

2013 HOUSE FINANCE AND TAXATION

HB 1221

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1221
January 22, 2013
Job #17507

Conference Committee

Committee Clerk Signature

Mary Brueker

Explanation or reason for introduction of bill/resolution:

A Bill relating to an income tax credit for renters of residential property.

Minutes:

No testimony attached.

Chairman Belter: Opened hearing on HB 1221.

Representative Hatlestad: Introduced bill. The idea of the bill is that renters felt that in the property tax buy down they had been excluded as they had not seen any benefit from those property tax buy downs. This bill is designed to give them the opportunity to acquire 5% as a tax credit. They felt they had the right to participate in the state's generosity.

Chairman Belter: Any further testimony in support of 1221? Any opposition to 1221? Any neutral testimony?

Rocky Gordon, Lobbyist for the North Dakota Apartment Association: We are neutral on this bill. We've had bills last session that we opposed because of the administrative burden it placed on the landlord or the owner of the property. This bill does not do that as we read the bill. We had one concern on line 13 it talks about "which may include a statement from the lessor of the amount of rent paid by the lessee of the dwelling during the taxable year." Maybe that language is clear enough but one of the things we thought of was that residents who receive section 8 housing get a subsidy and it might be unclear if they are paying that rent and can claim the credit. We thought to clarify it to say "paid by the taxpayer." In other words in the section 8 vouchers if the rent is \$600 a month they may receive a subsidy from the Housing Authority of \$300 and end up paying \$300 out of their own pocket. Our assumption is that the bill is intended that they just calculate their credit based on the \$300. We are not opposed to residents receiving a tax credit.

Representative Klein: Doesn't the apartment association take into account the total costs and when they get credits isn't that passed along to the renters?

Rocky Gordon, Lobbyist for the North Dakota Apartment Association: That is true but particularly in the western part of the state where supply and demand took over and the supply was so short and the demand was so aggressive that rents went up rather markedly. We still believe in the free market and it is working up there. There are a lot of

units being built in the market that will sort of bring it back to equilibrium but that takes a little time. Things probably got out of the free market normal up there but they are shaking out to where we'll be back there.

Representative Marie Strinden: Five percent of the first \$7,200 is \$360. How do you guys feel about that amount; too small, right amount, too much?

Rocky Gordon, Lobbyist for the North Dakota Apartment Association: We didn't really take in the amount. As I understand it is a credit so it is fairly considerable to somebody who has a fair amount of income. There were bills in the past that we opposed because we thought the administrative burden was too much for a credit of \$120 but \$360 is a fair amount of money.

Chairman Belter: Any other questions? Any other neutral testimony on HB 1221? As stated earlier we will keep the hearing open as we wait for testimony from Representative Delmore next week.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1221
January 28, 2013
Job #17831

Conference Committee

Committee Clerk Signature

Mary Bruker

Explanation or reason for introduction of bill/resolution:

A Bill relating to an income tax credit for renters of residential property.

Attached testimony #1, 2

Minutes:

Chairman Belter: Re-opened hearing on HB 1221.

Brett Weber, City Councilman: See attached testimony #1. I'm here for the mayor of Grand Forks and the Grand Forks City Counsel asking for support. This would give a tax credit equal to 5% of the first \$7,200 rent paid during a taxable year with a maximum of \$360. This is an important step in tax relief across the board in our community. Grand Forks has over 10,000 rental units in the city with over 900 units either in construction or in the planning stages. We've had an increase in home ownership of nearly 5% during that period but the number of renters has gone up 20 percent. In Grand Forks renters represent a large portion of our population and renters don't always see the benefits of property tax relief. In the larger process of offering tax relief to the citizens of North Dakota this bill helps to assure relief includes all working families and especially those with young children. The city of Grand Forks recently completed a housing study by our Blue Ribbon Commission on Housing that revealed the affordability of housing both home ownership and rentals is a concern much like other communities in our state. In Grand Forks 51% of the renters pay over 30% of their income towards rent. The average rate in our region is 42% which is still higher than national rates. This bill could provide some of the tax relief the legislature has worked so hard to provide to those who are currently falling through the cracks of other forms of tax relief. Tax relief for renters has a significant impact to our community because this relief allows for additional spending for other necessities. We believe it will help with home ownership as it allows renters to save up for that all important down payment.

Vice Chairman Headland: Should we replace the property tax relief that goes to the owner of the building now and give it to the renter? Or should we double up the cost of providing relief all around and give it to both?

Brett Weber: The state of Minnesota currently has a complicated mechanism which is actually quite onerous on landlords. That was intentionally left out of this bill. This is just an attempt to make sure that both property owners and renters are getting relief.

Vice Chairman Headland: Have you got a suggestion on where we find the \$62 million?

Brett Weber: My understanding is that the state is currently interested in offering tax relief to the citizens of North Dakota and a major mechanism for that has been property tax relief. This is just an attempt to recognize that the current efforts are excluded a large number of our citizens and to address them.

Vice Chairman Headland: Renters don't pay property tax.

Brett Weber: Clearly renters are taxpayers in our state and if we're interested in tax relief this is one segment of the population that is being overlooked by our current mechanism.

Representative Zaiser: Isn't it the case that property owners or apartment owners indirectly pass on their property tax costs to the renters?

Brett Weber: We might hope that when landlords receive that property tax relief they would pass that savings on to the renters. That has not been our experience and I believe that is an important part of the spirit of this bill.

Representative Zaiser: The property cost now that they incur are passed on to the renters in most cases.

Brett Weber: Correct. If property taxes rise then rents rise. Currently property taxes are being lowered, rents are not being lowered and the intention of this bill is to address the inequity.

Chairman Belter: Closed hearing for now until this afternoon.

Vice Chairman Headland: Re-opened hearing on HB 1221.

Representative Delmore: Introduced bill. While we as a legislative body have worked to bring property tax relief to the citizens of North Dakota I believe there is one group who has not benefited from our efforts, they do not own homes but they live and work in our communities, pay taxes, are productive citizens; they are our renters. Some might argue that property tax relief is passed on to these people but I don't believe that is true. Rents in my city are as high and higher than most cities in North Dakota and they continue to rise. HB 1221 seeks to remedy this situation by offering a credit of 5% of \$7,200 in rent this equates to a rental rate of only \$600 per month, far below what most people pay in rent.

The allowable credit is \$360 per year and is nonrefundable. The taxpayer must have a liability of at least \$360 to utilize the full credit. I tried to have legislative council draft the cleanest and straight forward bill that they could to address the issue. It's been addressed in many states, some of them in a very complex manner. I'm open to amendments if the committee feels it would be more consumer friendly. I believe it's a bill about tax relief fairness. Please give every consideration to a Do Pass recommendation.

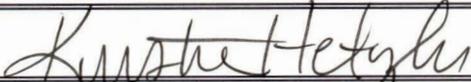
Vice Chairman Headland: If there are no questions we will close the hearing on HB 1221.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1221
February 6, 2013
Job 18431

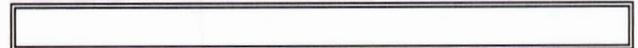
Conference Committee



Explanation or reason for introduction of bill/resolution:

A Bill relating to an income tax credit for renters of residential property.

Minutes:



Chairman Belter: Opens HB 1221.

Rep Drovdal: Moves a Do Not Pass.

Rep Klein: Second.

Discussion:

Rep Kelsh: Why are we going with the do not pass?

Rep Drovdal: Property tax payer's money should not go to the renter.

Rep Zaiser: Often times it is the renters that have not been able to benefit from the ND economy, this would give them a break.

Chairman Belter: Where do you draw the line on a renter? As a farmer, I rent land, or if you're a business man and they are not included. I support the do not pass.

Rep Klein: We are creating another problem; to manage something like this would be impossible.

Rep Headland: I agree with Rep Klein, the other thing is how we determine who is paying the property tax. Income tax reduction is the way to put money back in the hands of the people that need it

Rep Drovdal: Renters benefit because there are good jobs out there, and there are low income rentals out there and we give grants to build low income.

Rep Trottier: This is a credit, is it not? What about individuals that do not pay income tax.

Chairman Belter: Goes over bill.

Vote:

Yes: 9

No: 0

Absent: 0

Carried by: Rep Froseth.

FISCAL NOTE
Requested by Legislative Council
01/15/2013

Bill/Resolution No.: HB 1221

- 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			\$(62,100,000)			
Expenditures						
Appropriations						

- 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 1221 provides an income tax credit for renters.

- 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.*

HB 1221 provides an individual income tax credit to resident taxpayers who rent their primary residence. The credit is 5% of rent up to a maximum credit of \$360 per tax year. The credit is limited to the taxpayer's net tax liability.

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.*

If enacted, HB 1221 is expected to reduce state general fund revenues by an estimated \$62.1 million in the 2013-15 biennium.

- 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

Telephone: 328-3402

Date Prepared: 01/21/2013

Date: 2-6-13
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1001**

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 Rep. Drovdal Seconded By Rep. ~~St~~ Klein

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) 9 No 5

Absent 0

Floor Assignment Rep. Froseth

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

REPORT OF STANDING COMMITTEE

HB 1221: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1221 was placed on the Eleventh order on the calendar.

2013 TESTIMONY

HB 1221



Michael R. Brown
Mayor

City of Grand Forks

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Testimony in SUPPORT of HB 1221

**Michael R. Brown, Mayor
Grand Forks, North Dakota**

**House Finance and Tax Committee
Representative Wes Belter, Chairman**

Monday, January 28, 2013

Good morning Chairman Belter and Members of the House Finance and Tax Committee. I am Bret Weber City Council Member for the City of Grand Forks and I'm here on behalf of the Mayor of Grand Forks and the Grand Forks City Council. I'm here today to ask for your support and a DO PASS for House Bill 1221.

House Bill 1221 gives a tax credit equal to 5% of the first \$7,200 rent paid during a taxable year. The City of Grand Forks feels this bill takes a great step towards across the board tax relief in our community.

Grand Forks has over 10,000 rental units in the city with over 900 units either under construction or in the planning stages. From the years 2000 – 2010 Grand Forks saw a growth of home ownership of nearly 5% while the number of those renting went up by nearly 20% during the same timeframe. In Grand Forks, renters represent a large portion of our population. Renters don't always see the benefits of property tax relief. HB 1221 can fill that gap.

The City of Grand Forks recently completed a housing study by the Blue Ribbon Commission on Housing that revealed that the affordability of housing (both home ownership and rentals) is a concern, much like other communities in our state. For instance, 51% of the renters in Grand Forks pay over 30% of their income towards rent. The average in our region is 42% of renters paying over 30% of their income towards rent. HB 1221 can

#1
P. 2

provide some of the tax relief the legislature has worked so hard to provide to those who are falling through the cracks of other forms of tax relief.

Furthermore, tax relief for renters has a significant impact to our community because this relief allows for additional spending for other necessities. Finally, we believe HB 1221 will help with home ownership as it allows renters to save up for the all-important down payment.

For these reasons we recommend a DO PASS by this committee for HB 1221. Thank you once again for your consideration.