

2013 HOUSE FINANCE AND TAXATION

HB 1044

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee

Fort Totten Room, State Capitol

HB 1044
January 14, 2013
Job #17144

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Bill relating to a residential property tax credit; to provide an appropriation; and to provide an effective date.

Minutes:

Attached testimony #1, 2, 3

Chairman Belter: Opened hearing on HB 1044.

John Walstad, counsel for interim tax committee: The interim committee recommended some alternatives for consideration. A continuation for the mill levy reduction grant program in two forms; a direct buy down 10% against property tax levy by all taxing districts and this bill. This bill is targeted to residential property only and only residential property that is somebody's primary residence. You can only have one primary residence. So this would not provide any property tax relief for nonresidents. That has been an issue of deliberation for at least three legislative sessions when the legislature was looking at ways to provide property tax relief. The mill levy reduction grant program which is a vehicle from the last two sessions that provides up to 75 mills buy down on school district property tax. It does provide a benefit to all property owners including nonresidents. The interim committee recommended this approach for consideration during the session. It is intended to be in addition to a mill levy reduction grant program so that the mill levy reduction grant program will provide relief for all types of property. This could target relief to residential property to North Dakota residents only. So let's take a look at the bill. The first subsection on page one is critical because it lays out the measure of property tax relief for residential property. On line 8 an individual gets a reduction of \$3,375 of taxable valuation of individual's primary residence. This means that is a true and full value of \$75,000. Under this program the state would pay the property tax levy by all taxing district on your primary residence in North Dakota for \$75,000 of value of your property. All the mills up to that point the state would take care of. In addition for an individual aged 65 or older on lines 11 and 12 \$5,625 taxable value. That is \$125,000 true and full reduction that the state would pay tax on. The last part of subsection 1 that the reduction available to an individual under this section is in addition to any homestead credit for those 65 years or older or those that are permanently and totally disabled with limited income and the disabled veterans credit. Those credits if a person is entitled to them would be subtracted first then this credit would be added to that. This credit wouldn't wipe out your homestead credit or your disabled veterans credit. There is no disability requirement, no assets test, no income limit; just

North Dakota residents. On page 3 subsection 10 on line 7 obviously there would be some concern that some individuals might want to cheat. If you have a home in Minot and at a lake home here's the penalty that applies; if you try to claim it for more than one residence in the same year you lose all of the benefit and you lose any future benefit for two years for this credit. The appropriated amount is \$384 million for the biennium. That estimate assumed that the mill levy reduction grant program is extended based on the same terms that it was before.

Chairman Belter: This doesn't pertain to commercial property?

John Walstad: Absolutely not. This is limited to residential and not all residential, just primary residence.

Chairman Belter: Residential rental does not qualify?

John Walstad: No. It has to be single family.

Representative Zaiser: Was there any discussion in the interim committee about making the penalty harsher? I think it's not a very harsh penalty when you consider that a lot of people think they can get by with it.

John Walstad: There was discussion about adding a penalty and I drafted the language in here. I guess there really wasn't any further discussion on that. It is certainly a topic for consideration during the session.

Representative Drovdal: In relation to the homestead tax credit plus this credit being proposed here, that's not a refundable credit is it for property tax payers?

John Walstad: Good question. No. Neither would be a refundable credit. Homestead credit is not, disabled veterans are not, and this one is not. If the combination of those credits brought your home value down to zero that is the lowest it could go. We wouldn't start taking a negative value and giving you money back for that.

Representative Drovdal: We just had testimony on a previous bill on homestead tax credit for renters. If there is no property tax being paid for a condo, does the property tax credits still go out to those renters?

John Walstad: I really scrutinized that renter credit portion. I don't know if you have to be renting taxable property. I see Marcy's head nod so I'm convinced.

Representative Marie Strinden: Does the language of this bill provide for married couples?

John Walstad: On page 2, line 9, there is a provision. This is essentially the same provision that's in the homestead credits. Individuals residing together who are not spouses or dependents who are co-owners of the property are each entitled to a percentage of the full reduction under this section. So it's 50-50.

Representative Marie Strinden: So then they could claim 50% of another property?

John Walstad: No. You only get the credit against one property of the primary residence only. The one you live in most of the time is the only place you could receive it.

Representative Owens: Where in here is the recertification of the property?

John Walstad: On page 2, subsection 5 line 14 applicants have to sign and file claims by March 1 of the year to which the reduction is claimed verifying eligibility. It would be an annual filing requirement.

Representative Kelsh: Was there any other discussion on this bill replacing the current buy down that would pay attention or a supplement

John Walstad: There was a lot of deliberation during the interim. This committee ultimately recommended some optional provisions. Some of them include a stand-alone approach, some of them that could be combined. This one was viewed as one that could be combined with the mill levy reduction grant program to target more property tax relief for residents. If this were to replace the mill levy reduction program it's a rough guess that the fiscal note would probably have to increase substantially.

Susan Beehler, small business owner and part-time employee for an international company and serves on West Central Human Services regional council for Morton County: I'm a homeowner in Mandan. Please refer to attached testimony #1.

Vice Chairman Headland: You're testifying in support of the bill but you essentially had disagreements with every section. As a business owner and I don't know if you own any property but your business is located in Mandan, shouldn't all classes of property receive sustained benefits of \$8 used to buy down property taxes? Shouldn't all classes of property be treated fairly because they're paying for the very same services?

Susan Beehler: Yes, I do think that. But it is not I that set up the system that gives exemptions to business and not to homeowners. That has been done on the government level here. If you want all to be in it then it should all be in the property tax code or a credit. I wouldn't mind seeing that in there because every dollar that you're paying for a tax is one less dollar that you have to invest in your business, just like it is for a homeowner to invest in their budget. I agree with you.

Vice Chairman Headland: That is true; however, any business that is receiving an exemption because some political subdivision has authorized that is not getting any relief by any of the property tax relief.

Susan Beehler: If it would be schools it would be. If they're not paying a tax then why would they need relief? I think that if they're paying the tax and after their property tax exemption runs out and you want to have some credit for that I think that would be fair. But I think what would even be more fair is if we just get rid of property tax and go with whatever the government in that local area wants to use as a taxing mechanism.

Representative Zaiser: I thought one of your points had some merit where maybe somebody should get some exemption but I thought listing that and all other entities seems to me that it would take so many people to administer that and the costs to the government would go up so much that you would almost defeat the fact.

Susan Beehler: I don't know what agency you're thinking of working with that. I do know that human services have forms that you can fill out. I know that form could come back to the county or to the property tax division in the state. We already have that infrastructure set up to take those forms. A form is filled out every time you give a property tax exemption for a commercial business or for those homeowners.

Chairman Belter: Any further testimony in support?

Sandy Clark, North Dakota Taxpayers Association: I am in support of HB 1044. We will support that calls for property tax relief. But we assume that there will be many bills that will be related to property tax relief and the differences will be in the approach to delivering and calculating them. We are not married to any particular bill at this time. We want to be able to hear all the bills. Through the years we have heard a lot of conversation about the major challenge with the property taxes is rapid increases in property valuations. We've heard from time to time folks that suggest freezing valuations. We are opposed to freezing valuations so we look at this method and prefer the method of this property tax credit by reducing the taxable valuation at a uniform level. We are concerned with property tax relief mechanism of a buy down or replacement dollars or whatever it might be without some mechanism on the local level to have a base budget with some kind of a threshold or we will just see property taxes go back up. At the property tax overview the other day the thing I found to be most revealing were the graphs they had that showed when you started the property tax buy down on mills that graph went up. I think that's a real concern.

Chairman Belter: Further testimony?

John Godfread, Greater ND Chamber of Commerce: Refer to attached testimony #1.

Chairman Belter: Are there any questions? Any further testimony in favor? Any testimony in opposition?

Julie Ellingson, Stockman's Association: Property tax relief is a major concern of our members and has been for a long time. This is a bill we support in concept. We believe strongly that any property tax relief plan should be equitable across all property types. We encourage you to keep that in mind as you weight those options.

Chairman Belter: Are there any questions? Any other opposition? Any neutral testimony?

Jerry Hjelmsted, North Dakota League of Cities: I just wanted to point out one concern that wasn't expressed to us about the bill. On page 2 lines 14-17 the annual claim form that's required the taxpayers' facts. It would be an extra burden on the taxpayers to have to file this claim form every year. It also puts a burden on the assessors' part dealing with

thousands of claim forms that would be filed on an annual basis. The form was based on a one time filing unless they change ownership that has a change in the status of the property or they wouldn't require another claim form because at this point the claim form would be filed.

Scott Rising, Soybean Growers: I am as well conflicted. I was going to stand in opposition of this understanding or certainly hoping that this is part of the bigger mix of property tax relief and this might very well be one element of it.

Chairman Belter: Any further neutral testimony? I have been asked to keep this hearing open as Kevin Ternes wants to testify but is held up in another committee. Ended hearing for now.

Kevin Ternes, Minot City Assessor: Refer to attached testimony.

Chairman Belter: Closed hearing on HB 1044.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1044
January 16, 2013
Job #17269

Conference Committee

Committee Clerk Signature

Mary Bruker

Explanation or reason for introduction of bill/resolution:

A Bill relating to residential property tax credit.

Minutes:

No attachments.

Chairman Belter: Opened hearing on 1044.

Representative Drovdal: Made motion for DO NOT PASS.

Representative Dockter: Seconded motion.

Representative Drovdal: I'd like to see property tax reduced across North Dakota but this is actually spending money. It's not reforming the property tax and not putting any controls on the property tax spending; it's just going to dig us deeper in the hole. We have a number of bills coming forward and maybe this will be the best idea and if it is it will be tacked on one of the other bills. But I think right now it's not the answer to reforming the property tax that we need to do on the state level. We need to figure out how to control the rising cost of property tax.

Representative Zaiser: I'm going to resist the do not pass and support it because I think this is the cleanest and clearest way to provide a tax cut granted it's not reforming the tax code. But I don't think most of us came out here with the intent of reforming it. I know there is some concern of commercial businesses and corporations aren't included. Well if corporations have people then they get the break in their home. From the people I talked to in Fargo in the past when there were reductions in taxes they didn't notice it. To me this is going to be the cleanest way for the taxpayer to see that they've actually gotten a tax reduction. I would hope this committee would support this bill and resist a do not pass.

Vice Chairman Headland: I'm going to support the do not pass. I disagree with my good friend, Representative Drovdal. I believe this is the most unfair property tax relief bill that I've seen because it is applied only to residential property and it does nothing to address the concerns and the services that commercial and agriculture property pays. I just cannot support this concept.

Chairman Belter: I don't believe that there is any income qualification here either for people over the age of 65 and that's why I oppose it.

Representative Froseth: This is over and above any other homestead credit programs would have in place now and that would stay in place.

Chairman Belter: That's correct and I believe that in these credits we really need to, if possible, have across the board property tax relief to all property tax payers that is equitable. Secondly, I'm not really convinced even though I'd be a real beneficiary of this but it troubles me that those of us over 65 years old would get an additional property tax break with no income qualifications. Some of us have the ability to pay our property tax. In the community I live in a lot of my neighbors have young children and they've got a lot of expenses that I don't have any more and yet they don't get the break and I do and I don't think that's right. This is why I am going to oppose this.

Representative Zaiser: I just wanted to respond to a few of the comments when they said it's unfair for corporations and businesses are not getting the breaks but they are getting them in residences; they live too but are not getting a double tax break. I think it is really skewed to the individual and that's why I think it is fair. Everyone who lives in a unit, no matter if you have four homes you're only going to get credit for one home.

Chairman Belter: There is one issue I would like to bring up to committee members. It may not make such a big difference but in cities like Fargo or Grand Forks but if you go into the more rural areas of North Dakota and you take the first \$75,000 off for everybody and \$125,000 for those who are over 65 years then you have these small towns that are zero tax which shifts the whole tax of the small towns which I don't think is necessarily fair. There is a problem in these small towns because they don't have any valuation in those homes.

Representative Marie Strinden: There's also a small problem in towns of everyone wanting to move to the cities and those small towns not having the population they need. This could be an incentive for people to move back to the small towns and the neighborhoods where they have that neighborhood feel which makes North Dakota so great. Also, I really like this bill because I think that everybody deserves a place to live and the American dream is that everybody should be able to own their own home. This bill is providing for everyone to have that basic home where you don't have to worry about your home being taken away from you if you can't pay your taxes. I like the idea that if you want a bigger more expensive home paying property taxes and if you want a basic home because we want our North Dakotans to be home owners then this would provide for that. I really like the bill.

Chairman Belter: Will the clerk read the roll for a DO NOT PASS.
10 YEAS 4 NAYS
Representative Froseth will carry the bill.

FISCAL NOTE
Requested by Legislative Council
01/02/2013

Revised
 Bill/Resolution No.: HB 1044

- 1 A. **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.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations			\$384,000,000			

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

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

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

HB 1044 creates a residential property tax credit for residents of the state equal to the tax on the first \$75,000 of valuation for a person's primary residence, and up to \$125,000 of valuation for a person's primary residence if they are age 65 or older.

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

Section 1 of HB 1044 creates the residential property tax credit and authorizes the state to reimburse the counties for the amount of the credit. The bill also provides for the payment of the one-mill state medical center fund levy that would be due on the valuation reduction allowed in this bill, holding the medical center fund "harmless". The total amount of property tax credit created by HB 1044 is estimated to be \$384 million for the 2013-15 biennium. This fiscal impact assumes the continuation of the existing mill levy reduction grants at the current level.

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.*

Section 2 of HB 1044 appropriates \$384 million from the state general fund to the state treasurer for purposes of payments to counties in the amount of the residential property tax credit.

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 01/06/2013

Date: 1-16-13
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1044**

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By R. Drovdal Seconded By R. Dockter

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter	✓		Rep. Scot Kelsh		✓
Vice Chairman Craig Headland	✓		Rep. Steve Zaiser		✓
Rep. Matthew Klein	✓		Rep. Jessica Haak		✓
Rep. David Drovdal	✓		Rep. Marie Strinden		✓
Rep. Glen Froseth	✓				
Rep. Mark Owens	✓				
Rep. Patrick Hatlestad	✓				
Rep. Wayne Trottier	✓				
Rep. Jason Dockter	✓				
Rep. Jim Schmidt	✓				

Total (Yes) 10 No 4

Absent 0

Floor Assignment R. Froseth

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

REPORT OF STANDING COMMITTEE

HB 1044: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). HB 1044 was placed on the Eleventh order on the calendar.

2013 TESTIMONY

HB 1044

#1

Testimony HB 1044 Finance and Taxation Committee

Good Morning Chairman Belter and members of the Committee.

My name is Susan Beehler, I am a small business owner and also work part time for an international company, and serve on the West Central Human Services regional council for Morton County. I am a home owner in Mandan. Since 2005 I have seen three mayors, one keeping his position even after a recall and attended meeting after meeting with many of them affecting the cost for my family to live in their home. Property tax caught my attention when our house payment was about the same or started to exceed our home mortgage payment as our escrow put away each month. Property tax increases were exceeding the percent we were receiving in pay increases, it is unsustainable. This means the government was growing while my spendable income was decreasing. When did it become acceptable for government to get rich at the expense of our citizens?

I urge a do pass on HB1044. I also have some comments.

HB 1044 does give some relief but fails to address some major issues with property tax.

- Property taxpayers in many areas are a minority when it comes to the polls, yet they are paying for a majority of local services used by all, while large apartment developers receive tax exemptions, while corporations such as Wal-mart receive a tax exemption. Any vote for a change in the property tax system may not ever be able to achieve a majority vote because so many have been exempt from paying or many areas government is the largest employer so employees dependent on the property tax for their income may not want to vote for a change because it could affect their pay raises, their income.
- Everyone needs a place to live. If the circumstances of your life such as cancer or a traffic accident affects your ability to work you may be able to negotiate some costs to live, but the property tax if you become behind in three years you could lose your home. There should be a temporary "stay" of property tax when a catastrophic event affects your ability to pay. Walmart can get out of paying their taxes with an exemption, yet someone with a temporary disability cannot have their property tax waived temporarily. A person should not have to choose between a place to live or the treatments they need to survive.
- There is no cap, the ability for a local entity to continue to raise taxes in spite of relief given to tax payers may actually encourage local governments to continue to raise taxes and they may even be required to if home values continue to inflate with the growth we are seeing in our state.
- Property tax cannot support unprecedented growth. Local governments should have the ability to opt or exchange a property tax for the sales tax or a local income tax; income and sales tax grows when the economy grows, property tax just inflates the cost to live in your home, when no extra value is necessarily given for the increased cost and the increase is not based on one's ability to pay so if your communities grow and pay does not for the property owner. The property taxpayer loses while the government does not feel the same "pinch".
- Property tax pays for things like jails/social services but the increase in jail space/services should not be just the homeowners/the property owners plight. Why are not our fines used to pay for more of the expense for jails? Why is a homeowner punished with additional taxes while the criminal is not paying a bigger share? I have been told the state gets the fines, while



our state has a surplus. Why is the homeowner not the state helping by allowing the increase in fines and fees come back to the communities who need?

- The assessor has the most “taxing” power; an unelected official which can be the authority for local taxing for the life of their career. In Mandan we have found it is difficult to fight what you may think is an unfair assessment or an “automatic” home value increase, it is very subjective and they are not required to give a detailed reason why your property and not the neighbors has a 10% increase, just the explanation of a computer model should not be a good enough reason to increase one person’s property on the block. There is very little recourse other than having to expend more resources by hiring an attorney. Just as a form would be provided for this credit, taxpayers should have better access to dispute values and other property tax issues. What is the safeguard for the taxpayer from having an overzealous assessor from inflating the value of your property just because they can?

The average taxpayer does not understand what taxable valuation. The past year in talking with many assessors, a majority when making a quick phone call to several, it is not always clear how taxable value is determined. If I am understanding correctly; the amount of property tax credit would be on \$75,000 value for a primary residence and \$100,000 value for an individual 65 years or older. (Maybe the committee could clarify or explain how taxable value is determine) Also taxable value is used in determining mill level, will these credits be included in determining mill levy?

A new homebuyer in our community receives a property tax exemption so will this credit be in addition to their exemption, so if their home is worth \$150,000 will they get a tax credit on a home value and a property tax exemption, (in our city it is off \$75,000 value) will this bill allow them to give the benefit of both?

I would ask the committee lower the age to 55 and incrementally give a credit or end property tax for those who our aging in our communities, I believe an 85 year old does not put the same demands on the communities infrastructure as younger families. Nursing homes and assisted living homes are many times more expensive than allowing an elderly person to receive care in their home. Many times the property tax required is a motivating factor to leave their home, yet research and surveys shows many want to stay in their homes as long as possible. Eliminating property tax for the elderly may help enable this. Also if you go to our SNAP calculator you can pop in some hypothetical numbers and you will find property tax is considered; depending on the applicants incoming our state through SNAP may already be subsidizing property tax because every dollar spent for a tax is one less dollar for a taxpayer to use for food or other things.

2. How will the primary owner/ resident be determined when often time it is difficult to determine who a corporation actually is? I can see this easily being abused. What will be the proof a member of the corporation is the primary resident?

3. I would like to see it “state not rented to another individual” to allow an immediate family member or heir to rent the residence.



4. How does this work if a couple becomes separated and purchases a different residence or owns multiple properties? Could they claim either residence, how will primary residence be verified through number 5?

12. Special assessments have not been addressed; in Mandan special assessment revenue for our city now exceeds our property tax revenue. I am asking the legislature to put a safeguard in place so local communities could not abuse their taxing authority and attach more taxes to a property through special assessments in place of these credits. Without caps or an exchange dollar for dollar the entity could just been given additional money and still continue to tap the property tax by increasing home values. Mandan does not have a maintenance plan for streets so they have taken and made assessment districts so large, it is difficult to protest them out, they actual draw the district larger if it would protested out so the residents virtually cannot protest them out if they have a life besides fighting city hall. These special assessment districts are becoming larger than our voter turnout. They have circumvented the process to such an extent the only recourse is hiring an attorney. "Locals" need a cap, if a credit is given we need to be assured through law they will not tax us with another tax for the same services property tax was used for.

15. I was wondering if this is a property tax why would an income tax return need to be looked at?

Susan Beehler suzybbuzz@gmail.com 701 220-2297 702 14th ST NW Mandan ND 58554



Testimony of Jon Godfread
Greater North Dakota Chamber of Commerce
HB 1044
January 14, 2013

Mr. Chairman and members of the committee, my name is Jon Godfread and I am here today representing the Greater North Dakota Chamber of Commerce, the champions for business in North Dakota. GNDC is working on behalf of our more than 1,100 members, to build the strongest business environment in North Dakota. GNDC also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce. As a group we agree in principle to reduce property taxes in North Dakota; however we urge this committee to address all classifications of property when it comes to property tax relief.

To provide some background the GNDC was the primary association that led the charge in defeating Measure 2 in the last primary election, that Measure would have abolished property taxes in North Dakota. We intimately understand the property tax issues in our state and were a part of numerous debates and conversations surrounding this topic. We heard from owners of all classes of property and relied heavily on our members to defeat that measure.

We are before you attempting to garner a solution that will satisfy the citizens and businesses of North Dakota. Our understanding is that HB 1044 creates a residential property tax credit for residents of the state equal to the tax on the first \$75,000 of valuation for a person's primary residence, and up to \$125,000 of valuation for a person's primary residence if they are age 65 or older. We believe any property tax relief discussions should include all 3 classes of property. Under its current version HB 1044 only addresses residential property, we believe all three classes of property have played an essential role in helping North Dakota to its current budget surpluses and thus should be included in any property tax relief discussions.

It is also unclear if this residential tax credit will be a replacement of the current mill levy buy down program or if this will be in addition to the current program.

We believe that HB 1044 is a good start to the discussion but feel given the state's current economic explosion, its budget surpluses, and the outcry from the citizens and businesses of North Dakota; the amount of property tax relief offered in this session should be larger. We will have a proposal coming forward that will offer an additional \$540M in property tax relief and will include all three classes of property. We feel at the present the state has the money to address one of the largest concerns of the citizens and businesses of North Dakota.

Thank you for the opportunity to appear before you today in support of HB 1044, I urge you to consider the concerns I have laid out and would enjoy the opportunity to continue the discussion on how our state addresses property tax relief. I would be happy to answer any questions.

Champions  Business

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NORTH DAKOTA HOUSE FINANCE AND TAXATION COMMITTEE

1/14/2013

House Bill 1044

TO: House Finance and Taxation Committee Chairman Belter

FROM: Kevin Ternes, Minot City Assessor

Thank you for accepting my testimony regarding HB 1044. As an assessor for one of the larger cities in ND, I would like to offer some concerns about implementing section 5 of this bill regarding an application for the taxable value discount. I understand the intent is to get the reduction in residential property tax to the owner/occupant, however I'm asking the committee for some suggestions on how we might administer such a discount under the proposed language.

In Minot I would estimate about 80% of the homes are owner occupied and therefore I believe we could have approximately 11,000 applications. Our current property files take up about 19 file drawers. I would imagine one year of applications would take up another 10 drawers. We don't have enough room/storage to put one year's applications currently let alone consecutive years. Even if we only kept applications on file for 5 years. I assume we would hire several part time staff to handle the applications for several months to process them.

Section 6 indicates the "assessor shall attach the statement filed under subsection 5 to the assessment sheet".

Most larger assessment offices don't use an assessment sheet per parcel because we are computerized and all annual data changes, and historical records are on computer.

Section 7 now would seem to indicate that the assessor will have a social security number for a taxpayer in their office per parcel and that requires a level of confidentiality that we have not had to deal with as 95% of our records are "open records". It also indicates the county tax director must make forms available to applicants on request. If this is the only way citizens get the form, by going to the county tax director, or requesting them in the mail, in larger cities and counties thousands of people will not get the form filled out in time to get the discount and will be left out of the process.

Section 11 indicates an appeal process through the equalization process and the abatement process. Does this include somebody who did not get their application in by the prescribed deadline of March 1st? If so, that would open up larger cities and counties to thousands of applications for appeal/abatement on an annual basis long after the list of who is getting the discount would be required to be in to the state tax commissioner's office.

It has been my experience that even when you try to give somebody a discount and all they have to do is sign and date a form, it's quite difficult to get the form back on time, signed and dated properly etc. A large percentage of applicants say they never got the form, they mailed it and WE lost it etc.

In summary, I believe the current language of the bill is unworkable and will leave thousands of Minot citizens without the discount because they will either forget to mail the form to us, not understand how important it is or lose the form before it gets to us. In addition, asking for this amount of applications to be filed in an assessor's office will have the staff at risk for people's discount when no form is on file because lack of returning the form. And the end result will be that there will be hundreds and in our case, thousands of angry taxpayers who didn't get their discount.

I'm not sure what the answer is to get a form from everybody who would qualify, but I can assure you that somebody who didn't get a discount because an application wasn't submitted is going to be more mad than if there was no discount to begin with. If 20% of Minot doesn't return the form, that's close to 2,000 angry taxpayers. Last month I only had about 15 angry taxpayers who were mad about taxes. Not their assessed value, but the taxes owed.

Regarding the application for those 65 years and older, we would ask that you only request the form be filled out one time and from that time onward unless somebody moves, sells, etc. the exemption remains on the property.

We've discussed in our office a solution to getting the form out to people and getting it back could include:

putting it in with the tax statement in December at which point this creates additional cost and labor for the county auditors.

Advertising a website with a link to print the form and mail it in

Give everybody the exemption who currently gets mail at the residence in question

Or possibly if the desire is to give homeowners that reside in the homestead the discount or reduction in taxes, maybe create a separate class of property for taxable valuation that is strictly home owner/occupied that would be determined by the assessor based on information made available to them and which would include something like 40 to 50% less in tax rate than what is used now which would eliminate the use of applications, forms, people saying they mailed the form but didn't, appealing the loss of the discount etc. and would still get the relief to homeowner/occupants of the state.

Thank you for your consideration.