

2009 SENATE FINANCE AND TAXATION

SB 2402

# 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2402

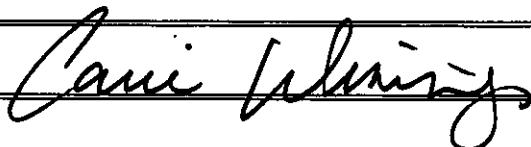
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 02/02/2009

Recorder Job Number: 8299

Committee Clerk Signature



Minutes:

**Chairman Cook:** Opened hearing on SB 2402.

**Senator David Hogue, District 38:** See Attachment #1 as sponsor and in support of bill.

**5.12 Chairman Cook:** Why is Alaska on the sheet and is there one that just shows North Dakota?

**Senator Hogue:** said that the information sheet for Federal Poverty Guidelines had the 48 states and Alaska and Hawaii. It did not have just North Dakota.

**Senator Oehlike:** How does someone know about this tax relief or credit and how do they apply for this.

**Senator Hogue:** I do not know.

**Chairman Cook:** said that in Morton County when you get your tax statements there is an information sheet in there that tells you about the tax credits and encourages you to see if you qualify.

**Senator Anderson:** said that in the city of Wahpeton the city assessor will give notices in newspapers and through TV and radio and will list guidelines and if you qualified the year before you will get personal notification

7.15 **Vice Chairman Miller:** I was doing some quick math and asked if we enacted that tax cut plan would it reduce the fiscal note on this bill.

**Senator Hogue:** said it would substantially and he had that same thought, and wanted to follow that up.

**Vice Chairman Miller:** said he did some quick math and it would be close to 2 million dollars.

**Senator Hogue** said he didn't know that.

**Chairman Cook:** Support, Opposed, Neutral?

Any questions for Marcy?

**Senator Triplett:** asked if Marcy Dickerson could answer Senator Miller's question.

**Marcy Dickerson, State Supervisor of Assessments:** She said the potential reduction in property tax was not figured into this, this was based on the existing situation. It would make a difference, it would be about a 75 mill reduction, and each city has reductions in the tax and that would cut the fiscal note.

**Senator Dotzenrod:** is it true that this is a bill that we can pass and there is no appropriation required.

**Chairman Cook:** These dollars would be replaced by the state and the state would reimburse the counties for the amount of the homestead tax credit that they give. His guess is that this has a fiscal effect and it would go to Appropriations.

**Chairman Cook:** Closed hearing in SB 2402.

# 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2402

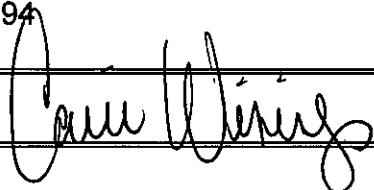
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 02/03/09

Recorder Job Number: 8594

Committee Clerk Signature



Minutes:

**Chairman Cook:** Reopened discussion on SB 2402.

**Senator Triplett:** My recollection of the bill we had in front of us last year on the topic that failed was that the top side was an income level of about \$54,000, is that your recollection?

**Chairman Cook:** We had a couple of them, and I know one of them was right up there.

**Senator Triplett:** And the fiscal notes were very high. I think this bill splits the difference of what was going on last year.

**Chairman Cook:** Do you want to see a fiscal note before you vote?

**Senator Oehlke:** Should we adopt the amendments first?

**Chairman Cook:** We can if you would like.

**Senator Triplett:** Moved the amendments on 90995.0101.

**Senator Anderson:** Seconded.

**Chairman Cook:** Discussion? (No) This is for low income disabled, and taking it from \$240 to \$400, and 20% of the annual rent – the people that fall into those income brackets are also getting housing assistance and my thought the likely hood of them reaching the \$400 would be slim. I mention that because it could become an issue. The fiscal note does not speak to that at all.

Page 2  
Senate Finance and Taxation Committee  
SB 2402  
Hearing Date: 02/03/2009

**Senator Hogue:** This might attract the attention of Senator Nelson.

**Passed Amendment 90995.0101, 7 yeas, 0 nays.**

**Chairman Cook:** Suspended the hearing on SB 2402.

# 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2402

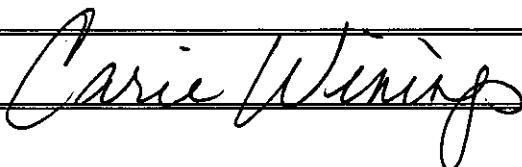
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 02/04/2009

Recorder Job Number: 8587

Committee Clerk Signature



Minutes:

**Chairman Cook:** Reopened discussion on the bill. This bill has a \$5 million dollar fiscal note, and it is being brought down by some amendments. The House version of this bill was voted down, so we need to do something with this one.

**Senator Hogue:** I had Mr. Walstad work up some amendments, and in the history of this section there have been 4 amendments. It has raised the amount of income a person could still earn and be eligible for this tax credit. The legislature has been pretty frugal on what they have increased it by. I think now it requires a much bigger increase. I decided to scale the original bill draft back a bit. The current law now is \$17,500, and I am now presenting a maximum income of \$26,000 and then declines from there. One other change I am making is to the assets outside the homestead that are greater than \$50,000 currently, and changing that to \$75,000. I am hopeful that in scaling it back that it will make it more supportable by both houses. (Attachment #1)

**Chairman Cook:** Maximum income today is?

**Senator Hogue:** \$17,500.

**Chairman Cook:** Changed to what?

**Senator Hogue:** \$26,000 and it goes down in increments of 20%.

**Chairman Cook:** Does it not also have a limitation on the amount of the taxable value of the home that the credit can apply to. Are you changing that?

**Senator Hogue:** Yes.

**Discussion:** A discussion occurred between committee members on what the \$75,000 applied to.

**Senator Triplett:** Referenced page 2, subparagraph G. of the bill to top of page 3, it is sited there.

**Chairman Cook:** Is that the same for all of the income brackets?

**Senator Triplett:** I believe so.

**Chairman Cook:** When we look at the homestead tax credit there are three criteria that policy makers tend to play with, one is the income levels, another is assets, and then there is the \$100,000 threshold of the home. You are leaving the amount of the credit and expanding the number of people that might be able to get that credit.

**Senator Hogue:** That is true.

**Chairman Cook:** Is that what we want to do as we modify the homestead tax credit?

**Senator Anderson:** The only thing is that I am concerned about is adjusting the home values just a little bit.

**Senator Dotzenrod:** Questioned the brackets for clarification which followed with some discussion and clarification on the brackets.

**Chairman Cook:** The issue is where to massage this bill and how much money do we want.

**Senator Triplett:** I think on the income size, I am sure that the House will further massage the figure.

**Chairman Cook:** I think that they will pass something out. We need to get it in the shape we want to pass our Senate.

**Senator Triplett:** I like Senator Hogue's amendment.

**Chairman Cook:** Asks committee what their feelings are on expanding the number of people who can get it.

**Senator Oehlke:** Marcy Dickerson said that the Governor's budget bill affected this fiscal note, do we have any idea how.

**Chairman Cook:** I think you can figure about a 15% reduction, it could vary slightly due to mill levy.

**Vice Chairman Miller:** I would like to know if eligibility is declining for this credit.

**Chairman Cook:** No I would say not. We could ask for those numbers.

**Senator Hogue:** It seems to me that it would tend to trend down, as they are getting cost of living increases; they are being pushed out of eligibility. Their valuations are going up as well.

**Chairman Cook:** The more I think about it, I think that expanding the number of people would be better.

**Senator Anderson:** So you are saying to not increase the \$100,000 figure.

**Chairman Cook:** Suspends hearing on the bill.

# 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2402

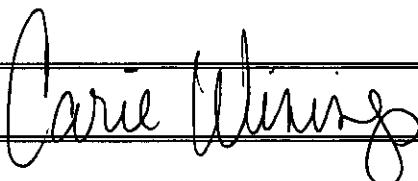
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 02/04/2009

Recorder Job Number: 8592

Committee Clerk Signature



Minutes:

**Chairman Cook:** Reopens discussion on SB 2402.

**John Walstad, Tax Department:** Presented Attachment #1 for review by the committee on additional information on the Homestead Tax Credit.

**Chairman Cook:** We have \$100,000 threshold on the value on the home?

**John Walstad:** Correct

**Chairman Cook:** That just determines what percent of their deduction is, correct?

**John Walstad:** That is correct until you hit that to income number, and then it is nothing.

**Chairman Cook:** Is there a point where you hit 100%?

**John Walstad:** The very lowest income bracket would be about \$75,000 in true and full value.

**Vice Chairman Miller:** Do you see a trend in decreasing eligibility for this because of rising home prices or any other factors?

**John Walstad:** Rising home prices won't eliminate you from the exemption; it would just cover a smaller part of the value of your home. Over the years the number of qualifying homebuyers has declined substantially in about a 20 year period from 1979-1999; it was cut by more than half.

**Senator Triplett:** Do we know how many people are eligible right now, or the last year or two?

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Senate Finance and Taxation Committee

SB 2402

Hearing Date: 02/04/2009

**John Walstad:** I have not looked into that. I do not know. The tax department would have that.

**Vice Chairman Miller:** Suspended hearing on the bill.

# 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2402

Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 02/04/2009

Recorder Job Number: 8667

Committee Clerk Signature

Minutes:

Chairman Cook: Reopened discussion on SB 2402.

Senator Triplett: My notes say that we were holding this one for a new fiscal note, but I am OK with voting on it.

Chairman Cook: It has already been amended, and asked committee their wishes.

**Senator Hogue: Motioned for a Do Pass As Amended and Re-Referred to Appropriations.**

**Senator Anderson: Seconded.**

**Chairman Cook: Discussion?**

**A Roll Call vote was taken: Yea 7, Nay 0, Absent 0.**

**Senator Hogue will carry the bill.**

**FISCAL NOTE**  
Requested by Legislative Council  
03/18/2009

Amendment to: Engrossed  
SB 2402

**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.

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>				\$3,823,000		
<b>Appropriations</b>						

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 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).

Engrossed SB 2402 with House Amendments expands the homestead credit and renters refund programs.

**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.

If enacted, Engrossed SB 2402 with House Amendments is expected to increase expenditures relative to the homestead credit and renters refund programs to a biennial total of an estimated \$9.787 million.

Currently, the tax department has a biennial appropriation expected to equal \$5.964 million (contained in the executive budget). If enacted, Engrossed SB 2402 with House Amendments will require an additional appropriation of \$3.823 million.

**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:	03/23/2009

## FISCAL NOTE

Requested by Legislative Council

02/09/2009

Amendment to: SB 2402

**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.

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>				\$3,823,000		
<b>Appropriations</b>						

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 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).

Engrossed SB 2402 expands the homestead credit and renters refund programs.

**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.

If enacted, Engrossed SB 2402 is expected to increase expenditures relative to the homestead credit and renters refund programs to a biennial total of an estimated \$9.787 million. (This engrossed version of SB 2402 is somewhat less expansive than the original version of SB 2402.)

Currently, the tax department has a biennial appropriation expected to equal \$5.964 million (contained in the executive budget). If enacted, Engrossed SB 2402 will require an additional appropriation of \$3.823 million.

**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 Commmissioner
Phone Number:	328-3402	Date Prepared:	02/10/2009

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/27/2009**

Bill/Resolution No.: SB 2402

**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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>				\$5,136,000		
<b>Appropriations</b>						

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 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 2402 expands the homestead credit and renters refund programs.

**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.*

If enacted, SB 2402 is expected to increase expenditures relative to the homestead credit and renters refund programs to a biennial total of an estimated \$11.1 million. Currently, the tax department has a biennial appropriation expected to equal \$5.964 million (contained in the executive budget). If enacted, SB 2402 will require an additional appropriation of \$5.136 million.

**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:	01/31/2009

Date: 02/04/09

**Roll Call Vote #:**

**2009 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.: 12345**

## **Senate Finance and Taxation**

## **Committee**

Check here for Conference Committee

## **Legislative Council Amendment Number**

Action Taken  Do Pass  Do Not Pass  Amended

Motion Made By Senator Hogsett Seconded By Senator Anderson

Total: Yes        No

Absent

Floor Assignment Senator Hogue

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

Date: 02/04/09

Roll Call Vote #: 1

**2009 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.: S-102**

## **Senate Finance and Taxation**

## **Committee**

Check here for Conference Committee

90995.0101

### **Legislative Council Amendment Number**

## Amendments

Action Taken  Do Pass  Do Not Pass  Amended

Motion Made By Senator Triplett Seconded By Senator Anderson

Total: Yes 1 No 0

## Absent

## Floor Assignment

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

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

**REPORT OF STANDING COMMITTEE**

**SB 2402: Finance and Taxation Committee (Sen. Cook, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).** SB 2402 was placed on the Sixth order on the calendar.

Page 1, line 18, replace "twenty" with "eighteen"

Page 1, line 22, replace "twenty" with "eighteen"

Page 1, line 23, replace "twenty-four" with "twenty"

Page 2, line 3, replace "twenty-four" with "twenty"

Page 2, line 4, replace "twenty-eight" with "twenty-two"

Page 2, line 8, replace "twenty-eight" with "twenty-two"

Page 2, line 9, replace "thirty-two" with "twenty-four"

Page 2, line 13, replace "thirty-two" with "twenty-four"

Page 2, line 14, replace "thirty-five" with "twenty-six"

Page 2, line 31, replace "one hundred" with "seventy-five"

Renumber accordingly

2009 SENATE APPROPRIATIONS

SB 2402

# 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2402

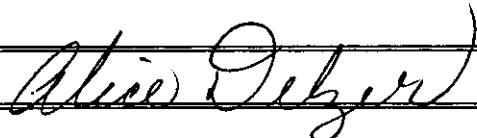
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02-17-09

Recorder Job Number: 9630

Committee Clerk Signature



Minutes:

**Chairman Holmberg** called the committee hearing to order at 8:30 am in reference to SB 2402 in regards to homestead credit.

**Senator David Hogue, District 38, Burlington, ND** testified in favor of SB 2402 and provided written testimony # 1. He explained the bill and asked committee to give this bill favorable consideration. Property tax rates are important to all of us. Back to a higher level of participation and will benefit the poor on fixed incomes. I have an estimate from the tax department and there are questions concerning the governor's off ice and this bill. And whether they will reduce this bill by 15 to 20 %. I have talked to someone on the House side, and it was defeated over there because of this bill.

**Senator Seymour** How did you come with the idea of this bill?

**Senator Hogue** stated that his first campaign was this last fall, and when I went door to door, I heard tax relief #1. There are a lot of low income in that community of Burlington, this was the number 1 issue.

**Senator Warner** did the policy committee make these numbers from the fed poverty level?

(7.52)

**Senator Hogue**, I looked at the history of this statute. The level of participation is going down. The answer is no. We tried to look at a number that would make more individuals

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Senate Appropriations Committee

Bill/Resolution No. 2402

Hearing Date: 02-17-09

eligible. The house had numbers where the income levels would have more than doubled.

Under this bill you can get a 20% credit depending on your income.

**Senator Lindaas** asked if he had any idea of the numbers how many people will benefit from this.

**Senator Hogue** stated no. One of the nice features about this bill, if you are concerned about spending, it will correct itself. 1. The income amount you receive and qualify. 2. The taxable valuation.

**Senator Matherne** I think this is an excellent idea. Have you thought about putting everyone eligible. Just to ND folks, and not to folks who don't live here. It is for everybody. 11.12

**Senator Hogue** stated that is a good thought, always looking to help the people who need this the most. To me this just looked like the best approach. It goes directly to the people who need it the most.

**Senator Judy Lee, District 13** had follow up comments as a real estate broker for 30 years, it is not the same from one area to another. Look at written testimony # 1 I have taken a little calculation. Just to demonstrate what the value would be. We are in a state with an aging population, our goal is to try to keep people in their homes. This will help them. It will not do anything concerning specials and that type of thing. I see this as a large picture of tax reform. This is a really important bill. I encourage you to look at this permitting our older people to be able to stay in their homes and afford it.

**Senator Wardner** stated he was on Finance and Tax and we got a very modest, but last time I thought it was substantial. We have a bill that applies to major tax relief.

**Judy Lee**, stated this is more important because of the population we have in ND. (16.39) but if you lived in that little house since 1957, the market has increased, the alternative to get a reverse mortgage.

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Senate Appropriations Committee

Bill/Resolution No. 2402

Hearing Date: 02-17-09

**Senator Wardner** stated you are in the business, evaluation of houses, what is the percentage in increase in value.

**Judy Lee** stated it is flat in ND, entry level homes, that has been strong because more people can afford them. Someone living in modest home, they will be able to find a buyer. (18.24) It is stable.

**Senator Mathern** If there were two properties right next door to each at the same value, one property owned by someone who is near, one by elderly, who do you think we should give the property tax relief to?.

**Judy Lee** it would not apply to rental property. It is intended for someone who ilives in their home.

**Senator Mathern** stated this is a positive bill, blanket property tax reduction.

**Judy Lee**, it is most appropriate who are residents of the state. They have to occupy the home. (20.31) a good comparison is what the average ss payment be in a home like this, you would find in many cases it is greater than what we are, there isn't anybody who can deal with these kind of costs. I think it is fair to look at Social Security income.

**Senator Christmann** stated with the people who testify, we are aware of tough times, give us numbers how much is in this fiscal note.

**Clause Lembke ND Association of Realtors.** testified in favor of SB 2402.

**Chairman Holmberg** asked if anyone would be able to testify regarding the fiscal note and then stated theTax department will provide this information. We won't take this bill up right now.

**Linda Wertz ARP** testified in favor of SB 2402. (24.47) called circuit breaker relief. That is why the people who are elderly need a little help to stay in their homes.

**Chairman Holmberg** closed the hearing on SB 2402.

# 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2402

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: February 18, 2009

Recorder Job Number: 9650

Committee Clerk Signature



Minutes:

Chairman Holmberg called the committee hearing to order. Roll call was taken. All committee members were present.

**SB 2402 - Homestead Credit Bill**

**Senator Wardner moved Do Pass.**

**Senator Christmann seconded.**

Chairman Holmberg said it handles low income and raises the dollar amount and raises the threshold.

**Senator Mathern** wanted to make sure the committee isn't reducing something that's in the governor's budget. The Governor's budget also addressed the homestead tax credit..

Sandy Deis, Fiscal Analyst: I don't have it in front of me, but I believe there is \$5.9 M in the tax department's budget for the homestead tax credit.

Senator Mathern asked if this bill reduces the budget.

Chairman Holmberg said this does not reduce, it funds the increases in the threshold. The Governor did not change the threshold. He left them as they are.

Sandy Deis thought it increases the amount in the Homestead Tax Credit by \$3.8 M.

**A Roll Call vote was taken. Yea: 14 Nay: 0 Absent: 0**

**Goes back to the Finance & Taxation committee**

Date: 2-18-09  
Roll Call Vote #: 1

**2009 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 3402**

Senate Senate Appropriations Committee

Check here for Conference Committee

## Legislative Council Amendment Number

Action Taken  Do Pass  Do Not Pass  Amended

Motion Made By Wardner Seconded By Christmann

Total Yes 14 No 0

Absent

Floor Assignment Finance + Tax (Senator Hogue)

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

**REPORT OF STANDING COMMITTEE (410)**  
**February 18, 2009 9:23 a.m.**

**Module No: SR-32-3232**  
**Carrier: Hogue**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2402, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)**  
recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).  
Engrossed SB 2402 was placed on the Eleventh order on the calendar.

2009 HOUSE FINANCE AND TAXATION

SB 2402

# 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2402**

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: March 9, 2009

Recorder Job Number: 10451

Committee Clerk Signature

Minutes:

**Chairman Belter:** We will open the hearing on SB 2402. Senator, you are on.

**Senator David Hogue: (Testimony 1):** The bill addresses what I consider to be the most important issue for the 61<sup>st</sup> legislative assembly and that is property tax relief. SB 2402 provides property tax relief to low-income senior citizens and low-income permanently and totally disabled individuals. It does so, not through a new mechanism, but through existing law that has been around for over 30 years. Essentially what the bill does is it increases the eligibility of individuals based on their income. As the committee might be aware, the law sets forth income limitations for those who would otherwise qualify for the homestead tax credit. It allows individuals with incomes of up to \$26,000 to receive a 20% tax credit. I did have an opportunity to compare it with HB 1423, which was a similar bill which was defeated in the House. That bill would have allowed a 20% exemption for up to \$30,000 so this bill is significantly less; I shouldn't say significantly, somewhat less. However, this bill is just a straight tax relief bill for fixed income individuals. HB 1423 did some other things that are not part of 2402. It would have defined assets to not include accumulated amounts in retirement savings accounts; it would have required the Tax Commissioner to provide notice and SB 2402 doesn't do any of that. Again SB 2402 is targeted specifically at the low-income individuals

who qualify under the five income brackets within the existing law. I am told by the Tax Commissioner's Office that if the Governor's property tax relief bill, which is in your side of the House now, if that passes, the fiscal impact of SB 2402 is reduced by 15-20%. With that, Mr. Chairman, I will stand for questions. I should point out the bill received a unanimous "do pass" from the Senate Finance and Tax Committee, from the Senate Appropriations Committee and a unanimous vote from the Senate body as well.

**Chairman Belter:** Are there any questions? Senator, I don't believe that all of the funds that we allocated from last session were used up for the homestead credit. Is that correct?

**Senator Hogue:** I think that is correct. I did want to draw your attention to page 3 of my testimony because this is information that I received from the Tax Commissioner's Office on who was utilizing this homestead tax credit. As you can see, from 1980, you had actually 10,633 people qualifying; now in 2007 there are 3,466 so in that 27 year time frame, the number of people who are claiming and eligible for this has dropped 70%. You might ask yourself why it was dropping 70%. It seems to me you can come up with three possible suggested answers. (1) The demographics – We are losing people. I don't think that is true because I think our population has been pretty level over the past 25 years. (2) You could conclude that our standard of living has increased; the rising tide lifts all ships theory. As a society, we are becoming more affluent; therefore, there are just less poor people and so that is eliminating the demand for this exemption. (3) Because this statute is not indexed like the cost of living, when the Social Security Administration gives individuals cost of living increases year after year and we, as a legislature, don't increase these limits that SB 2402 does, fewer and fewer people become eligible for the exemption. I suspect, Mr. Chairman, that it is a combination of the second and third options. Yes, we are increasing our incomes; but also, because the statute isn't indexed, more and more people are becoming ineligible for this.

**Representative Winrich:** Did you consider indexing the limit?

**Senator Hogue:** I did and received that question from the Senate Appropriations; but I looked at a lot of other statutes and we don't seem to want to index many of our statutory criteria that relates to income levels for poor people and so I thought I am not going to do it. But the one nice feature about not indexing is if we err too much; that is, we have too many people qualifying for it, eventually it corrects itself because we don't keep increasing the caps and their income keeps increasing. So the number of people that are eligible keeps dropping to a level that your committee and the legislative assembly, as a whole, would be comfortable with. It was considered, but in the end, we decided not to do it because we just don't seem to do it a lot.

**Representative Headland:** The fiscal note doesn't indicate how many, but do you have an idea how many people this \$3.8 million represents? How many additional people would be on it?

**Senator Hogue:** I do not. We did give it a significant bump and still you see from 2006 to 2007, despite the fact that we gave it an increase, it did not increase the number of people. This proposes to give it a very significant bump. No, I don't have an answer. I suspect the Tax Commissioner's Office might since they are the author of the fiscal note.

**Senator Judy Lee:** I am here to enthusiastically support SB 2402 from a little different perspective with two hats actually, a combination of human services and a real estate broker. I have been in the real estate business for 33 years and have certainly seen and paid close attention to what happens to the values of homes, as well as what is going on with property taxes. We are all very aware of the discussions about property taxes here in this session.

One thing I thought might be helpful, and perhaps you already are aware of this, but for your own information, when you look at something like page 1, line 18 where we are talking about

the maximum reduction of \$4,500 of taxable valuation; that doesn't mean a lot in our heads maybe, but I will tell you what the formula is for determining taxable valuation. You take the market value, divide it by 2 and multiply it times .09. If you did that, you would find that category (1) would be a \$100,000 home value, (2) would be about \$75,000, (3) would be about \$60,000 and if you give me another three minutes, I will work out the other two. I think it makes more sense to actually talk about the value of the homes themselves because this other is kind of an abstract number and most of us can visualize what that number might be in our home communities and throughout the state. I think it is important to also notice that the income levels have been so modest. I guess I think of social security income as being a pretty basic level of income so we are talking about fixed income individuals. Those are the folks that we are addressing here in large part, those that are on fixed incomes. If somebody is on a fixed income, particularly something like social security, that is a pretty modest standard of living. The good news is they have an appreciating asset; that's wonderful but because of that resulting in the property tax increases, we do see that it does mean that some people need to sell their homes in order to be able to keep up with their bills because they don't have enough income to pay the increasing property taxes unless it is something like taking out a reverse mortgage. That is something I think is fine that we are a little bit more conservative about in ND and not so eager to start taking the equity out of our homes in order to do that. From the human services perspective, if somebody ends up going into a basic care facility instead of being able to live in their own home or if they need some home and community based services, it is going to cost us, the taxpayers, a lot more too. There are two outcomes here that are really important. One is that the individual is more able to stay in his or her home for a longer period of time, if they choose to do it, and the other thing is it is ultimately more cost effective for us a state. We would, yes, be allowing an exemption for this particular homestead

credit; but in the long run, it is going to serve all of us better both from the humanitarian point of view and a fiscal point of view. I do support SB 2402 and will try to answer any questions.

**Senator Rick Berg:** I just wanted to point out that obviously the homestead credit has been important to the House for a number of sessions. I do think you are right, Mr. Chairman, I think we allocated \$8 million last biennium and I think about half of that was used, about \$4 million. I think this along with 1423 makes sense for us to look at. I guess the question is insuring that they dovetail together somehow. I think the only difference between 1423 and this bill, as it relates to this bill, are the going from \$18,000 (I think 1423 took it from \$10,000 to \$15,000; this takes it from \$10,000 to \$18,000. In subsection c.) Any questions? (13:01)

**Chairman Belter:** Any questions of Representative Berg? Any further testimony?

**Doug Schonert, Realtor in Bismarck, Past President of Bismarck-Mandan Board of**

**Realtors, Representing ND Association of Realtors:** I also have another hat; I am a Burleigh County Commissioner. I am only representing myself as one commissioner today, but I really support this bill from the commissioner's standpoint also. Over the past 34 years, the credit has been a great financial aid for many of our citizens. As Senator Hogue and Senator Lee have taken all of the fire out of my speech today, but I totally agree with everything that they have said. When Senator Hogue pointed out that since 1980 down to 2007, we have decreased the usage of this about 68% from 5,670. The main thing is keeping these people in their homes and Senator Lee pointed out as a realtor that this is very important. I think the only thing that I wanted to say that I didn't hear her say was the importance of keeping people in their homes. It makes it a much better environment for those people because once they have to move from their home to another location or another environment; it interrupts their lives and makes it much harder. In many cases, it means going to some type of home and they may be supported by the state or the county and we don't want

to do that. So representing the ND Association of Realtors, I would like to ask you to support this bill. Any questions?

**Chairman Belter:** Further testimony in support of SB 2402?

**Marcy Dickerson, State Supervisor of Assessments in the Tax Commissioner's Office:**

(Testimony 2). If I may, I would like to answer a couple of the questions that were brought up previously before I get into my prepared testimony. It is true that we did not spend the entire amount or will not have spent the entire amount that was allocated last session. If you look at the list that I believe is attached to the testimony you received, you will see that even though there was one less successful applicant for the homeowner's credit last year, the money spent went up considerably. That is because the amount of our exemption allowed to each person was increased last time. The income limit last time was increased from \$14,500 to \$17,500 and we did anticipate that that would bring in a lot more people. If you look at the number of renters that I hope is attached to that testimony, you will see our renters increased by about 50%. That was undoubtedly because of the increased income limit. The difference there between the renters and the homeowners is there is an asset test on the homeowners. Under existing law, they have over \$50,000 of assets in addition to the first \$100,000 of value of their home, they are not eligible. There is no asset test for renters. Since the renters increased by 50% and the homeowners decreased by one person, we assume probably the major reason for that was the asset test. SB 2402 does raise that asset limit to \$75,000. I have no way of knowing how many people in that income bracket have how many dollars worth of assets over and above the value of their house. We don't know of any source to find that out. We are assuming that this increase in the asset limitation will make more people eligible, but there is just nowhere to call in those figures and find out; it is a guess. In our opinion, the asset limit probably had a great deal to do with the fact that we did not have an increase in homeowners

under the 2007 changes to this homestead credit. Mr. Chairman, I do have an amendment to propose today. The amendment to section 2 of SB 2402 clarifies that this act is for taxable years beginning after December 31, 2008 for ad valorem property taxes and for taxable years beginning after December 31, 2009 for mobile home taxes. This language is necessary because mobile home taxes are collected for the upcoming year at the same time ad valorem property taxes are collected for the preceding year. At the time homeowners pay 2009 property taxes in January 2010, mobile home owners will pay 2010 mobile home taxes. Language similar to this amendment was included in homestead credit legislation prior to 2007. In the 2007 bill, that language was inadvertently omitted. However, the program continued to be administered as if the language had been included. We hope that you will approve this amendment. That concludes my prepared testimony and the amendment is attached to that.

**Representative Drovdal:** Marcy, you mentioned that we had appropriated more money last time than what was used, but you didn't mention the amount. Do you remember what the dollar figure was roughly?

**Marcy Dickerson:** I think it was \$8.1 million. Out of that, by the time we are done paying the 2008 ones, which are in the works at the present time, I think we will have used close to \$6 million. We are anticipating a couple of million dollars turn back. That is strictly on homeowners, which are the major part of the program. As you said, the renters increased by approximately 50% and the homeowners went down by one person.

**Representative Weiler:** Senator Hogue had some information about these numbers that dropped 68 or 70%. Why do you think they have dropped; what is the reason?

**Marcy Dickerson:** I think a lot of it has to do with the asset test in the most recent years.

Prior to that, it was probably because sometimes you go through three sessions before you

change the income limit. Now last session you went from \$14,500 to \$17,500, which was a pretty considerable change in the income. Before that, it was only a \$500 increase back in either 2003 or 2005 when it went from \$14,000 up. There have been small incremental increases in the income, but I think the more recently retired people are probably getting larger social security checks than the ones who retired some years ago. A lot of retirees now have other income in addition to their social security, maybe pensions, maybe 401Ks, who knows what. I just think that the income limit and the asset limit were the things that held those down. People's income was increasing relatively faster than the eligibility possibilities.

**Representative Weiler:** On the last page of Senator Hogue's testimony, he has got some information on property taxes. He has got the amount on a \$100,000 home and a \$70,000 home and it says "Calculations assume taxes are paid by February 15, allowing the taxpayer a 5% discount." Do you have numbers in your office that tell us how many people take advantage of that 5% discount?

**Marcy Dickerson:** We did a survey on that (I think it was last session or in the interim before that). It was approximately 95% statewide do take that 5% discount paying by February 15. Five percent is a decent amount of money on a lot of properties' tax bills.

**Chairman Belter:** Any other questions? Further testimony in support of SB 2402.

**Leon Samuel, Tax Director for Morton County:** I would support the amendment that Ms. Dickerson has introduced basically because we are done with mobile homes for the 2009 year already. I testified to that on the other homestead credit bill and asked for that. Basically, just to answer a couple of questions; yes, I think the asset test is a very big reason for it going down because the homes have been going up. The smaller communities, New Salem, the ones I do, the homes are not valued basically over \$100,000 so there would be no problem. But when you start getting to Mandan, Fargo, and Minot, a lot of homes are \$150,000-160,000-

180,000. Basically on a \$160,000 home; they don't meet the asset test because the first \$100,000 and then after that, the \$60,000 so they had \$60,000 in assets so it was basically thrown out. The asset test is a big deal.

**Chairman Belter:** Any other testimony in support of SB 2402? If not, is there any opposition to 2402? Any other testimony on 2402? If not, we will close the hearing.

# 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2402**

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: March 16, 2009

Recorder Job Number: 11003

Committee Clerk Signature 

Minutes:

**Chairman Belter:** Let's look at SB 2402. That's the homestead credit. Do we have amendments? Marcy had one.

**Representative Winrich:** Mobile home owners because they are assessed differently.

**Representative Grande:** Mr. Chairman, I am just kind of curious. We do this, we have made these adjustments just about every session, but we are looking at the second year in a row doing property tax relief. We have \$300 million going back in property tax relief. Is this necessary for this particular session? I just throw that out for discussion.

**Representative Drovda:** The homestead tax credit for senior citizens and disabled is something I guess I have worked on for four or five sessions and a couple of sessions, we got beat down.

**Chairman Belter:** Excuse me, what did you say? You said you got "beat down"? That can't be true.

**Representative Drovda:** We did pass it one last time but we found out and the reason we came back is that we didn't raise the asset level as much as we should have and we haven't even been keeping up with inflation with these adjustments we have been making. Actually if we had done it right last time, this would only have been a \$1.6 million increase, not the \$3.8

that they are talking about because this is \$1.6 million more than what we funded last time.

We just didn't use all of it so as long as we don't put an automatic inflation rate in the bill, if the costs continue to go up at the rate they are going up now, it will be just about every two years we are going to have to revisit this problem. This is actually to keep the lower income senior citizens and the disabled in their homes instead of having to put them in a group home or assisted living or some other area, just to give them a little bit of help. I hope we do this again.

**Representative Headland:** Could we accomplish that if we took out all the overstrikes and left the numbers where we were and just left the asset level? Would that allow them to use up the money they have currently?

**Representative Drovdal:** That would move the fiscal note to \$2.2 instead of \$3.8 because they are going off what was actually spent and not where it was supposed to be last time. That would get us up to where we thought we were last time last session.

**Representative Headland:** Would there be anything wrong with that?

**Chairman Belter:** Any other discussion? I don't know. I guess I personally think this is a pretty good program and it will have to be rereferred to appropriations.

**Representative Weiler:** It is a wonderful program; there is no question about it but we are going to spend \$300 million on property tax relief and everyone of these individuals who owns a home is going to get a significant tax break and maybe to come back in two years or four years and try to adjust this. But as long as the state is spending \$300 million, given the fact that we used to have a surplus, I remember the day not too long ago and that is all gone. We are upside down drastically; I think at some point we have to say that enough is enough and I can't support this bill—not because I don't support the program, but because we are already spending enough money in property tax relief. I don't think this is appropriate.

**Chairman Belter:** The flip side is this is going back to the people. Any other discussion? Do you want to hold it?

**Representative Headland:** I just wondered if there was any interest in the amendments that I offered? If there isn't, there isn't any sense in talking about it, but it would lessen the impact a little bit.

**Representative Grande:** The reason the bill was brought before us is for the exact reason he is providing the amendments for so then we would be back to why the bill was there and that was the asset test so let's deal with the asset test if that is what the issue is. I would support his amendment.

**Chairman Belter:** Do you want to make a motion?

**Representative Headland:** I move that we remove the overstrike and go back to testing the dollar amount, just leave in the asset portion on page 3. Right?

**Chairman Belter:** Where is it?

**Representative Grande:** It starts on "e." line 29 on page 4, letter e.

**Chairman Belter:** And that is the reason we didn't use the funds up last time?

**Representative Weiler:** Do you have any idea what kind of impact this will have on the fiscal note?

**Representative Drovdal:** During the testimony that Marcy gave, she said \$1.6 million that would increase the revenue we appropriated last time so it would lower the fiscal note by \$1.6 million to \$2.2 million.

**Chairman Belter:** We have a motion from Representative Headland and a second from Representative Grande to remove the overstrikes on page 1 through number 5 on page 2, subsection.

**Representative Winrich:** What about line 22 on page 3? That is not part of the asset test, that's the refund.

**Chairman Belter:** That's the renter's portion. This would have an effect on the renters. But I am saying striking the other language would have—no, that wouldn't. (General discussion.) Any more discussion on the motion? (10:33)

**Representative Froseth:** Not on that one but on Marcy's amendment, will that be necessary?

**Representative Winrich:** The point is that the mobile home tax is collected ahead of time rather than after the year so that is still appropriate.

**Chairman Belter:** Is there any more discussion on the Headland amendment? **The motion to approve the Headland amendment failed.**

**Representative Drovdal:** I move the .02 Tax Department amendment.

**Representative Pinkerton:** Second.

**Chairman Belter:** All in favor of the .02 TX amendments signify by saying aye. **The motion to approve the .02 TX amendments carried.** We have a motion for a “do pass as amended and rerefer to Appropriations” from Representative Winrich and a second from Representative Pinkerton. Any discussion. A roll call vote resulted in 10 ayes, 2 nays, 1 absent/not voting (Froelich). Representative Pinkerton will carry the bill.

Date: March 16, 2009

Roll Call Vote #: 1

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 2402**

## **House FINANCE AND TAXATION Committee**

Check here for Conference Committee

## **Legislative Council Amendment Number**

Remove Overstrikes PI 1.2 to 4-5

Action Taken       Do Pass       Do Not Pass       Amended

Motion Made By Headland Seconded By Grande

Total (Yes) 5 No 7

#### **Absent**

## Floor Assignment

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

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

90995.0201  
Title.0300

Adopted by the Finance and Taxation  
Committee

March 16, 2009

VR  
3/16/09

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2402

Page 5, line 5, after "2008" insert ", for ad valorem property taxes and for taxable years beginning after December 31, 2009, for mobile home taxes"

Renumber accordingly

Date: March 16, 2009

Roll Call Vote #: 2

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2402**

## **House FINANCE AND TAXATION Committee**

Check here for Conference Committee

Legislative Council Amendment Number 02 TR

**Action Taken**  **Do Pass**  **Do Not Pass**  **Amended**

Motion Made By Drew Ball Seconded By Pinkerton

**Total**      **(Yes)**      **No**

**Absent** \_\_\_\_\_

## Floor Assignment

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

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

Date: March 16, 2009

Roll Call Vote #: 3

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 240 →**

House FINANCE AND TAXATION Committee

Check here for Conference Committee

**Legislative Council Amendment Number**

Action Taken       Do Pass       Do Not Pass       Amended

Motion Made By Winwick Seconded By Pinkerton

Total (Yes) 10 No 2

Absent | (Froelich)

Floor Assignment \_\_\_\_\_ Rep. Pinkerton

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

Re-enter to Approp.

**REPORT OF STANDING COMMITTEE**

**SB 2402, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (10 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2402 was placed on the Sixth order on the calendar.

Page 5, line 5, after "2008" insert ", for ad valorem property taxes and for taxable years beginning after December 31, 2009, for mobile home taxes"

Renumber accordingly

**2009 HOUSE APPROPRIATIONS**

**SB 2402**

# 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2402

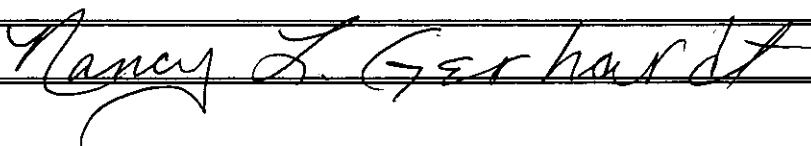
House Appropriations Committee

Check here for Conference Committee

Hearing Date: March 23, 2009

Recorder Job Number: 11400

Committee Clerk Signature



Minutes:

Chm. Svedjan: Let's go next to SB 2402.

Rep. Wes Belter, District 22 approached the podium to explain SB 2402. This deals with our homestead credit act. Basically it raises the income limit on persons with an income of \$26,000 would still be eligible for a 20% reduction in their taxable evaluation of their home.

Currently that income level is at \$17,500. It also raises the amount of credit by raising the amount of the reduction in taxable valuation. It also raises the amount of non-homestead assets from \$50,000 to \$75,000. It also raises the renters' credit from \$250 per year to \$400 per year per maximum rent credit. The fiscal note on that is 3.8 million. Last session we did appropriate 8.1 million, but not all that money was used during the last session and with the raising of the limits and the assets test may have more of an impact on it.

Chm. Svedjan: The bill has no appropriation in it. It would be an additional expenditure of \$3.8 million from the General Fund that would go through the Tax Department.

Rep. Belter: It's really only \$1.687 over what we appropriated in the previous biennium.

Chm. Svedjan: How does this reconcile with the other property tax relief bills? Is this bill very specific based on their eligibilities?

Rep. Belter: I would ask Marcie to answer.

Marcie Dickerson, Office of the State Tax Commissioner: (4:50) The homestead credit would reduce their tax according to the provisions. They would get the same break as everybody else.

Chm. Svedjan: That may also be true with other property tax reduction bills that are out there.

Marcie: I'm not familiar with the Foster Care bill.

Chm. Svedjan: If that passes, you've got two sets of property tax reductions. If all those bills pass, this population of people could benefit four different ways.

Ms. Dickerson: If any overall property tax reduction takes place,

Rep. Skarphol: How many would be affected by the income? How many would be affected by increase in assets?

Ms. Dickerson: The biggest increase will be in increasing the value of the home that may be exempted. We think there will be an increase in the people applying but we believe the asset limitation is probably what held down the increase in people. We had actually 1 less homestead credit applicant home owner last year than the year before. We had a 50% increase in renters who applied. The renters do not have an asset test, that's why we think there will be an increase of homeowners applying because of the increase of the asset limitation in this bill.

Rep. Berg: We appropriated \$8 million last biennium?

Ms. Dickerson: Yes.

Rep. Berg: How much was spent?

Ms. Dickerson: We are anticipated about a \$2 million turn back. About 6 million.

Rep. Berg: What was the executive budget for this homestead tax credit?

Ms. Dickerson: We are adding people with incomes up to \$26,000 instead of \$17,500 and they might have another \$25,000 worth of assets and still be eligible, and we are allowing them to exempt a home up to \$100,000 where current law is only \$75,000.

Rep. Berg: This program has been a desire to keep people in their homes as opposed to broad-based property tax reduction.

Rep. Nelson: Do some people just not apply for the exemption? (10:10)

Ms. Dickerson: Some people do not apply because it's a matter of pride. I don't think its many people, but there are some.

Rep. Nelson: Is it your understanding that with the amendment we added to SB 2201, we will compile the additional \$9.787 and will count as property tax relief whether or not all of it is expended?

Ms. Dickerson: I'm not sure I understand your question. I do not know whether with the amendment you would

Chm. Svedjan: The amendment on SB 2201 would create a registry of all bills that impact property tax reduction and that all of them should not exceed \$300 million. It does not mean that all of them will qualify.

Rep. Skarphol: The Fiscal Note of this session, not the total money spent. Not the \$9.7.

Rep. Nelson: That is a good point. So the \$3.823 probably won't be spent either, but that is probably the number we will be using in that amended list.

Rep. Skarphol: That would have been the intent of my motion, if that wasn't clear.

Rep. Nelson: That's important to note that, but my point is we won't spend all the 3.8.

Chm. Svedjan: It is virtually impossible to nail that down.

Rep. Wald: The amendment referencing mobile homes is dated 3.16.09, the Fiscal Note is dated 3.18. Can we assume that reflects the mobile home?

Ms. Dickerson: That's correct. The mobile home amendment does nothing to the Fiscal Note.

What that does is identifies what years are being considered. Mobile home taxes, a different year is paid at the same time the real property taxes. For instance, your 2008 property taxes were due in January 2009. Your 2009 mobile home taxes were due in 2009. This amendment indicates that the 2008 applicant's for real property tax relief match up with the 2009 mobile home owners who are applying for mobile home tax relief.

Rep. Wald: It's all inclusive.

Ms. Dickerson: It's all included, there is no change in the amount of money involved.

Chm. Sredjan: Any further discussion?

Rep. Delzer: How much of your \$3.8 million is attributed to the rent going from 240 to 400?

Ms. Dickerson: I don't have that with me.

Rep. Delzer: That's where all the money was the last time over the time before was on rental.

If we raise the income on rental I could see most of the money going on the rental which means we could miss the homeowner. I don't believe that's where this program was meant to go.

Ms. Dickerson: The rental program has always been a small portion of the entire homestead credit payment. The average payment was \$140. The reason we had a lot more last year is because there is no asset test on renters. The amount that will go to the renters, I don't think it will be that much more. We didn't increase the number of homeowners at all because they had that asset limitation, which remains in place in this bill.

Rep. Delzer: Could you email me that spreadsheet?

Rep. Kreidt: If a person's income does not exceed \$18,000 you can request a rental reduction. Would that qualify if you lived in an assisted living unit?

Page 5  
House Appropriations Committee  
Bill/Resolution No. 2402  
Hearing Date: March 23, 2009

Ms. Dickerson: Yes, if the facility does pay property tax. If you're in a tax exempt facility, say a nursing home, then you do not qualify.

Rep. Kreidt: Most of the assisted living facilities pay property tax.

Ms. Dickerson: That is correct.

Chm. Svedjan: Any further discussion? We don't have a motion on the floor, what are your wishes?

Rep. Wald: Move Do Pass.

Chm. Svedjan: Rep. Wald moves a Do Pass. Is there a 2<sup>nd</sup>?

Rep. Kroeber: 2<sup>nd</sup>.

Chm. Svedjan: 2<sup>nd</sup> by Rep. Kroeber. Any further discussion? Seeing none we will take a roll call vote on a Do Pass Motion on SB 2402.

Vote: 16 Yes      6 No      3 Absent      Carrier: Rep. Pinkerton      Motion Carries

Date: 3/23/09  
Roll Call Vote #: /

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2402

Full House Appropriations Committee

Check here for Conference Committee

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

Action Taken No Pass

Motion Made By Wald Seconded By Kroeber

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan		✓			
Vice Chairman Kempenich					
Rep. Skarphol		✓	Rep. Kroeber		✓
Rep. Wald	✓		Rep. Onstad		✓
Rep. Hawken	✓		Rep. Williams		
Rep. Klein	✓				
Rep. Martinson	✓				
Rep. Delzer		✓	Rep. Glassheim		✓
Rep. Thoreson		✓	Rep. Kaldor		✓
Rep. Berg	✓		Rep. Meyer		✓
Rep. Dosch	✓				
Rep. Pollert		✓	Rep. Ekstrom		
Rep. Bellew	✓		Rep. Kerzman		✓
Rep. Kreidt	✓		Rep. Metcalf		✓
Rep. Nelson		✓			
Rep. Wieland	✓				

Total (Yes) 16 No 6

Absent 3

Floor Assignment Rebublicans

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

**REPORT OF STANDING COMMITTEE (410)**  
**March 23, 2009 12:57 p.m.**

**Module No: HR-52-5556**  
**Carrier: Pinkerton**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2402, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman)**  
recommends **DO PASS** (16 YEAS, 6 NAYS, 3 ABSENT AND NOT VOTING).  
Engrossed SB 2402 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

SB 2402

## HOMESTEAD PROPERTY TAX CREDIT - BACKGROUND MEMORANDUM

House Bill No. 1206 provides for Legislative Council study of several topics, one of which is "homestead tax valuation for senior citizens." It appears the intention is to study homestead property tax credits allowed under North Dakota Century Code (NDCC) Section 57-02-08.1 (see attached appendix) for aged or disabled persons with limited income, state reimbursement of the homestead credit under NDCC Section 57-02-08.2 (see attached appendix), and the homestead credit for special assessments under Section 57-02-08.3 (see attached appendix).

### HOMESTEAD PROPERTY TAX CREDIT

Since 1969, North Dakota law has provided a property tax reduction for persons 65 years of age or older with limited income. As created in 1969, the provision allowed a person 65 years of age or older with an income of \$3,000 or less per year from all sources to claim a 50 percent reduction in the assessment up to a maximum reduction of \$1,000 of assessed valuation on the person's homestead. This provision has been amended by 23 bills since 1969.

The income limitations in NDCC Section 57-02-08.1 have been increased by legislation approved in 1973, 1975, 1977, 1979, 1981, 1985, 1989, 1993, and 1999. Other significant changes to this section include a matching credit and refund for renters which was added in 1973, state reimbursement to political subdivisions of property tax revenue losses from the credit which was approved in 1973 and became effective in 1975, the credit was extended in 1975 to a person who is permanently and totally disabled, a deduction from income for medical expenses was allowed in 1977, the basis of the tax credit was changed from assessed valuation to taxable valuation and the amount of reductions allowed was proportionately decreased in 1983, an exclusion was added in 1983 to disallow the credit to a person whose assets exceed \$50,000 excluding the value of the homestead, federal rent subsidies were excluded from income and tax-exempt property was excluded from eligibility for the credit for renters in 1985, a \$6,000 limit was imposed on the credit allowed against special assessments in 1985, the credit was allowed to remain available upon absence of the person from the homestead for nursing home care or care in a similar facility in 1989, and permanent and total disability was defined in 1993.

Under the current provisions of NDCC Section 57-02-08.1, a person who is 65 years of age or older or who is permanently and totally disabled whose income is \$14,000 or less per year from all sources,

including the income of any dependent, is entitled to a reduction in taxable valuation of the person's homestead. The exemption continues to apply if the person does not reside in the homestead and the person's absence is due to confinement in a nursing home, hospital, or other care facility for as long as the portion of the homestead previously occupied by the person is not rented to another person. The reduction in taxable valuation varies depending upon income as follows:

Income	Maximum Reduction in Taxable Valuation	Maximum Percentage Reduction in Valuation
\$8,000 or less	\$2,000	100%
\$8,001 to \$9,500	\$1,600	80%
\$9,501 to \$11,000	\$1,200	60%
\$11,001 to \$12,500	\$800	40%
\$12,501 to \$14,000	\$400	20%
Over \$14,000	\$0	0%

A person claiming the homestead property tax credit exemption must sign a statement that the person is 65 years of age or older or is permanently and totally disabled, that the person's income does not exceed \$14,000 per annum, and that the value of the person's assets excluding the value of the person's homestead does not exceed \$50,000, including the value of any assets divested within the last three years.

An illustration of the effect of the homestead property tax credit may be useful in understanding how the credit applies. For the following examples, a home with a \$60,000 true and full value is assumed for each homeowner, and the 1999 statewide average mill rate of 394 mills is applied to the property:

	Annual Income	Taxable Valuation Reduction	Property Tax Obligation	Property Tax Savings
Homeowner A	\$7,500	\$2,000	\$276	\$788
Homeowner B	\$10,000	\$1,200	\$591	\$473
Homeowner C	\$13,500	\$400	\$906	\$158
Homeowner D	\$15,000	\$0	\$1,064	\$0

For homeowners in the following examples, the same assumptions are used except the true and full value of the home is reduced to \$30,000. In these examples, Homeowner E is eligible for complete elimination of the property's taxable valuation. Homeowners F and G are limited in the reduction they receive because the maximum percentage reduction in valuation applies to them rather than the maximum dollar amount reduction under NDCC Section 57-02-08.1.

	Annual Income	Taxable Valuation Reduction	Property Tax Obligation	Property Tax Savings
Homeowner E	\$7,500	\$1,350	\$0	\$532
Homeowner F	\$10,000	\$810	\$213	\$319
Homeowner G	\$13,500	\$270	\$426	\$106
Homeowner H	\$15,000	\$0	\$532	\$0

## HOMESTEAD PROPERTY TAX CREDIT FOR RENTERS

Any person 65 years of age or older or permanently and totally disabled with an income of \$14,000 or less per year from all sources and who rents living quarters is eligible for a refund of a portion of the person's rent deemed to constitute payment of property taxes. Twenty percent of the person's annual rent, excluding federal rent subsidy and utilities, services, furniture, furnishings, or appliances furnished by the landlord under the rental agreement, is considered payment made for property taxes. This 20 percent of annual rent, to the extent it exceeds four percent of the annual income of the person, is refunded from the state general fund, but the refund may not exceed \$240. A husband and wife who are living together are entitled to only one rent refund. The refund is not available for living quarters, including a nursing home, that is exempt from property taxes.

## STATE REIMBURSEMENT OF HOMESTEAD PROPERTY TAX CREDITS

Under NDCC Section 57-02-08.2, since 1975 the state has provided reimbursement to political subdivisions for property taxes lost as a result of the homestead property tax credit, and the state has also provided reimbursement to renters eligible for refunds under the homestead property tax credit. Each county

is required to certify to the Tax Commissioner the name and address of each person allowed the homestead property tax credit for the previous year, the amount of the exemption, and the total of tax mill rates against the property. The Tax Commissioner is required to certify to the State Treasurer for payment to each county the amount of property tax excused under the homestead property tax credit. Renters entitled to a refund must apply annually to the Tax Commissioner for refunds.

The following table shows appropriations made for state reimbursement to political subdivisions and payments to renters for the homestead property tax credit for each biennium since the state began providing reimbursement:

1975-77	\$3,286,014
1977-79	\$2,900,000
1979-81	\$3,550,000
1981-83	\$6,290,000
1983-85	\$5,341,000
1985-87	\$4,250,000 <sup>1</sup>
1987-89	\$4,706,000 <sup>2</sup>
1989-91	\$5,000,000
1991-93	\$4,879,163
1993-95	\$5,375,000
1995-97	\$5,181,250
1997-99	\$4,790,813
1999-2001	\$4,540,813
2001-03	\$4,540,813

<sup>1</sup> After \$750,000 reduction by the 1987 Legislative Assembly.

<sup>2</sup> After \$456,000 deficiency appropriation added by the 1989 Legislative Assembly.

The following table shows the number of claimants, total payments, and average payments per claimant under the homestead property tax credit:

Tax Year	Qualifying Homeowners	Paid for Homeowners	Average Per Homeowner	Qualifying Renters	Paid to Renters	Average Per Renter	Total Payments
1975*	\$6,004	\$650,693	\$108	414	\$26,182	\$63	\$676,875
1976	\$6,738	\$691,592	\$103	508	\$37,367	\$74	\$728,959
1977*	\$9,663	\$1,351,324	\$140	1,325	\$143,352	\$108	\$1,494,676
1978	\$10,738	\$1,558,881	\$145	2,301	\$292,458	\$127	\$1,849,339
1979*	\$10,529	\$1,582,655	\$150	2,572	\$353,058	\$137	\$1,935,713
1980	\$10,633	\$1,881,602	\$177	2,594	\$365,696	\$141	\$2,247,298
1981*	\$10,158	\$1,970,208	\$194	2,635	\$387,906	\$147	\$2,358,114
1982	\$9,411	\$1,886,433	\$200	2,664	\$414,429	\$156	\$2,300,882
1983	\$8,820	\$1,841,081	\$209	3,133	\$516,244	\$165	\$2,357,325
1984	\$8,206	\$1,818,526	\$222	3,068	\$519,667	\$169	\$2,338,193
1985*	\$7,362	\$1,697,678	\$231	2,206	\$159,713	\$72	\$1,857,391
1986	\$7,567	\$1,987,970	\$263	1,994	\$161,905	\$81	\$2,149,875
1987	\$7,540	\$2,011,933	\$267	1,878	\$163,092	\$87	\$2,175,025
1988	\$7,546	\$2,142,139	\$284	1,881	\$163,357	\$87	\$2,305,496
1989	\$7,307	\$2,158,650	\$295	1,657	\$149,666	\$90	\$2,308,316
1990*	\$7,188	\$2,336,992	\$325	1,601	\$149,705	\$94	\$2,486,697
1991	\$7,029	\$2,230,637	\$317	1,582	\$151,600	\$96	\$2,382,237
1992	\$6,743	\$2,181,292	\$323	1,534	\$155,205	\$101	\$2,336,497
1993	\$6,576	\$2,184,714	\$332	1,563	\$166,739	\$107	\$2,351,453
1994	\$6,376	\$2,159,466	\$339	1,626	\$175,554	\$108	\$2,335,020
1995*	\$6,095	\$2,194,689	\$360	1,590	\$177,782	\$112	\$2,372,471
1996	\$5,680	\$2,072,141	\$365	1,499	\$166,841	\$111	\$2,238,982

Tax Year	Qualifying Homeowners	Paid for Homeowners	Average Per Homeowner	Qualifying Renters	Paid to Renters	Average Per Renter	Total Payments
1997	\$5,278	\$1,974,283	\$374	1,482	\$165,060	\$111	\$2,139,343
1998	\$4,943	\$1,852,124	\$375	1,454	\$173,370	\$119	\$2,025,494
1999	\$4,457	\$1,817,552	\$408	1,508	\$190,211	\$126	\$2,007,763

\* Denotes years in which income limitations for credits were increased. The 1990 increase was approved in 1989 legislation, the 1995 increase was approved in 1993 legislation, and an increase for 2000 was approved in 1999 legislation.

## HOMESTEAD CREDIT FOR SPECIAL ASSESSMENTS

Under NDCC Section 57-02-08.3, a person who is qualified for the homestead property tax credit may also elect to qualify for a homestead credit against special assessments. The credit is available only for annual installments of special assessments and must be claimed each year the applicant wants the credit. The total amount of credits allowed for any parcel of property may not exceed \$6,000, not including interest charged by the governing body levying the special assessment. The amounts claimed are to be reported by the county to the Tax Commissioner for payment to the special assessment district.

The amount of the homestead credit for special assessments, plus interest of nine percent per year, is a lien in favor of the state against the property upon which the special assessment credit is allowed. The lien is generally payable from the estate of the claimant, and title to the homestead may not be transferred without the lien being satisfied, unless in the case of a transfer between spouses because of the death of one of them, in which case the lien need not be satisfied until the property is again transferred.

## STATISTICAL COMPARISONS

The following table compares 1983 through 1999 data on relative changes in the homestead property tax credit income limit and other statistical indicators that may be deemed comparable:

	Federal Poverty Guideline <sup>1</sup>	Homestead Credit Income Limit	Consumer Price Index Annual Increase	North Dakota Per Capita Personal Income	North Dakota Residential Property Taxes (in Millions)	Social Security Cost-of-Living Adjustment
1983	\$6,540	\$10,000	3.2%	\$11,386	\$73.9	3.5%
1984	\$6,720	\$10,000	4.3%	\$12,307	\$80.2	3.5%
1985	\$7,050	\$12,000	3.6%	\$12,811	\$86.5	3.1%
1986	\$7,240	\$12,000	1.9%	\$13,128	\$91.0	1.3%
1987	\$7,400	\$12,000	3.6%	\$13,565	\$94.6	4.2%
1988	\$7,730	\$12,000	4.1%	\$12,745	\$99.0	4.0%
1989	\$8,020	\$12,000	4.8%	\$14,357	\$105.8	4.7%
1990	\$8,420	\$13,000	5.4%	\$15,880	\$111.1	5.4%
1991	\$8,880	\$13,000	4.2%	\$16,270	\$116.3	3.7%
1992	\$9,190	\$13,000	3.0%	\$17,892	\$124.1	3.0%
1993	\$9,430	\$13,000	3.0%	\$17,830	\$131.4	2.6%
1994	\$9,840	\$13,000	2.6%	\$19,033	\$141.0	2.8%
1995	\$10,030	\$13,500	2.8%	\$19,084	\$152.2	2.6%
1996	\$10,360	\$13,500	2.9%	\$21,166	\$160.9	2.9%
1997	\$10,610	\$13,500	2.3%	\$20,798	\$170.7	2.1%
1998	\$10,850	\$13,500	1.6%	\$22,767	\$183.1	1.3%
1999	\$11,060	\$14,000 <sup>2</sup>	2.2%	\$23,313	\$196.9	2.4%
Cumulative increase 1983-99	69.1%	40%	87.3%	104.8%	168.4%	68.5%

<sup>1</sup>United States Department of Health and Human Services poverty guidelines for a family of two with no children.

<sup>2</sup>The income limit changes in 1999 House Bill No. 1052 did not take effect until taxable year 2000, but the increased limit is shown for purposes of this table.

<sup>3</sup>The cumulative increase in the Social Security cost-of-living adjustment is inexact because it is based only on the annual percentage adjustments, and federal law provides that when the increase is applied each year, the resulting amount is rounded to the next lower 10 cents.

ATTACH: 1

**57-02-08.1. Property tax credits for persons sixty-five years of age or older with limited income.**

1. Any person sixty-five years of age or older in the year in which the tax was levied, or any person who is permanently and totally disabled in the year in which the tax was levied, as certified by a licensed physician approved by the local governing body, with an income of fourteen thousand dollars or less per annum from all sources, including the income of any dependent person, including any county, state, or federal public assistance benefits, social security, or other retirement benefits, is entitled to receive a reduction in the assessment on the taxable valuation on the homestead as defined in section 47-18-01, except that this exemption applies to any person who otherwise qualifies under this subsection regardless of whether the person is the head of a family. The exemption under this subsection continues to apply if the person does not reside in the homestead and the person's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the person is not rented to another person. The exemption to which any person may be entitled must be determined according to the following schedule:
  - a. If the person's income is not in excess of eight thousand dollars, a reduction of one hundred percent of the taxable valuation of the person's homestead up to a maximum reduction of two thousand dollars of taxable valuation.
  - b. If the person's income is in excess of eight thousand dollars and not in excess of nine thousand five hundred dollars, a reduction of eighty percent of the taxable valuation of the person's homestead up to a maximum reduction of one thousand six hundred dollars of taxable valuation.
  - c. If the person's income is in excess of nine thousand five hundred dollars and not in excess of eleven thousand dollars, a reduction of sixty percent of the taxable valuation of the person's homestead up to a maximum reduction of one thousand two hundred dollars of taxable valuation.
  - d. If the person's income is in excess of eleven thousand dollars and not in excess of twelve thousand five hundred dollars, a reduction of forty percent of the taxable valuation of the person's homestead up to a maximum reduction of eight hundred dollars of taxable valuation.
  - e. If the person's income is in excess of twelve thousand five hundred dollars and not in excess of fourteen thousand dollars, a reduction of twenty percent of the taxable valuation of the person's homestead up to a maximum reduction of four hundred dollars of taxable valuation.

In no case may a husband and wife who are living together both be entitled to the credit as provided for in this subsection upon their homestead. The provisions of this subsection may not reduce the liability of any person for special assessments levied upon any property. Any person eligible for the exemption herein provided shall sign a statement that the person is sixty-five years of age or older or is permanently and totally disabled, that the person's income, including that of any dependent, as determined in this chapter does not exceed fourteen thousand dollars per annum and that the value of the person's assets, excluding the value of the person's "homestead" as defined in section 47-18-01, does not exceed fifty thousand dollars including the value of any assets divested within the last three years. The term "dependent" includes the spouse, if any, of the person claiming the exemption. The assessor shall attach the statement to the assessment sheet and shall show the reduction on the assessment sheet. All benefits available in this section terminate at the end of the taxable year of the death of the applicant.

2. Any person sixty-five years of age or older, or any person who is permanently and totally disabled as certified by a licensed physician approved by the local governing body, with an income of fourteen thousand dollars or less per annum from all sources, including the income of any dependent person, including any county, state, or federal public assistance benefits, social security, or other retirement benefits, but excluding any federal rent subsidy, and who rents living quarters is eligible for refund for that part of the annual rent

which is deemed by this subsection to constitute the payment of property tax and which is further deemed to represent a burdensome share of the person's income. For the purpose of this subsection, twenty percent of the annual rent, exclusive of any federal rent subsidy and of charges for any utilities, services, furniture, furnishings, or personal property appliances furnished by the landlord as part of the rental agreement, whether or not expressly set out in the rental agreement, must be considered as payment made for property tax. When any part of the twenty percent of the annual rent exceeds four percent of the annual income of a qualified applicant, the applicant is entitled to receive a refund from the state general fund for that amount in excess of four percent of the person's annual income, but the refund may not be in excess of two hundred forty dollars. If the calculation for the refund is less than five dollars, a minimum of five dollars must be sent to the qualifying applicant. In no case may a husband and wife who are living together both be entitled to the refund as provided for in this subsection. Each application for refund under this subsection must be made to the tax commissioner before the first day of June of each year by the person claiming the refund, but the tax commissioner may grant an extension of time to file an application for good cause. The tax commissioner shall certify to the state treasurer the amount of the refund due, if any, and the state treasurer shall issue the refund from the state general fund to the applicant. In no case may this subsection apply to rents or fees paid by a person for any living quarters, including a nursing home licensed pursuant to section 23-16-01, if that living quarter has been declared exempt from property taxation and is not making a payment in lieu of property taxes.

3. All forms necessary to effectuate this section must be prescribed and designed by the tax commissioner who shall distribute annually an adequate supply of them to each county director of tax equalization. The county directors of tax equalization shall make these forms available upon request.
4. In determining a person's income for eligibility under this section, the amount of medical expenses actually incurred by that person or any dependent person and not compensated for by insurance or otherwise must be deducted. For purposes of this section, the term "medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the person may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.
5. No person whose homestead as defined in section 47-18-01 is a farm structure exempt from taxation under subsection 15 of section 57-02-08 may receive any property tax credit under this section.
6. For the purposes of this section, "permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months.

**57-02-08.2. Homestead credit - Certification.** Prior to March 1, 1975, and of each year thereafter, the county auditor of each county shall certify to the state tax commissioner on forms prescribed by the state tax commissioner the name and address of each person for whom the homestead credit provided for in section 57-02-08.1 was allowed for the preceding year, the amount of exemption allowed, the total of the tax mill rates of all taxing districts, exclusive of any state mill rates, that was applied to other real estate in such taxing districts for the preceding year, and such other information as may be prescribed by the tax commissioner.

The tax commissioner shall audit such certifications, make such corrections as may be required, and certify to the state treasurer for payment to each county on or before June 1, 1975, and of each year thereafter, the sum of the amounts computed by multiplying the exemption allowed for each such homestead in the county for the preceding year by the total of the tax mill rates, exclusive of any state mill rates, that was applied to other real estate in such taxing districts for that year.

The county treasurer upon receipt of the payment from the state treasurer shall forthwith apportion and distribute it to the county and to the local taxing districts of the county on the basis on which the general real estate tax for the preceding year is apportioned and distributed.

Supplemental certifications by the county auditor and by the state tax commissioner and supplemental payments by the state treasurer may be made after the dates prescribed herein to make such corrections as may be necessary because of errors therein or because of approval of any application for abatement filed by a person because the exemption provided for in section 57-02-08.1 was not allowed in whole or in part.

**57-02-08.3. Homestead credit for special assessments - Certification - Lien.**

1. Any person who has qualified for the property tax credit provided for in section 57-02-08.1 may elect to also qualify for an additional homestead credit against that person's homestead for the portion of any special assessment levied by a taxing district which becomes due for the same year. The total amount of credits allowed for any one property must not exceed six thousand dollars excluding any interest charged by the body levying the special assessment. This credit may be granted only at the election of the qualifying person. The person making the election shall do so by filing with the county auditor a claim for the special assessment credit on a form prescribed by the tax commissioner. The claim must be filed with the county auditor on or before February first of the year in which the special assessment installment thereof becomes payable.
2.
  - a. By March first of each year, the county auditor of each county shall certify to the state tax commissioner, on forms prescribed by the tax commissioner, the following information:
    - (1) The name and address of each person for whom the special assessment credit provided for in subsection 1 was allowed for the preceding year.
    - (2) The amount of credit allowed for the special assessment installment thereof due for the preceding year.
    - (3) The total amount of the special assessment credits due in each special assessment district.
    - (4) Other information that the tax commissioner requires.
  - b. The tax commissioner shall audit the certifications, make such corrections as may be required, and certify to the state treasurer for payment to each county by June first of each year the sum of the amounts computed by adding the credits allowed for portions of special assessments which were due for each homestead in the county for the preceding year. No more than the portion of special assessments due for the preceding year shall be allowed as a credit for any homestead in any year.
  - c. The county treasurer upon receipt of the payment from the state treasurer shall forthwith apportion and distribute the payment to each special assessment district in the county according to the total credits allowed for each respective special assessment district.
  - d. Supplemental certifications by the county auditor and by the state tax commissioner and supplemental payments by the state treasurer may be made after the dates prescribed herein to make such corrections as may be necessary because of errors therein.
3.
  - a. Any credit allowed under subsection 1, plus interest in the amount of nine percent per year from June first of the year for which the special assessment installment for which a credit is taken becomes payable, creates a lien in favor of the state against the property upon which the special assessment credit is allowed and remains a lien upon the property from the time the credit is allowed until the lien is fully satisfied by depositing the amount of the lien in the state general fund. If the amount of the lien exceeds the market value of the property, the state may accept the amount of the market value of the property as payment in full on the lien.
  - b.
    - (1) Except as otherwise provided in this subdivision, a transfer of title to the homestead because of sale, death, or otherwise may not be made without the

lien being satisfied. When a credit under subsection 1 is allowed, the county auditor shall cause a notice of lien of record to be filed against subject property with the recorder.

- (2) When a transfer occurs between spouses because of the death of one of them, the lien allowed by this section need not be satisfied until the property is again transferred.
- c. This lien has precedence over all other liens except general tax liens and prior special assessment liens and shall not be divested at any judicial sale. A mistake in the description of the property covered by this lien or in the name of the owner of the property does not defeat the lien if the property can be identified by the description in the special assessment list.

## **Senate Finance and Taxation Committee**

February 2, 2009

Senate Bill 2402

## **Testimony of David Hogue in support of Senate Bill 2402**

Chairman Cook, and members of the Senate Finance and Taxation Committee,

10 good morning. My name is David Hogue. I am a Senator from District 38 which  
11 includes northwest Minot and all of Burlington North Dakota.

I introduced SB 2402 because I strongly support property tax relief. I regard property tax relief as one of the top priorities of the 61<sup>st</sup> Legislative Assembly.

SB 2402 is targeted tax relief for those who can least afford property taxes:  
disabled and elderly North Dakotans who live on fixed incomes.

SB 2402 is not a new initiative. Rather SB 2402 seeks to modify existing law to make more senior North Dakotans eligible for tax relief.

SB 2402 makes four important changes to existing law as follows:

1. It raises the income limits so that a person with an income of \$35,000 would still be eligible for a 20% reduction of the taxable valuation of the taxpayer's home. Under existing law, a taxpayer with income of \$17,500 was completely ineligible for the exemption.
  2. To combat the problem of raising property taxes through increased valuations, SB 2402 also raise the amount of the credit by raising the amount of the reduction of taxable valuation.

1           3. SB 2402 also raises the amount of non homestead assets from \$50,000 to \$  
2           100,000.

3           4. SB 2402 also provides some relief for those who rent. Renters could be  
4           eligible for a credit of up to \$400. The existing credit is for up to \$240.

5       Mr. Chairman and Committee members, I suspect property tax relief is a bipartisan  
6       priority this session. Passage of SB 2402 is an important component to property tax  
7       relief. Because SB 2402 targets those who need the relief the most, I urge you to give it  
8       favorable consideration.

9           I am attaching to my testimony two pages from our reference materials provided  
10      by the ND Tax Commissioner. In virtually every major city in North Dakota, you can see  
11      that the taxes on a \$100,000 house are in the \$150 per month range; while a \$ 70,000  
12      home is approximately \$100 per month.

13       This concludes my testimony. Thank you.

## STATE COMPARISONS

North Dakota's property taxes are relatively moderate compared to those in other states, whether measured per capita or per \$1,000 of personal income. In recent years, property values have increased significantly resulting in a corresponding increase in property tax assessments. In response, many states have implemented various property tax relief initiatives in an effort to reduce the property tax burden. The tables compare the property taxes on equally valued homes in similar size North Dakota cities as well as from neighboring states. Neighboring states' property taxes on similarly valued residences appear less than North Dakota's because those states provide a homestead

credit for all owner-occupied residential property. North Dakota's homestead credit is available only to elderly and disabled persons with limited income.

Rankings (as shown on the following page) based on collections offer insight into overall tax levels. However, further analysis is needed to see the details of how state tax systems differ. Property taxes may vary by property classification and different types of property may be taxed or excluded. Some states, such as Wyoming, use the property tax to tax mineral wealth while states like North Dakota levy separate severance taxes. In Alaska, because of its oil reserves fund, residents receive annual payments of about \$1,000 per person.

### Property Taxes on an Owner Occupied Home in North Dakota Payable in 2008

#### \$70,000 Home

City	Tax Amount*
Bowman	\$1,018
Carrington	\$1,308
Grafton	\$1,533
Kenmare	\$1,092
Lisbon	\$1,481
Rugby	\$1,306
Washburn	\$953

#### \$100,000 Home

City	Tax Amount*
Bismarck	\$1,752
Devils Lake	\$2,263
Dickinson	\$1,905
Fargo	\$1,962
Grand Forks	\$2,072
Jamestown	\$2,215
Mandan	\$2,158
Minot	\$1,795
Valley City	\$1,988
Wahpeton	\$2,062
West Fargo	\$1,911
Williston	\$1,957

\* Calculations assume taxes are paid by February 15, allowing the taxpayer a 5% discount.

SOURCE: Survey by North Dakota Office of State Tax Commissioner, Property Tax Division, August 2008.

### Property Taxes on a \$100,000 Owner Occupied Home in Neighboring States Payable in 2008

SOUTH DAKOTA <sup>1</sup>		MONTANA <sup>2</sup>		MINNESOTA <sup>3</sup>	
City	Tax Amount	City	Tax Amount	City	Tax Amount
Aberdeen	\$ 1,687	Miles City	\$ 2,200	Bemidji	\$ 1,019
Rapid City	1,419	Great Falls	1,391	St. Cloud	883
Sioux Falls	1,789	Billings	1,230	Minneapolis	1,062

<sup>(1)</sup> Owner-occupied residences receive a 30% tax reduction.

<sup>(2)</sup> 34% homestead credit for all residential property

<sup>(3)</sup> After \$282 homestead credit.

SOURCE: Survey by North Dakota Office of State Tax Commissioner, Property Tax Division

# Property tax system

## Property tax

### A. Types of property

1. Real property
  - a. Land
  - b. Improvements to land
  - c. Mines, minerals, and quarries
  - d. Structures and buildings
  - e. Machinery and equipment, not including small tools and office equipment, used or intended for use in any process of refining products from oil or gas from the earth but not including such equipment located on leased oil and gas production sites.
2. Personal property
  - a. All property that is not included within the definition of real property
  - b. Not subject to property tax in North Dakota, with exceptions (see B.4. below)

### B. Classes of property

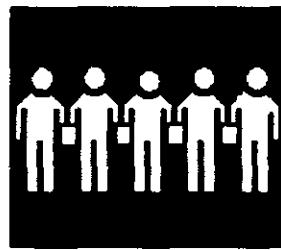
1. Agricultural – land only
  - a. Farm buildings on agricultural land and used as part of a farm plant are exempt
  - b. Farm residences may be exempt if the occupant qualifies as a “farmer”
2. Residential – land, buildings, structures
3. Commercial – land, buildings, structures
4. Centrally assessed (by State Board of Equalization)
  - a. Railroads (real property only)
  - b. Gas companies (real and personal property)
  - c. Power companies (real and personal property)
  - d. Pipeline companies – intercounty (real and personal property)
  - e. Air transportation companies (real property only)
  - f. Telecommunications companies
    - Constitution requires assessment by State Board of Equalization
    - Subject to gross receipts tax in lieu of property tax, levied by State Board of Equalization

### C. Valuation formula

1. True and full value
  - a. Agricultural value of agricultural land
  - b. Market value of all other property
2. Assessed value = 50% of true and full value
3. Taxable value:

a. Agricultural land:	10% of assessed value
b. Residential property:	9% of assessed value
c. Commercial property:	10% of assessed value
d. Wind generators:	3% of assessed value (applies to two wind farms) 1.5% of assessed value (applies to all other wind farms)

### D. North Dakota property tax system—see next page



## 2009 FEDERAL POVERTY GUIDELINES

The **2009 Federal Poverty Guidelines** have been released to the Federal Register. These guidelines help determine eligibility for a great number of programs. The Access Project Update #2 will cover this topic, once again demonstrating real examples of how this information has led to people accessing the treatment and care ( and lots of other things) they need. The Department of Health and Human Services has a **description** of all the

### The 48 Contiguous States and DC

Persons in family	Poverty guideline
1	\$10,830
2	14,570
3	18,310
4	22,050
5	25,790
6	29,530
7	33,270
8	37,010

For families with more than 8 persons, add \$3,740 for each additional person.

### 2009 Poverty Guidelines for Alaska

Persons in family	Poverty guideline
1	\$13,530
2	18,210
3	22,890
4	27,570
5	32,250
6	36,930
7	41,610

- [Request Assistance](#)
- [HIV Treatments](#)
- [Hepatitis Treatments](#)
- [The Access Project](#)
- [Patient Assistance Programs](#)
- [Simple Fact Sheets](#)
- [Make a Donation](#)
- [Federal poverty Guidelines](#)



The **Network** is a national, non-profit group. We provide no-fee case management, advocacy and counseling, and treatment and access information and referrals (English or Spanish) to people with AIDS/HIV, chronic hepatitis, and other diseases.

We celebrate our 20th Anniversary all year until October 6, 2009. Our crucial health care access and coverage services always include a wide range of support services such as housing and rental assistance referrals and

## **Senate Appropriations Committee**

February 17, 2009

Senate Bill 2402

## **Testimony of David Hogue in support of Senate Bill 2402**

Chairman Holmberg, Vice Chairmen Grindberg and Bowman, and other

10 members of the Senate Appropriations Committee, good morning. My name is David  
11 Hogue. I am a Senator from District 38 which includes northwest Minot and all of  
12 Burlington North Dakota.

I introduced SB 2402 because I strongly support property tax relief. I regard property tax relief as one of the top priorities of the 61<sup>st</sup> Legislative Assembly.

SB 2402 is targeted tax relief for those who can least afford property taxes: disabled and elderly North Dakotans who live on fixed incomes.

SB 2402 is not a new initiative. Rather SB 2402 seeks to modify existing law to make more senior North Dakotans eligible for tax relief.

19 SB 2402 makes four important changes to existing law as follows:

- 20        1. It raises the income limits so that a person with an income of \$26,000 would  
21           still be eligible for a 20% reduction of the taxable valuation of the taxpayer's  
22           home. Under existing law, a taxpayer with income of \$17,500 was  
23           completely ineligible for the exemption.

24        2. To combat the problem of raising property taxes through increased valuations,  
25           SB 2402 also raise the amount of the credit by raising the amount of the  
26           reduction of taxable valuation.

1           3. SB 2402 also raises the amount of non homestead assets from \$50,000 to \$  
2           75,000.

3           4. SB 2402 also provides some relief for those who rent. Renters could be  
4           eligible for a credit of up to \$400. The existing credit is for up to \$240.

5           Mr. Chairman and Committee members, I suspect property tax relief is a bipartisan  
6           priority this session. Passage of SB 2402 is an important component to property tax  
7           relief. Because SB 2402 targets those who need the relief the most, I urge you to give it  
8           favorable consideration.

9           I am attaching to my testimony two pages from our reference materials provided  
10          by the ND Tax Commissioner. In virtually every major city in North Dakota, you can see  
11          that the taxes on a \$100,000 house are in the \$150 per month range; while a \$ 70,000  
12          home is approximately \$100 per month.

13          I am also attaching the number of individuals who have been qualifying for this  
14          exemption for the past thirty two years. As you will note, the number who are eligible  
15          has been steadily declining since 1980. Since that date, there has been a decline of nearly  
16          65% of eligible exemptions. This is now the appropriate time to adjust these income  
17          limitations.

18          This concludes my testimony. Thank you.

## HOMESTEAD CREDIT PAYMENTS

HOMEOWNERS -

<u>Credit for Tax Year</u>	<u>Number Qualifying</u>
1975	6,004
1976	6,738
1977	9,663
1978	10,736
1979	10,529
1980	10,633
1981	10,158
1982	9,411
1983	8,820
1984	8,206
1985	7,362
1986	7,567
1987	7,540
1988	7,546
1989	7,307
1990	7,188
1991	7,029
1992	6,743
1993	6,576
1994	6,376
1995	6,095
1996	5,680
1997	5,278
1998	4,943
1999	4,457
2000	4,231
2001	4,341
2002	4,060
2003	3,923
2004	3,817
2005	3,516
2006	3,467
2007	3,466

## **House Finance and Taxation Committee**

March 9, 2009

Senate Bill 2402

## **Testimony of David Hogue in support of Senate Bill 2402**

9 Chairman Belter, and members of the House Finance and Taxation Committee,  
10 good morning. My name is David Hogue. I am a Senator from District 38 which  
11 includes northwest Minot and all of Burlington North Dakota.

I introduced SB 2402 because I strongly support property tax relief. I regard property tax relief as one of the top priorities of the 61<sup>st</sup> Legislative Assembly.

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5       Mr. Chairman and Committee members, I suspect property tax relief is a bipartisan  
6       priority this session. Passage of SB 2402 is an important component to property tax  
7       relief. Because SB 2402 targets those who need the relief the most, I urge you to give it  
8       favorable consideration.

9       In the Senate, SB 2402 received unanimous do pass recommendations from both  
10      the Finance and Taxation Committee and the Senate Appropriations Committee. It also  
11      received a unanimous 46-0 vote from the North Dakota Senate.

12       I am attaching to my testimony two pages from our reference materials provided  
13      by the ND Tax Commissioner. In virtually every major city in North Dakota, you can see  
14      that the taxes on a \$100,000 house are in the \$150 per month range; while a \$ 70,000  
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19      65% of eligible exemptions. This is now the appropriate time to adjust these income  
20      limitations.

21       This concludes my testimony. Thank you.

**TESTIMONY OF THE OFFICE OF STATE TAX COMMISSIONER  
BEFORE THE  
HOUSE FINANCE AND TAXATION COMMITTEE**

**SENATE BILL 2402**

**MARCH 9, 2009**

Chairman Belter, members of the House Finance and Taxation Committee, I am Marcy Dickerson, State Supervisor of Assessments and Director of the Property Tax Division for the Office of State Tax Commissioner, and I am here today on behalf of the Commissioner to offer an amendment to Section 2 of Senate Bill 2402. The proposed amendment is attached to my testimony.

The amendment to Section 2 of Senate Bill 2402 clarifies that this Act is effective for taxable years beginning after December 31, 2008, for ad valorem property taxes and for taxable years beginning after December 31, 2009, for mobile home taxes. This language is necessary because mobile home taxes are collected for the upcoming year at the same time ad valorem property taxes are collected for the preceding year. At the time homeowners pay 2009 property taxes in January 2010, mobile home owners will pay 2010 mobile home taxes.

Language similar to this amendment was included in homestead credit legislation prior to 2007. In the 2007 bill, that language was inadvertently omitted. However, the program continued to be administered as if the language had been included.

The Office of State Tax Commissioner asks that you approve this amendment.

This concludes my prepared testimony.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2402

Page 5, line 5, after "2008" insert "for ad valorem property taxes and for taxable years beginning after December 31, 2009 for mobile home taxes"

Renumber accordingly