural ND, 10 miles out of town, both work in town and their income is \$50,000, total income, but then they also raise a few chickens, etc. and the income is \$50,100. Is their house exempt from taxes.

**Marcy Dickerson:** You're talking about the farm residence exemption, now. Well you mentioned \$50,000, which in that case, if they were over \$50,000 for three years in a row, they would not qualify for the exemption. You're talking about the married couple now or a couple just living together.

**Rep. Froelich:** Even if their agricultural income is higher than their non-agricultural income, if it's over \$40,000 they don't qualify.

**Marcy Dickerson:** If the non-farm income is over \$40,000 in three consecutive years, they would not qualify.

**Rep. Froelich:** Gross income.

**Marcy Dickerson:** It would be net income, depending on what the income is from. If it were wages, it would be gross income, just like the user computing income tax. If it were net income from a business, a non-farm business, then you would look at the net income, gross income minus expenses. It can be a combination of net and gross to get to what's considered net non-farming.

**Rep. Pinkerton:** Would there be a lot of frog in a bill like this, as you got towards those upper numbers with the people that were co-habiting.

**Marcy Dickerson:** Are you talking about the bill as it stands, or with Sen. Nething's amendments.

**Rep. Pinkerton:** With the amendments.

**Marcy Dickerson:** With the amendments, you are getting up to higher incomes and if you had two professional people who between them were making over \$45,000/year they wouldn't qualify. If you had two people who were not married and both making \$40,000/yr the applicant would qualify because the partner's income would not be counted for the purpose of the homestead credit.

**Rep. Pinkerton:** So the bill would probably have to be amended for this to be viable.

**Marcy Dickerson:** If you wanted to equalize the treatment of couples, whether they are married or not, it would take some other language besides what's in the existing law or in this bill.

