

2013 HOUSE FINANCE AND TAXATION

HB 1045

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1045
January 14, 2013
Job #17145

Conference Committee

Committee Clerk Signature

Mary Bruecher

Explanation or reason for introduction of bill/resolution:

A Bill relating to a state-paid property tax relief credit; relating to contents of property tax statements, priority for delinquent taxes, and the discount for early payment of property taxes; to provide an appropriation; and to provide an effective date.

Minutes:

Attached testimony #1

Chairman Belter: Opened hearing on HB 1045.

John Walstad, Legislative Counsel: Neutral testimony. This is another one of those options that I had talked about previously that the interim committee recommended as a potential vehicle for consideration in how to provide property tax relief. This one makes it pretty straight forward approach. It provides for a 10% property tax reduction on all taxable sorts of property. This is not limited to residential; this would apply to any kinds of taxable property. The bill draft provides for administrative probations. On page 4 it deals with how to treat the 5% discount for early payment of property taxes. This 10% credit is applied to your property tax bill. Then the 5% discount is applied to the remaining balance. In addition at the bottom of page 4 any payment received by a taxpayer or a taxpayer's behalf, if that taxpayer has a delinquent property tax whatever is paid has to go against the delinquency before it goes against the current year tax bill. This bill draft would make an exception to that provision providing that this credit would go against the taxes for the year the credit program is available and would not be required to go back and pick up delinquency on the property. It wouldn't wipe out the delinquency, which would still be the property owner's problem. The credit would go against the current year. On the first page of the draft is an amendment related to property tax statements. There was a requirement in 2009 that the property tax statement had to indicate the legislative property tax relief provided for the parcel of property. In 2011 the mill levy reduction grant program was extended but the language that requires the tax statements was not extended, it had a sunset. The interim committee felt that this statement should be included if this credit is provided. This might be something the committee wants to consider on whatever approach to property tax relief the committee decides to recommend. The way this 10% reduction works is \$200,000,000 is appropriated for two years. That provides 10% property tax reduction statewide. The money would be allocated through the property tax system from the state treasurer to the county treasurer and then allocated against the tax bills of all the taxable property in the county to reduce the bill 10%. The property tax revenue through

political subdivisions would not be reduced this would just replace \$200,000,000. Now another significant thing about this is that this draft came up late in the interim and it didn't have a lot of analysis for the fiscal effect. It was prepared to provide just a 10% reduction then a determination was made that the cost of that would be \$200,000,000.

Representative Drovdal: I have assumed that when we give a 10% mill reduction on this bill or even the last one, that 10% is against all the mills that are imposed on that property or if on the last bill if we get up to \$75,000 then that's a \$75,000 credit on all the mills that are assessed against that property including special mills, is that right?

John Walstad: No, you are correct. The exceptions would be special assessments. None of these relief programs deals with special assessments imposed. The mill levy reduction grant program does not buy down every mill against your property; it only addresses the school district levy against your property.

Chairman Belter: Any further testimony in support of HB 1045?

Jon Godfread, Greater North Dakota Chamber of Commerce: Refer to attached testimony #1.

Scott Rising, Soybean Growers: We are in support of this bill. One reason is that it includes all classes of property. Second is the idea that a tax statement actually shows that in the past it's been kind of a problem of not understanding the property tax relief is in fact being enacted and we are able to take advantage of that.

Chairman Belter: Any further testimony in support of 1045?

Julie Ellingson, North Dakota Stockman's Association: Our organization rises in support of 1045 as it provides relief across all tax sites. It is simple to understand and to administer and certainly preferable over the other option we heard earlier today. We also concur about the tax language that would provide understandability of the bill. We ask for your favorable support of this bill.

Chairman Belter: Further testimony in support of 1045? Any opposition? Any neutral testimony on 1045?

Ralph Mikke, Gladstone, ND: I haven't had a chance to see this bill yet. When we talk about property tax reduction I say it's about time something has to be done. A lot of this is tax shifting because there are no expenditures. One big fault with the property tax over the years is that whenever the valuation has been raised the mill levy has never gone down. It was too easy to raise revenue that way and that's why property tax has turned out to be the monster that it has and is. I think along with that there has to be somehow of holding expenditures down instead of reducing from one pocket and taking more out of another. I see this as lacking in the whole state budget.

Chairman Belter: Any other neutral testimony?

Susan Beehler, Mandan: I wasn't sure if, Representative Drovdal, you were talking mills and taxable valuation and I know that the mills are figured by your taxable valuation. My question on the \$75,000 is that it came on with the mill figure with that \$75,000 in and then subtracted off on your statement. I know that Marcy Dickerson has stated to me that with property tax exemptions what can happen is that the county auditor takes and adds in the taxable valuation and then divide it out to determine the mill levy. Then if that property doesn't pay any taxes on that million it's divided out amongst all the other taxpayers. So depending on that other bill how that would be divided out with the taxable valuation it could increase commercial businesses or other businesses that are paying taxes by picking up the tab for those things. I believe with the appropriation that would take care of that but it needs to be clarified. In our community our mills are going down but what I pay is going up and that's because taxable valuation is going up in that status and is determined to be valued more than the mills. This needs to be clarified in any bill relating to taxable relief. With this bill I could support with the 10% reduction across the board is better than nothing but I prefer the other one in that commercial businesses already have options of getting property tax relief. An idea would be to let the person choose whatever the best tax benefit is best for them. There can be federal tax consequences by eliminating the property taxes for the businesses also. That might be something to consider.

Bev Nielson, North Dakota Counsel of Educational Leaders: If I understand this bill correctly in order to get the 10% residential it needs to be your homestead like in the last one. In order to get the 10% for agriculture only if the person owns at least 20% of the business and manages and owns and occupies a residential property. What I don't find is anything relating to commercial so as I read it right now all commercial would have the 10% whether they are out of state owners or in state owners. I'm looking for clarification on that.

Chairman Belter: I believe that's correct. Any further testimony on 1045? Closed hearing.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1045
February 11, 2013
Job #18692

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Bill relating to a state-paid property tax relief credit; relating to contents of property tax statements, priority for delinquent taxes, and the discount for early payment of property taxes; to provide an appropriation; and to provide an effective date.

Minutes:

Chairman Belter: This was an interim tax committee bill dealing with a 10% reduction on all property.

Vice Chairman Headland: Made a motion for a Do Not Pass.

Representative Klein: Seconded.

Chairman Belter: Any discussion?

Vice Chairman Headland: It doesn't appear this is the direction we are going to move in property tax relief and I think it has to be out today because of the fiscal note. As far as I know nobody provided any work to it so I think it just needs to go away.

Representative Klein: There are a number of bills in other committees related to the same thing so I don't know if we really need this one.

ROLL CALL VOTE TAKEN: 10 YES 3 NO 1 ABSENT

Representative Froseth will carry this bill.

FISCAL NOTE
Requested by Legislative Council
01/02/2013

Bill/Resolution No.: HB 1045

- 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			\$200,000,000			

- 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).

This bill provides state-paid property tax relief.

- 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.

The property tax relief provided in HB 1045 is equal to ten percent of property taxes in most property classes, and covers most property in the state.

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 6 of HB 1045 appropriates \$200,000,000 from the state general fund to the state treasurer for funding state-paid property tax credits.

Name: Kathryn L. Strombeck
Agency: Office of Tax Commissioner
Telephone: 328-3402
Date Prepared: 01/07/2013

Date: 2-11-13
Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1045**

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

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

Motion Made By Rep. Headland Seconded By Rep. Klein

Total (Yes) 10 No 3

Absent |

Floor Assignment Rep. Froseth

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

REPORT OF STANDING COMMITTEE

HB 1045: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (10 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING). HB 1045 was placed on the Eleventh order on the calendar.

2013 TESTIMONY

HB 1045

Testimony of Jon Godfread
Greater North Dakota Chamber of Commerce
HB 1045
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 stand in support of HB 1045.

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.

There are things we like in HB 1045, particularly Section 1 in adding a line item “State-paid Property Tax Relief” to property tax statements, we see this as a good start to clearing up some ambiguity that citizens and businesses seem to have with property taxes. We feel this line item or one similar to it should be included no matter what mechanism of property tax relief is being offered.

However, it is unclear if HB 1045 will be a replacement of the current mill levy buy down program or if this will be in addition to the current program.

We support HB 1045 in that it addresses all classes of property. While this is a proper starting point for the property tax relief discussion, we feel that 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 should be larger. We will have a proposal coming forward that will offer an additional \$540M in property tax relief. We feel at 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 1045, I urge you to consider the concerns I have laid out and would enjoy the opportunity to continue the discussion on how our state address property tax relief. I would be happy to answer any questions.